DUKE UNIVERSITY

OMB Circular A-133 Reports

Year ended June 30, 2012

EIN #1 – 56-053-2129

DUKE UNIVERSITY

OMB Circular A-133 Reports

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees of Duke University:

We have audited the accompanying consolidated balance sheet of Duke University (Duke) as of June 30, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of Duke's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Duke's 2011 consolidated financial statements, and in our report dated September 27, 2011, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Duke'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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2012 on our consideration of Duke's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

October 2, 2012

Consolidated Balance Sheet

JUNE 30, 2012
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2011)
(DOLLARS IN THOUSANDS)

	2012	2011
***Assets*:**		
Cash and cash equivalents	$ 526,160	$ 324,174
Patient receivables, net	287,120	279,777
Other receivables, net	266,053	253,910
Prepaid expenses, deferred charges, and inventories	143,880	324,049
Contributions receivable, net	315,645	278,720
Student loans receivable, net	40,743	41,473
Investments	8,733,388	9,117,194
Deposits with bond trustees	230,282	92,261
Land, buildings, and equipment, net	2,979,525	2,698,715
Interests in perpetual trusts held by others	647,713	684,341
Other assets	643	1,394
Total assets	$ 14,171,152	$ 14,096,008
Liabilities:		
Accounts payable	$ 402,050	$ 365,645
Accrued payrolls and employee withholdings	267,345	268,899
Deferred revenues and deposits	169,908	197,065
Notes and bonds payable	2,652,451	2,353,664
Annuity and other split-interest obligations	42,888	38,637
Accrued postretirement/postemployment and other benefit obligations	497,194	296,345
Other liabilities	335,951	264,405
Total liabilities	4,367,787	3,784,660
Net Assets:		
Unrestricted:		
Net assets controlled by Duke	5,089,219	5,533,449
Net assets related to noncontrolling interests	363,147	376,736
Total unrestricted net assets	5,452,366	5,910,185
Temporarily restricted	2,027,612	2,177,722
Permanently restricted	2,323,387	2,223,441
Total net assets	9,803,365	10,311,348
Total liabilities and net assets	$ 14,171,152	$ 14,096,008

See accompanying notes to consolidated financial statements.

Duke UNIVERSITY

Consolidated Statement of Activities

YEAR ENDED JUNE 30, 2012
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)
(DOLLARS IN THOUSANDS)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2012 Total	2011 Total
Operating revenues:					
Tuition and fees	$ 610,744	$ …	$ …	$ 610,744	$ 572,719
Less student aid	(237,821)	…	…	(237,821)	(216,405)
	372,923	…	…	372,923	356,314
Grants, contracts and similar agreements:					
Government sources	589,013	…	…	589,013	613,322
The Private Diagnostic Clinic, PLLC	99,847	…	…	99,847	100,557
Other	374,572	…	…	374,572	371,633
	1,063,432	…	…	1,063,432	1,085,512
Contributions	88,189	…	…	88,189	102,839
Investment return designated for current operations:					
The Duke Endowment	12,500	…	…	12,500	12,500
Endowment spending	269,582	…	…	269,582	280,011
Other investment income	65,012	…	…	65,012	146,766
Auxiliary enterprises	170,312	…	…	170,312	164,540
Net patient service revenue	2,329,696	…	…	2,329,696	2,139,666
Other	202,439	…	…	202,439	296,996
Net assets released from restrictions	37,839	…	…	37,839	26,622
Total operating revenues	4,611,924	…	…	4,611,924	4,611,766
Operating expenses:					
Salaries and wages	1,973,818	…	…	1,973,818	1,916,436
Employee benefits	461,198	…	…	461,198	437,690
Net postretirement/postemployment benefit expense	4,816	…	…	4,816	6,398
Student aid	34,971	…	…	34,971	33,693
Other operating expenses	1,634,493	…	…	1,634,493	1,577,701
Interest expense	97,166	…	…	97,166	116,826
Depreciation and amortization	279,130	…	…	279,130	275,527
Total operating expenses	4,485,592	…	…	4,485,592	4,364,271
Excess of operating revenues over operating expenses	126,332	…	…	126,332	247,495
Nonoperating activities:					
Restricted contributions	…	64,787	138,496	203,283	184,408
Net assets released from restriction	13,621	(51,460)	…	(37,839)	(26,622)
Investment return (less than) in excess of amounts designated for current operations	(149,609)	(136,270)	13,673	(272,206)	1,272,102
Nonperiodic changes in defined benefit plans	(381,925)	…	…	(381,925)	189,738
(Losses) gains on perpetual trusts held by others and changes in split-interest obligations	…	(203)	(40,890)	(41,093)	111,608
Other, net	(52,649)	(26,964)	(11,333)	(90,946)	(25,672)
Change in net assets from nonoperating activities	(570,562)	(150,110)	99,946	(620,726)	1,705,562
Change in net assets attributable to Duke	(444,230)	(150,110)	99,946	(494,394)	1,953,057
Change in net assets related to noncontrolling interests	(13,589)	…	…	(13,589)	111,838
Change in total net assets	(457,819)	(150,110)	99,946	(507,983)	2,064,895
Net assets at beginning of year	5,910,185	2,177,722	2,223,441	10,311,348	8,246,453
Net assets at end of year	$5,452,366	$2,027,612	$2,323,387	$9,803,365	$10,311,348

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)
(DOLLARS IN THOUSANDS)

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (507,983)	$ 2,064,895
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in net assets related to noncontrolling interests, net	13,589	(111,838)
Depreciation and amortization	279,130	275,527
Nonperiodic changes in defined benefit plans	381,925	(189,738)
Provision for bad debt	118,351	74,169
Change in fair value of derivative instruments	55,188	(23,002)
Loss on disposals of land, buildings, and equipment	2,829	8,176
Contributions of property	(418)	(1,765)
Restricted contributions received for long-term investment and capital projects	(166,358)	(78,881)
Permanently restricted investment return	(13,673)	(22,050)
Permanently restricted losses (returns) on other nonoperating items	9,203	(3,436)
Net realized and unrealized losses (gains) on investments	4,904	(1,616,663)
Losses (gains) on interests in perpetual trusts and split-interest obligations	41,093	(111,608)
Change in:		
Patient receivables, net	(90,319)	(81,445)
Other receivables, net	(11,392)	(46,479)
Prepaid expenses, deferred charges and inventories	(170,595)	(19,798)
Contributions receivable, net	(72,300)	(36,650)
Accounts payable	36,405	14,997
Accrued payrolls and employee withholdings	(1,554)	21,013
Deferred revenues and deposits	(27,157)	2,138
Annuity and other split-interest obligations	(214)	91
Accrued postretirement/postemployment and other benefit obligations	168,375	32,555
Other liabilities	16,358	46,714
Net cash provided by operating activities	65,387	196,922

Consolidated Statement of Cash Flows (CONTINUED)

	2012	2011
Cash flows from investing activities:		
Purchases of investments	(11,687,768)	(12,589,154)
Proceeds from sales and maturities of investments	12,056,312	13,163,911
Purchases of land, buildings, and equipment	(561,310)	(380,703)
Proceeds from disposals of land, buildings, and equipment	289	164
Disbursements for loans to students	(6,251)	(6,796)
Repayments of loans by students	6,981	7,949
(Increase) decrease in deposits with bond trustees	(138,021)	155,822
Net cash (used in) provided by investing activities	(329,768)	351,193
Cash flows from financing activities:		
Restricted contributions received for long-term investment and capital projects	166,358	78,881
Permanently restricted investment return	13,673	22,050
Permanently restricted (losses) returns on other nonoperating items	(9,203)	3,436
Principal payments on notes and bonds payable	(495,939)	(519,590)
Proceeds from borrowings	794,709	13,323
Payments to noncontrolling interests	(12,726)	(11,270)
Proceeds from noncontrolling interests	9,495	64,085
Net cash provided by (used in) financing activities	466,367	(349,085)
Net change in cash and cash equivalents	201,986	199,030
Cash and cash equivalents at beginning of year	324,174	125,144
Cash and cash equivalents at end of year	$ 526,160	$ 324,174
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	$ 96,174	$ 121,642

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(DOLLARS IN THOUSANDS)

Overview of Duke University

Duke University is a private, coeducational, nonprofit institution located primarily in Durham, North Carolina, which owns and operates educational and research facilities (The University) as well as Duke University Health System, Inc. (DUHS). Collectively, the University and DUHS are referred to herein as "Duke." Duke is governed by a Board of Trustees (the Board) with thirty-seven members, consisting of the President of the University and thirty-six members drawn from private, public, and community interests.

The University's programs include undergraduate and graduate programs in Arts and Sciences, Engineering, Nursing, and Public Policy and professional schools in Business, Divinity, Environment, Law, Medicine, and Nursing, as well as programs in Allied Health.

DUHS is a North Carolina nonprofit corporation, organized and controlled by Duke, operating health care facilities including Duke University Hospital, Durham Regional Hospital, Duke Raleigh Hospital, and related health care clinics (see Note 2).

1. Summary of Significant Accounting Policies

A. BASIS OF PRESENTATION

The consolidated financial statements include the University, DUHS and all affiliates of DUHS, and all other entities in which Duke has a significant financial interest and control. All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements have, in all material respects, been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles (GAAP).

Net assets and revenues, gains and losses are classified based on the existence or absence of externally imposed restrictions. Accordingly, net assets of Duke are classified and reported as follows:

Permanently restricted – Net assets subject to externally imposed restrictions that require they be maintained permanently by Duke. Generally, the donors of these assets permit Duke to use all or part of the income earned on related investments for general or specific purposes. Donor-restricted endowments include endowments for instruction, research, and student aid, as well as charitable remainder funds that will ultimately be used to establish a permanent endowment.

Temporarily restricted – Net assets subject to externally imposed restrictions that will be met either by actions of Duke and/or the passage of time.

Unrestricted – Net assets not subject to externally imposed restrictions. Certain net assets classified as unrestricted are designated for specific purposes or uses under various internal operating and administrative arrangements of Duke.

Operating revenues and expenses in the consolidated statement of activities reflect all transactions that change unrestricted net assets, except for realized and unrealized gains and losses on investments in excess of or less than amounts appropriated for expenditure, nonperiodic changes in defined benefit plans, changes in the fair value of derivative financial instruments, and certain non-recurring items.

Revenues from sources other than restricted contributions, certain investment returns, changes in fair value of interests in perpetual trusts held by others, and changes in split-interest obligations are reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate classification of net assets. Contributions which impose restrictions that are met in the same fiscal year they are received are reported as increases in unrestricted net assets.

Gains and losses on investments are generally reported as increases or decreases in temporarily restricted net assets when either time restricted or restricted by explicit external stipulations. However, when such losses result in the market value of a donor-restricted endowment fund declining below the related historic dollar value, the difference between the market and historic dollar values is reflected within unrestricted net assets. Gains and losses on perpetual trusts held by others are reported as increases or decreases in permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the externally stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions between the applicable classes of net assets in the consolidated statement of activities.

B. CASH AND CASH EQUIVALENTS

Cash equivalents include certain assets invested in the Short Term Account (STA), which Duke utilizes to fund daily cash needs. The STA currently invests in short-term U.S. Treasury securities, other short-term, highly-liquid investments, and certain fixed income securities, all of which can be liquidated within thirty (30) days. The investments held in the STA maintain a weighted average quality rating of AA, AA equivalent, or better, as measured by Moody's, Standard and Poor's, and Fitch rating agencies. The STA is expected to generate a return approximating the three-month U.S. Treasury bill rate. Cash and cash equivalents that are part of the University's Long Term Pool (LTP) or the Health System Pool (HSP) are reported within investments, as these funds are not used for operating needs.

C. CONTRIBUTIONS

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions restricted for capital projects and permanent or term endowment funds as well as other contributions which impose restrictions that are not met in the same fiscal year as received are reported as nonoperating revenue. All other contributions are reported as operating revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a risk adjusted rate that could have been obtained at the date of the gift, adjusted based on an analysis of market data for comparable assets. Amortization of the discount is recorded as additional contribution revenue. Allowance is made for uncollectible contributions receivable based upon the administration's judgment and analysis of past collection experience and other relevant factors.

D. NET PATIENT SERVICE REVENUE (NET OF CONTRACTUAL ALLOWANCES, DISCOUNTS AND BAD DEBT EXPENSE)

DUHS recognizes revenue in the period in which services are rendered. DUHS has agreements with third-party payors that provide for payments to DUHS at amounts that are generally less than its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Accordingly, net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others, 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 changes to estimates become known and tentative and final settlement adjustments are identified. DUHS patient accounts receivable are reported net of allowances for contractual adjustments and uncollectible accounts of $485,358 and $453,717 at June 30, 2012 and 2011, respectively. DUHS receives supplemental Medicaid payments from the State of North Carolina through a federally approved disproportionate share program (Medicaid DSH). On March 26, 2012, the federal government approved an amendment to the Medicaid DSH plan that provides a new funding model which employs assessments to all hospitals as a percent of their costs to serve as the source of state funds. The corresponding federal funds received are distributed similarly to the previous plan in a manner designed to mitigate declines in payments to private hospitals under the previous plan. The amendment was effective January 1, 2011. Supplemental Medicaid payments were recognized in income when earned if reasonably estimable and deemed collectible. Amounts recognized in net patient service revenue related to the year ended June 30, 2012 (fiscal 2012) and the year ended June 30, 2011 (fiscal 2011) were $159,811 and $35,160, respectively. The hospital Medicaid assessment payments recorded in other operating expenses were $64,047 for fiscal 2012. There can be no assurance that DUHS will continue to qualify for future participation in this program or that the program will not be discontinued or materially modified.

DUHS recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, DUHS recognizes revenue on the basis of its discounted rates. Uninsured patients receive a discount from billed charges (excluding cosmetic services). On the basis of historical experience, a significant portion of DUHS's uninsured patients will be unable or unwilling to pay for the services provided. Thus, DUHS records a significant provision for bad debts related to uninsured patients in the period the services are provided. Bad debt expense of $82,976 and $74,169 is reflected as a reduction in patient service revenue for the years ended June 30, 2012 and 2011, respectively.

In 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Acts) were signed into law. The impact of the Health Care Acts is complicated and difficult to predict, but it is anticipated that DUHS's reimbursement in the future will by affected by three (3) major elements of the Health Care Acts designed to (1) increase insurance coverage, (2) change provider and payor behavior, and (3) encourage alternative delivery models. Many variables remain unknown until implementation by federal and state governments and reactions by providers, payors, employers, and individuals. DUHS continues to monitor developments in healthcare reform and participates actively in contemplating and designing new programs that are required by the Health Care Acts.

The Health Information Technology for Economic and Clinical Health (HITECH) Act that was enacted as part of the American Recovery and Reinvestment Act of 2009 was signed into law in February 2009. In the context of the HITECH Act, DUHS must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption and "meaningful use" of health information technology (HIT). The HITECH Act includes significant monetary incentives and payment penalties meant to encourage the adoption of EHR technology. DUHS began the full enterprise wide EHR system implementation in fiscal 2012. It is anticipated that the implementation of a unified EHR will move DUHS into compliance with the Meaningful Use objectives mandated in the HITECH legislation.

E. INVENTORIES

Inventories are included in prepaid expenses, deferred charges, and inventories on the consolidated balance sheet, and primarily include drugs and supplies. Inventories are valued at the lower of average cost or fair value.

F. FAIR VALUE MEASUREMENTS

The carrying amounts of cash and cash equivalents, patient receivables, and other receivables approximate fair value because of the terms and relatively short maturity of these financial instruments. Investments, deposits with bond trustees, certain prepaid items, derivatives, and interests in perpetual trusts held by others are reported at fair value as of the date of the consolidated financial statements. The carrying amount of student loans receivable under Duke loan programs approximates fair value due to the rates and the relative short-term nature of the loans.

The carrying amounts of accounts payable, accrued payroll and employee withholdings, and related accruals approximate fair value because of the relatively short maturity of these financial obligations. The carrying amount of notes and bonds payable with variable interest rates approximates fair value because the variable rates reflect current market rates for bonds with similar maturities and credit quality. The fair value of notes and bonds payable with fixed interest rates is based on rates assumed to be currently available for bond issues with similar terms and average maturities. The estimated fair value and carrying amount of these fixed rate bonds payable at June 30, 2012 approximated $1,963,852 and $1,759,760, respectively. The estimated fair value and carrying amount of these fixed rate bonds payable at June 30, 2011 approximated $1,527,519 and $1,495,065, respectively. The carrying amount of annuity and other split-interest obligations approximates fair value because these instruments are recorded at estimated net present value of future cash flows.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level

3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Quoted prices for instruments that are identical or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements.

G. INVESTMENTS

DUMAC, Inc. (DUMAC), a separate nonprofit support corporation organized and controlled by the University, is responsible for managing investment assets for Duke, The Duke Endowment , and the Employees' Retirement Plan of Duke University (the ERP).

Valuation

As of June 30, 2012 and 2011, Duke's investments classified as Level 2 or 3 include \$5.8 billion and \$5.9 billion, respectively, of investments in funds that report a net asset value ("NAV") or its equivalent. Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, Duke has applied a practical expedient and concluded that the NAV approximates fair value.

While Duke's investment in these funds is classified as Level 2 or 3, the underlying investments of the fund may be classified as Level 1 in the fund itself. The classification of an investment within the hierarchy is based upon the pricing transparency or ability to redeem the investment and does not necessarily correspond to the perceived risk of that investment. The management of the funds and Duke use inputs in applying various valuation techniques that are assumptions which market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, operating statistics, specific and broad credit data, liquidity statistics, recent transactions, earnings forecasts, future cash flows, market multiples, discount rates, and other factors.

Investments made directly by Duke whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively traded common and preferred stock, U.S. government fixed income instruments, and non-U.S. government fixed income instruments. Level 1 investments also include futures contracts, listed mutual funds, exchange traded funds (ETFs), and money market funds.

Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. Alternative pricing sources include quotations from market participants and pricing models that are based on accepted industry modeling techniques. These investments include U.S. investment-grade and below investment-grade debt securities, international corporate bonds, mortgage-backed securities, asset-backed securities, senior loans and bank loans, most derivative contracts other than futures, and commingled fund investments that would otherwise be classified within Level 3 but for which Duke had the ability to redeem at NAV on or within three (3) months after the balance sheet date.

Certain investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 investments also include limited partnerships, private placement investments, and commingled fund investments not redeemable within three (3) months of the balance sheet date. Inputs used may include the original transaction price, recent transactions in the same or similar market, completed or pending third-party transactions in the underlying investment of comparable issuers, and subsequent rounds of financing. When observable prices are not available these investments are valued using one or more valuation techniques described below.

- Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Income Approach: This approach determines a valuation by discounting future cash flows.
- Cost Approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV.

Risks

Duke's investments are exposed to several risks, including liquidity, currency, interest rate, credit, and market risks.

Because Duke invests in alternative investments, which can be highly illiquid, there is a possibility that Duke may not be able to rapidly adjust its portfolio holdings in times of high volatility and financial stress at a reasonable price. If Duke was forced to dispose of an illiquid investment, it might be difficult to sell the investment and Duke might have to accept a significant discount to fair value.

Duke holds investments denominated in currencies other than the U.S. dollar. Thus there is exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates. This can have an adverse effect on the reported value of assets and liabilities denominated in currencies other than the U.S. dollar.

Duke's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolios are also subject to the risk where the issuer of a security is not able to pay interest or repay principal when it is due.

The fair value of investments held by Duke may decline in response to certain economic events, including (but may not be limited to) economic changes, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations. Duke attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in Duke's consolidated financial statements.

Investment Pools

Duke utilizes pools known as the LTP and HSP to make University and DUHS investments in diversified portfolios of debt, equity, and other investments. The HSP is structured to provide more liquidity for DUHS than is available within the LTP. Both the LTP and HSP are included in investments on the consolidated balance sheet.

Duke controls a pooled investment vehicle in which The Duke Endowment and the ERP have noncontrolling interests. Certain noncontrolling interests related to a pooled investment vehicle are consolidated in the accompanying financial statements. As of June 30, 2012 and 2011, $363,147 and 376,736, respectively, related to noncontrolling interests, are included within investments on the consolidated balance sheet. During fiscal 2012 and fiscal 2011, the noncontrolling interests contributed $9,495 and $64,085, respectively. Additionally, Duke made payments of $12,726 and $11,270 to the noncontrolling interests. For the years ended June 30, 2012 and 2011, investment (losses) returns related to the noncontrolling interests were ($10,358) and $59,023, respectively. These amounts are included within investments and net assets related to noncontrolling interests on the consolidated balance sheet (see Note 7).

Reporting

All permanently restricted endowment net assets, long-term net assets functioning as an endowment, and invested departmental working capital are managed in the LTP or HSP, unless special considerations or donor stipulations require that they be held separately. Income and realized gains and losses on investments of working capital are reported as investment return included in operating revenues. Any excess of income and realized and unrealized gains earned on investments above the spending rate, including split-interest agreements, are reported as nonoperating revenues.

Derivatives

Derivatives are used by Duke and external investment managers to manage market risks. The most common derivative strategies engaged in are total return swaps, futures contracts, and short sales. These derivative instruments are recorded at their respective fair values (see Note 13).

H. ENDOWMENT

Duke's endowment consists of over 4,000 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Spending Policy

Duke utilizes the total return concept (income yield and appreciation) in the management of its endowment. Duke has implemented a spending policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. In accordance with Duke's policy, a predetermined endowment spending rate consistent with Duke's total return objective has been established and approved by the Board. Should endowment yields prove to be insufficient to support this policy, the balance is provided from accumulated capital gains. Should endowment yields exceed the amounts necessary to attain this objective, the balance is reinvested in the endowment. The endowment spending rate per unit is calculated at 5.5% of the average of the LTP unit market value for the previous three (3) calendar year ends for non-financial aid endowments, and 5.75% for financial aid endowments; subject to a 10.0% maximum annual growth in per-unit spending.

The Board approved per unit spending rate has been unchanged since fiscal 2010 for both financial aid and non-financial aid endowments. For fiscal 2012, the effective spending rate per unit as a percentage of the beginning of year market value was 5.9% for financial aid endowments and 4.6% for non-financial aid endowments. The effective spending rate was 6.8% for financial aid endowments and 5.4% for non-financial aid endowments in fiscal 2011.

Income and realized gains and losses used for the annual distribution under the spending policy described above are reported as investment return included in operating revenues. Income and realized gains and losses on nonpooled endowment funds, any excess (deficiency) of income and realized gains earned over the distributed amount for pooled endowment funds, and unrealized gains and losses on endowment funds, are reported as nonoperating activities.

Additionally, the Board authorized the use of specific amounts of previously reinvested income, capital gains, and principal related to unrestricted funds functioning as endowment for special academic development initiatives and to support the operations and maintenance of certain facilities. The endowment distributions reported in the consolidated statements of activities include supplemental endowment distributions totaling $64,623 and $74,473 in fiscal 2012 and fiscal 2011, respectively.

Return Objectives and Risk Parameters

Duke has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor-specified period, as well as Board designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of 70% of the Russell 3000 and 30% of the Barclays Capital Aggregate Bond Index. Duke expects its endowment funds, over long time periods, to provide an average annual real rate of return of approximately 5.5%. Actual returns in any given year may vary from this amount.

Interpretation of Relevant Law

The Board has decided to continue to require the preservation of the historic dollar value of endowment funds absent explicit donor stipulations to the contrary. Duke therefore classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Appreciation on donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Duke in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The amounts appropriated for expenditure are based on endowment spending rate per unit and the number of units for each fund. The spending rate is approved by the Board as part of Duke's operating budget.

Funds with Deficiencies

From time to time, the fair value of assets associated with a permanently restricted fund may fall below the fund's original value. Deficiencies of this nature are reported in unrestricted net assets, and totaled $5,548 and $1,890 as of June 30, 2012 and 2011, respectively. Subsequent gains that restore the fair value of such funds to the required level will be classified as an increase in unrestricted net assets within the nonoperating activities section of the consolidated statement of activities. As of June 30, 2012 and 2011, the amount of deficiencies that related to donor-restricted endowment funds, excluding charitable remainder funds, was $3,158 and $212, respectively (see Note 11).

I. DEPOSITS WITH BOND TRUSTEES

Deposits with bond trustees consist of debt service funds and the unexpended proceeds of certain bonds payable. These funds are invested in short-term, highly liquid securities and the unexpended proceeds will be used for construction of certain facilities or payment of debt service.

J. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are stated at cost at date of acquisition or fair value at date of donation. Property and equipment under capital leases are initially valued and recorded based on the present value of minimum lease payments. Depreciation is calculated on the straight-line basis over the assets' estimated useful lives, except for leasehold improvements and property and equipment held under capital leases, which are amortized over the shorter of the expected useful life of the asset or term of the related lease. Useful lives range from 5 to 25 years for land improvements, 10 to 80 years for buildings and utilities, 5 to 10 years for computer software, 3 to 20 years for equipment, motor vehicles, furniture and vessels, and 1 year for library acquisitions. Depreciation is not calculated on land, art collections, rare books, and construction in progress.

K. INTERESTS IN PERPETUAL TRUSTS HELD BY OTHERS

The University is the beneficiary of certain perpetual trusts held and administered by outside trustees, including The Duke Endowment (see Note 4). These trust interests are reported at fair value, based on the value of the underlying assets, which approximates the present value of future income from these trusts. The related net assets are classified as permanently restricted. Income distributions from these trusts are recorded as investment return designated for current operations.

L. SPLIT-INTEREST AGREEMENTS

Duke's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts for which Duke serves as trustee. Assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors or other beneficiaries. Annuity and other split-interest liabilities are recorded at their present value.

M. INSURANCE

Insurance liabilities are recorded based upon the claim reserves considering historical claims experience, demographic factors, severity factors, expected trend rates, and other actuarial assumptions. To mitigate a portion of its insurance risks, Duke maintains insurance for individual claims exceeding certain self-insured dollar limits. Provisions for estimated losses in excess of insurance limits are provided at the time such determinations are made. The reserves associated with the exposure to these liabilities, as well as the methods used in such evaluations, are reviewed by the administration for adequacy at the end of each reporting period and any adjustments are reflected in operating expenses.

N. REFUNDABLE FEDERAL STUDENT LOANS

Funds provided by the United States Government (U.S. Government) under the Federal Perkins, Nursing, and Health Professions Student Loan programs are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the U.S. Government. The related balances of $34,288 and $34,538 at June 30, 2012 and 2011, respectively, are included in other liabilities on the consolidated balance sheet.

O. TUITION AND FEES

Student tuition and fees are recorded as revenue during the year that the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Student aid provided by Duke for tuition and fees is reflected as a reduction of gross tuition and fee revenue. Student aid does not include payments made to students for services rendered to Duke.

P. SPONSORED RESEARCH

Research grants and contracts normally provide for the recovery of direct and facilities and administrative costs, subject to adjustment based upon review by the granting agencies. Duke recognizes grant and contract revenue as the related direct costs are incurred. The recovery of facilities and administrative costs is recognized based on predetermined rates negotiated with the U.S. Government through the year ending June 30, 2013 (fiscal 2013). Facilities and administrative cost recovery revenue for the academic and support divisions of Duke were $185,943 and $191,839 in fiscal 2012 and fiscal 2011, respectively.

Q. AUXILIARY ENTERPRISES

Auxiliary enterprises, including residence halls, food services, retail stores, and telecommunications, furnish services to students, faculty, and staff. Fee charges are directly related to the costs of services rendered.

R. INCOME TAXES

Duke is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the Code). As such, Duke is exempt from Federal income taxes to the extent provided under Section 501 of the Code. Accordingly, no provision for income taxes is made in the consolidated financial statements. As of June 30, 2012, there were no material uncertain tax positions.

S. NEW ACCOUNTING PRONOUNCEMENTS

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities: Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This ASU changed Duke's presentation of provision for bad debts in the consolidated statement of activities from operating expenses to a deduction from net patient service revenue. Duke adopted ASU 2011-07 on July 1, 2011 and for consistency purposes, reclassified the prior year amounts (see Note 1(D)).

T. PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The consolidated financial statements include certain prior year summarized comparative information that does not include sufficient detail to constitute a full presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Duke's consolidated financial statements for fiscal 2011 from which the summarized information was derived.

U. USE OF ESTIMATES

The preparation of the consolidated financial statements in accordance with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. Actual results ultimately could differ from the administration's estimates.

Significant items in Duke's consolidated financial statements subject to such estimates and assumptions include valuations for certain investments without readily determinable fair values, allowances for uncollectible accounts receivable and contractual adjustments, reserves for employee healthcare and workers' compensation claims, accrued professional and general liability costs, estimated third-party settlements, and actuarially determined benefit liabilities related to Duke's pension and other postretirement benefit plans.

V. RECLASSIFICATIONS

Certain June 30, 2011 amounts have been reclassified to conform with changes in classifications adopted in fiscal 2012.

2. Principles of Consolidation

The financial position and results of operations of DUHS and all other entities in which Duke has a significant financial interest are included in the consolidated financial statements herein using presentation generally followed by colleges and universities. All significant intercompany balances and transactions have been eliminated in consolidation.

DUHS consists of:

- **Duke University Hospital** – a quaternary care teaching hospital located on the campus of Duke in Durham, North Carolina, licensed for 957 acute care and specialty beds, leased from Duke, operated by DUHS, providing patient care and serving as a site for medical education provided by the Duke University School of Medicine (School of Medicine), and clinical research conducted by the School of Medicine.
- **Durham Regional Hospital** – a full-service community hospital located in Durham, North Carolina, licensed for 369 acute care beds, leased from Durham County, and operated by DUHS under agreements with concurrent terms of forty (40) years.
- **Duke Raleigh Hospital** – a community hospital located in Raleigh, North Carolina, licensed for 186 acute care beds, leased from Duke, operated by DUHS, and providing patient care.
- **Duke HomeCare & Hospice (DHCH)** – an unincorporated division of the Health System having its principal offices in Durham, North Carolina and consisting of:
  - ➤ **Duke Home Infusion**, a full-range home infusion therapy program serving three (3) states that provides administration of intravenous medications in patients' homes.
  - ➤ **Duke Hospice**, providing hospice services in homes and long-term care facilities in nine (9) counties in central North Carolina, a six (6) bed inpatient facility in Hillsborough, North Carolina, a twelve (12) bed inpatient facility in Durham, North Carolina and offering a full range of bereavement services, including critical incident debriefings, to persons of all ages in central North Carolina who have suffered a loss due to death.
  - ➤ **Duke Home Health**, providing nursing, wound care, rehabilitation, and home health aide services in patients' homes in central North Carolina.
- **Associated Health Services, Inc. (AHS)** – a North Carolina nonprofit corporation that operates an outpatient surgery facility located in Durham, North Carolina, licensed for eight (8) operating rooms, doing business as James E. Davis Ambulatory Surgical Center. During the term of the lease of Durham Regional Hospital, DUHS nominates and appoints a majority of the Board of Directors of AHS.
- **Duke University Affiliated Physicians, Inc. (DUAP)** – a North Carolina nonprofit corporation, doing business as Duke Primary Care, consisting of twenty (20) primary care physician practices located in Alamance, Chatham, Durham, Granville, Orange, Vance, and Wake Counties, North Carolina, five (5) urgent care centers located in Durham and Wake Counties, and a pediatric practice with two (2) locations in Durham County.
- **Duke PRMO, LLC (Patient Revenue Management Organization) (PRMO)** – a wholly-owned limited liability company established to manage the clinical billing and accounts receivable activity of DUHS, the Private Diagnostic Clinic, PLLC (PDC), and the School of Medicine (see Note 3).
- **Durham Casualty Company, Ltd. (DCC)** – a wholly owned subsidiary of DUHS, domiciled in Bermuda, insuring a portion of the medical malpractice risks and patient general liability risks of DUHS clinical providers and the PDC.
- **DLP Healthcare, LLC (DLP)** – a Delaware limited liability company formed in January 2011 to build a network of

community hospitals in North Carolina, South Carolina, Virginia and surrounding areas, although its activities are not limited geographically and it considers opportunities in other regions of the country. DUHS holds a three percent interest in DLP. DLP Partner, LLC, an indirect subsidiary of LifePoint Hospitals, Inc. which is a publicly traded management corporation owns 97% of DLP.

DUHS presents certain components of income such as investment income and unrestricted gifts as nonoperating income in its consolidated statement of operations. These items are reclassified as operating income in the consolidated statement of activities herein to conform to financial statement presentation generally followed by colleges and universities.

Duke Corporate Education (DukeCE) is a support corporation of the University that was created to operate the corporate executive management education business of the Fuqua School of Business. DukeCE designs, develops, and implements customized education experiences for businesses. DukeCE's corporate operations are based in Durham, North Carolina. DukeCE also has international subsidiaries located in England, India, and South Africa.

3. The Private Diagnostic Clinic, PLLC (the PDC)

The PDC is a professional limited liability company consisting of physicians practicing primarily within DUHS facilities and contiguous PDC clinics. The purpose of the PDC is to provide a structure separate from Duke in which the members of the physician faculty of the School of Medicine may engage in the private practice of medicine and still serve as members of the faculty of Duke conducting clinical teaching and medical research. Under a contract between the PDC and Duke, the PDC: (1) makes payments for nonprofessional services and employees supplied by Duke to the PDC; (2) pays rent for the PDC's use of space; and (3) makes payments for the goodwill and other benefits derived from the PDC's association with Duke. A substantial portion of the payments is used by Duke to support academic programs in the clinical departments of the School of Medicine. These payments totaled $65,045 and $74,993 for fiscal 2012 and fiscal 2011, respectively, and are recognized as revenue in grants, contracts and similar agreements in the consolidated statement of activities.

4. The Duke Endowment

Duke is a named beneficiary of The Duke Endowment and receives substantial support from The Duke Endowment in the forms of unrestricted operating support and discretionary grants. Established in 1924 by James Buchanan Duke, The Duke Endowment is a charitable trust created to promote philanthropic purposes by making grants for educational, health care, child care, and religious purposes within North Carolina and South Carolina.

While Duke and The Duke Endowment have a common heritage, each having been founded through the generosity of James Buchanan Duke, they are two (2) separate entities, each with its own purposes, office, officers, and trustees. The Duke Endowment has been required by its indenture to distribute certain amounts of income to Duke from the Original Corpus, Corpus Item VIII, and Corpus Item XI, subject to a limited right to withhold by The Duke Endowment trustees. Through June 30, 2012, this right to withhold has never been exercised.

The Duke Endowment trustees now invest for total return in accordance with current investment practices, with the result that (a) the distinction between "principal" and "income" in the traditional sense can no longer be readily identified, if at all, and (b) the traditional "income" that can be identified is often inadequate to meet beneficiary needs. Accordingly, by an Order dated December 15, 2009, the Superior Court of Mecklenburg County, North Carolina further broadened the authority of The Duke Endowment trustees to distribute principal to its beneficiaries.

Unrestricted operating support from The Duke Endowment was $12,500 for fiscal 2012 and fiscal 2011. Such amounts are reflected in investment returns designated for current operations in the consolidated statement of activities.

Duke received discretionary grants from The Duke Endowment of $43,386 and $26,060 for fiscal 2012 and fiscal 2011, respectively. Such amounts are included in contribution revenue in the consolidated statement of activities.

At June 30, 2012 and 2011, the portion of The Duke Endowment's net assets included in permanently restricted net assets on Duke's consolidated balance sheet, and from which Duke derives unrestricted operating support, had a fair value of $563,294 and $594,353 respectively. Duke has no equity interest in the principal of The Duke Endowment trust, which had a fair value of approximately $2.9 billion at June 30, 2012.

5. Contributions Receivable

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

	2012	2011
Unconditional promises expected to be collected in:		
Less than one year	$ 126,769	$ 95,992
Between one year and five years	241,837	194,773
More than five years	76,676	81,965
	445,282	372,730
Less allowance for uncollectible amounts	(113,344)	(77,969)
Less unamortized discount with interest rates ranging from 0.2% to 7.5%	(16,293)	(16,041)
Total	$ 315,645	$ 278,720

The methodology for calculating the allowance is based on the administration's review of individually significant outstanding pledges, analysis of the aging of payment schedules for all outstanding pledges, as well as other factors including current economic conditions.

At June 30, 2012 and 2011, the ten (10) largest outstanding donor pledge balances represented 68% and 72%, respectively, of Duke's gross contributions receivable.

At June 30, 2012 and 2011, Duke had also received bequest intentions and certain other conditional promises to give of approximately $84,244 and $75,374, respectively. These intentions and conditional promises to give are not recognized as assets or revenues in the consolidated financial statements. If the related funds are received, they will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support of a particular department or division of Duke.

6. Land, Buildings, and Equipment

Land, buildings, and equipment, net, is summarized as follows at June 30:

	2012	2011
Land and land improvements	$ 243,812	$ 233,679
Buildings and utilities	3,662,554	3,412,942
Computer software	249,582	187,138
Equipment, furniture and vessels	1,162,488	1,070,968
Library and art collections	369,217	349,331
Construction in progress	449,260	364,658
	6,136,913	5,618,716
Less accumulated depreciation	(3,157,388)	(2,920,001)
Total	$ 2,979,525	$ 2,698,715

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned through the temporary investment of project borrowings. Total net interest expense of $11,142 and $13,738 was capitalized in fiscal 2012 and fiscal 2011, respectively.

Duke has identified conditional asset retirement obligations primarily related to the costs of asbestos removal and disposal that will result from future remediation activity. The liability was estimated using inflation rates ranging from 3.4% to 5.0% and discount rates ranging from 2.7% to 4.6%. The liability for conditional asset retirement obligations recognized at June 30, 2012 and 2011 was $47,699 and $49,270, respectively. This liability is reported as a part of other liabilities on the consolidated balance sheet.

7. Investments

The fair value of investments consists of the following at June 30:

	2012	2011	As of June 30, 2012 Unfunded Commitments	Redemption Frequency (in days) (if currently eligible)[1]	Redemption notice period (in days)
Short-term investments[(a)]	$ 1,292,214	$ 1,244,071	$ …	daily	1
U.S. Government securities[(b)]	51,848	58,307	…	daily	1
Domestic bonds and long-term notes[(c)]	348,100	464,050	…	85% 1 to 30 15% 31 to 90	1 to 30
International bonds and long-term notes[(d)]	104,234	209,842	…	100% 1 to 30	1 to 16
Domestic stocks[(e)]	824,349	793,304	…	93% 1 to 90 2% 91 to 365 5% over 365	1 to 90
International stocks[(f)]	1,553,734	1,832,326	…	88% 1 to 90 11% 91 to 365 1% over 365	1 to 90
Hedged strategies:					
Equity oriented[(g)]	277,452	289,692	…	38% 1 to 90 45% 91 to 365 17% over 365	30 to 95
Credit oriented[(h)]	373,494	443,154	7,675	50% 1 to 90 10% 91 to 365 40% over 365	30 to 180
Multi-strategy and other[(i)]	452,321	514,133	…	46% 1 to 90 20% 91 to 365 34% over 365	7 to 180
Private capital[(j)]	1,581,924	1,491,515	514,291	N/A	N/A
Real estate[(k)]	997,546	861,739	401,183	N/A	N/A
Natural resources[(l)]	801,398	831,995	357,787	N/A	N/A
Other investments	74,774	83,066	…	N/A	N/A
Total investments	$ 8,733,388	$ 9,117,194	$ 1,280,936		

Total investments includes a portion of an investment vehicle controlled by Duke (See Note 1(G)). As of June 30, 2012 and 2011, these amounts were $358,383 and $375,484, respectively. Absent the noncontrolling interests, Duke's total LTP investment was $6,374,553 and $6,503,193 as of June 30, 2012 and 2011, respectively. As of June 30, 2012 and 2011, DUHS's investments managed in the HSP by DUMAC totaled $1,654,074 and $1,659,505, respectively.

(a) Includes short-term U.S. Treasury debt securities with maturities of less than one year and other short-term, highly-liquid debt securities, as well as funds that invest in these types of investments. At June 30, 2012 and 2011, $50,738 and $37,444 respectively, was posted as collateral and thus not readily available for use.

(b) Includes investments in U.S. Treasury and agency debt securities with maturities of more than one year and funds that invest in these types of investments. At June 30, 2012 and 2011, $27,402 and $2,987, respectively, was posted as collateral and thus not readily available for use.

(c) Includes investments in non-government debt securities with maturities of more than one year. Investments consist primarily of credit-oriented securities including U.S. investment-grade and below investment-grade debt securities. Other investments include mortgage-backed securities, asset-backed securities, repurchase agreements, senior loans, and bank loans. This category also includes funds that invest in these types of investments.

[1] Based on current terms, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreement.

(d) Includes investments in funds that invest in non-U.S. debt securities with maturities of more than one year. Management of the funds has the ability to shift investments from developed to emerging markets and from a net long position to a net short position. These funds generally have a high net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

(e) Includes investments in U.S. common stocks and funds that invest both long and short primarily in U.S. common stocks. The administration and management of the funds has the ability to shift investments from value to growth strategies, from small- to large-capitalization stocks, and from a net long position to a net short position. These funds generally have a high net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

(f) Includes investments in non-U.S. common stocks and funds that invest both long and short primarily in non-U.S. common stocks. The administration and management of the funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, from developed to emerging markets, and from a net long position to a net short position. These funds generally have a high net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

(g) Includes long and short investments in U.S. and non-U.S. common stocks, hedge funds, and hedge fund funds-of-funds that invest both long and short primarily in U.S. and non-U.S. common stocks. The administration and management of the funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, from U.S. to non-U.S. stocks, and from a net long position to a net short position. These funds generally have a low net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

(h) Includes investments in hedge funds that invest both long and short primarily in credit-oriented securities. The administration and management of the funds has the ability to shift investments from a net long position to a net short position. Investments include investment-grade and below investment-grade debt securities, mortgage-backed securities, asset-backed securities, repurchase agreements, senior loans, and bank loans. These funds generally have a low net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

(i) Includes investments in hedge funds and hedge fund funds-of-funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds composite portfolio includes government securities, common stocks, credit-oriented securities, private equity, real estate, and arbitrage investments. The administration and management of the funds has the ability to shift investments between strategies and from a net long position to a net short position. These funds generally have a low net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

(j) Includes illiquid investments in venture capital, growth equity, buyout, mezzanine, and distressed debt held directly, in separately managed accounts, or in commingled limited partnership funds. The fair value of these investments is calculated from the net asset value of Duke's ownership interests in these funds. The nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next 4 to 10 years.

(k) Includes illiquid investments in residential and commercial real estate assets, projects, or land held directly, in separately managed accounts, or in commingled limited partnership funds. The fair value of these investments is calculated from the net asset value of Duke's ownership interests in these funds. The nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next 5 to 10 years.

(l) Includes illiquid investments in timber, oil and gas production, mining, energy, and related services businesses held directly, in separately managed accounts, or in commingled limited partnership funds. The fair value of these investments is calculated from the net asset value of Duke's ownership interests in these funds. The nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next 6 to 12 years.

Duke's investment return for the years ended June 30 is detailed below:

	2012	2011
Net realized gains from sales of investments	$ 162,144	$ 483,307
Changes in appreciation	(167,048)	1,133,356
Total net (loss) gain	(4,904)	1,616,663
Investment income	67,680	82,445
Total gains and income	62,776	1,699,108
Included in the consolidated statement of activities as investment return designated for current operations:		
Endowment spending	(269,582)	(280,011)
Other investment income	(65,012)	(146,766)
Other	(388)	(229)
Investment return (less than) in excess of amounts designated for current operations	$ (272,206)	$ 1,272,102

The total return for the LTP (in which 98.6% of Duke's endowment was invested at June 30, 2012 and 2011) for fiscal 2012 and fiscal 2011 was 1.0% and 24.5%, respectively, net of external management fees but before internal costs. The total return for Duke's endowment, as such, is not calculated. Duke's traditionally defined endowment and similar funds consist of the following:

	2012	2011
Donor restricted endowment funds, including accumulated gains	$ 3,195,493	$ 3,284,663
Funds functioning as endowment	1,711,990	1,778,373
Charitable remainder funds	90,163	97,970
Total	$ 4,997,646	$ 5,161,006

External management fees paid directly (i.e. segregated investment account fees) totaled $16,902 and $17,175, and internal management fees totaled $8,785 and $9,043 in fiscal 2012 and fiscal 2011, respectively.

Duke is obligated under certain investment fund agreements to periodically advance additional funding up to specified levels. At June 30, 2012, Duke had future commitments of $1.3 billion, which are likely to be called at various dates through 2017.

8. Notes and Bonds Payable

Notes and bonds payable at June 30 consist of the following:

	2012	2011
Duke University Revenue Bonds: Tax-Exempt Bonds		
Series 1987A – payable in installments ranging from $6,000 to $6,900 from 2016 to 2018, with interest at a variable rate not to exceed 20.0% (actual interest rate at June 30, 2012 was 0.1%)	$ 18,900	$ 18,900
Series 1991B – payable in installments of $8,000 from 2018 to 2022, with interest at a variable rate (actual interest rate at June 30, 2012 was 0.1%)	40,000	40,000
Series 1992A – payable in installments ranging from $7,000 to $7,240 from 2023 to 2027, with interest at a variable rate (actual interest rate at June 30, 2012 was 0.1%)	35,240	35,240
Series 2001A – refunded in November 2011 with taxable commercial paper	…	33,860
Series 2005A – payable in installments ranging from $47,865 to $82,785 from 2040 to 2042, with fixed interest rates of 4.5% and 5.0% (average interest rate for fiscal 2012 was 5.0%)	207,665	207,665
Series 2006A – payable in installments ranging from $1,490 to $112,970 through 2045, with fixed interest rates ranging from 4.0% to 5.0% (average interest rate for fiscal 2012 was 4.9%)	376,570	378,015
Series 2006B – payable in 2043, with fixed interest rates ranging from 4.3% to 5.0% (average interest rate for fiscal 2012 was 4.5%)	128,435	128,435
Series 2009B – payable in installments of $120,530 in 2038 and $126,560 in 2039, with a fixed interest rate of 5.0%	247,090	247,090
Duke University Taxable Bonds:		
Series 2007A – payable in $100,000 installments in 2036 and 2037, with a fixed interest rate of 5.9%	200,000	200,000
Duke University Health System, Inc. Revenue Bonds:		
Series 1985B – payable in installments of $8,700 from 2013 to 2015, with interest at a variable rate not to exceed 20.0% (actual interest rate at June 30, 2012 was 0.2%) (see Note 13)	26,100	34,800
Series 1993A – payable in installments ranging from $5,160 to $6,330 from 2019 to 2023, with interest at a variable rate (actual interest rate at June 30, 2012 was 0.2%) (see Note 13)	28,650	28,650

	2012	2011
Series 2005A, B, and C – each series in the principal amount of $107,380 payable in installments ranging from $6,210 to $11,240 from 2016 through 2028, with interest at a variable rate (average interest rate at June 30, 2012 was 1.01%) (see Note 13)	$ 322,140	$ 322,140
Series 2006A, B, and C – payable in installments ranging from $5,830 to $12,755 from 2013 through 2039, with interest at a variable rate (average interest rate at June 30, 2012 was 0.6%) (see Note 13)	140,515	145,715
Series 2009A – payable in installments ranging from $6,635 to $28,260 from 2029 to 2042, with fixed interest rates ranging from 4.8% to 5.0% (average interest rate for fiscal 2012 was 5.0%)	180,000	180,000
Series 2010A – payable in installments ranging from $6,095 to $11,575 from 2029 to 2042, with fixed interest rates ranging from 4.5% to 5.0% (average interest rate for fiscal 2012 was 4.9%)	120,000	120,000
Series 2012A – payable in installments ranging from $955 to $25,640 from 2013 to 2042, with fixed interest rates ranging from 2.0% to 5.0% (average interest rate for fiscal 2012 was 4.6%)	300,000	…
Notes Payable:		
Taxable commercial paper note program ($200,000 authorized) weighted average maturity and interest rate at June 30, 2012 of 59 days and 0.2%, respectively	48,015	14,407
Tax-exempt bond anticipation program ($300,000 authorized) weighted average maturity and interest rate at June 30, 2012 of 76 days and 0.2%, respectively	17,754	21,038
Note payable due in 2013 with interest at a variable rate of LIBOR plus 0.6% (actual interest rate at June 30, 2012 was 0.8%) (see Note 13)	25,000	25,000
Note payable due in 2014 with interest at a variable rate of LIBOR plus 0.6% (actual interest rate at June 30, 2012 was 0.8%) (see Note 13)	6,171	6,351
Capital lease obligations	128,392	130,567
Various notes	12,883	12,249
Total notes and bonds payable	2,609,520	2,330,122
Unamortized premium	42,931	23,542
Net notes and bonds payable	$ 2,652,451	$ 2,353,664

As of June 30, 2012 and 2011, Duke had letter of credit agreements totaling $275,000 and $270,000, respectively. As of June 30, 2012 and 2011, there were no outstanding borrowings under the letter of credit agreements.

Aggregate maturities of notes and bonds payable (excluding commercial paper) from 2013-2017 are $47,660, $28,476, $23,090, $29,935, and $30,910, respectively.

Duke capitalizes and amortizes the original issue premium and issue costs related to applicable bond issues in a manner that approximates the interest method. At June 30, 2012 and 2011, unamortized bond issue costs of $13,541 and $11,896, respectively, are included in prepaid expenses, deferred charges, and inventories on Duke's consolidated balance sheet. Additionally, net unamortized original issue premium on related bonds of $42,931 and $23,542, respectively, is included in notes and bonds payable on Duke's consolidated balance sheet. Total amortization expense for issue costs and (discounts)/premiums was ($330) and $41 for fiscal 2012 and fiscal 2011, respectively.

Duke had $6,497 and $6,492 at June 30, 2012, and 2011, respectively, in a mandatory debt service reserve fund designated to meet scheduled principal and interest payments on the Series 1985B DUHS Revenue Bonds. This amount is included in deposits with bond trustees on the accompanying consolidated balance sheet.

In June 2012, DUHS issued through the North Carolina Medical Care Commission fixed-rate tax exempt bonds in the par amount of $300,000 (Series 2012A). Proceeds from the issuance are being used to finance the cost of additional DUHS facilities and pay certain expenses of issuing the bonds.

In November 2011, the University refunded the Series 2011A Tax-Exempt Bonds with taxable commercial paper.

In prior fiscal years, Duke defeased certain obligations by irrevocably placing assets with a trustee to pay principal and interest on the obligations as they become due. Total defeased obligations were $121,000 and $265,480 at June 30, 2012 and 2011, respectively.

Trust indentures underlying the Duke University Health System Revenue Bonds contain certain covenants and restrictions.

During fiscal 2012, DUHS converted its Series 2005A, B, and C bonds and its Series 2006 A, B, and C bonds to a Bank-Bought Index Floating Rate mode. The entire outstanding principal amounts of $467,855 were purchased by four commercial banks and now accrue interest at a floating rate indexed to LIBOR. Upon conversion, each bond series retained their original amortization schedule.

In April 2012, DUHS entered into an MMD rate lock agreement to hedge against potential rising interest rates during the period leading up to the issuance of the Series 2012A bonds. Rate lock payments of $7,601 were netted against the premium and recorded in notes and bonds payable on the consolidated balance sheet and will be amortized to interest expense over the life of the bonds.

9. Commitments and Contingencies

A. CONSTRUCTION AND PURCHASE COMMITMENTS

At June 30, 2012 and 2011, open contracts for the construction of physical properties amounted to $249,667 and $261,413, respectively, and outstanding purchase orders for normal operating supplies and equipment amounted to $27,464 and $21,855, respectively.

The Duke Medicine Pavilion (DMP) is a major tertiary care addition to DUHS designed to increase capacity and upgrade patient care. The estimated cost of this project is approximately $546,000 and is expected to be completed in July 2013. This project will be partially funded by the Series 2012A and 2010A tax-exempt bonds.

DUHS launched a significant system initiative which will replace many of the existing technology applications and provide a comprehensive, integrated tool across Duke Medicine. The first phase of the system initiative began in fiscal 2011 with the Ambulatory EHR System. The full enterprise system implementation began in fiscal 2012. The estimated capital project cost of the enterprise wide clinical system implementation is $223,800 and has a phased rollout of major components from July 2012 through July 2014.

B. LEASES

Duke leases various machinery, equipment and buildings under operating leases expiring at various dates through 2029. Total rental expense in fiscal 2012 and fiscal 2011 for all operating leases was $75,771 and $71,993, respectively.

Future minimum lease payments under noncancelable capital and operating leases as of June 30, 2012 are as follows:

Year	Capital Leases	Operating Leases	Total
2013	$ 9,335	$ 67,946	$ 77,281
2014	9,481	63,621	73,102
2015	9,630	56,270	65,900
2016	9,779	49,718	59,497
2017	9,940	43,803	53,743
Thereafter	329,482	149,711	479,193
Total minimum lease payments	377,647	431,069	808,716
Less sublease rentals by the PDC	…	(34,137)	(34,137)
Total minimum payments less subleases	377,647	$ 396,932	$ 774,579
Less: Interest portion	(249,255)		
Capital lease obligations	$ 128,392		

C. MEDICAL MALPRACTICE COVERAGE

DCC (see Note 2) insures a portion of the medical malpractice risks and patient general liability risks of DUHS clinical providers and the PDC. The assets, liabilities, and results of operations for DCC have been reflected in the unrestricted net assets of Duke. Policy limits for the years ended June 30, 2012 and 2011 were $110,000 per incident and $160,000 in the aggregate. DCC limits its exposure to loss through reinsurance and excess loss agreements.

Estimated professional liability costs include the estimated cost of professional liability in fiscal 2012 and 2011 for reported claims incurred in the DCC program. DCC evaluates its estimated professional liability on a discounted actuarial basis. The discount rate at June 30, 2012 and 2011 is 3.5%. Accrued professional liability costs as of June 30, 2012 and 2011 amounted to $64,639 and $77,496, respectively. Cash, investments, and other receivables in this amount have been designated by DUHS to settle these claims. Also included in estimated professional liability costs are estimated claims incurred but not reported related to DUHS in the amounts of $9,017 and $8,613 as of June 30, 2012 and 2011, respectively.

The estimated liability for professional and general liability claims may be significantly affected if current and future claims differ from historical trends. While the administration monitors reported claims closely and considers potential outcomes as estimated by its actuaries when determining its professional and patient general liability accruals, the complexity of the claims, the extended period of time to settle the claims, and the wide range of potential outcomes complicate the estimation. In the opinion of the administration, adequate provision has been made for this related risk.

In fiscal 2011, DCC became a Segregated Accounts Company under the Insurance Act, 1978 of Bermuda. Effective July 1, 2011, two "cells" were created to isolate and insure risk for (1) international clinical and research activities and (2) privacy/cyber liabilities. These programs maintain nominal self-insured retention accounts.

Professional liability risk of DUHS entities for time periods not included in the DCC program is covered by commercial policies and self-insurance.

D. SELF-INSURANCE

Duke provides employee healthcare benefits, long-term disability benefits, unemployment benefits, and workers' compensation benefits primarily though employer contributions, participant contributions, and excess loss insurance, and manages those programs through third-party administrators. In the opinion of the administration, adequate provision has been made for the related risks within accrued payroll and employee withholdings or accrued postretirement/postemployment and other benefit obligations on Duke's consolidated balance sheet.

E. CONTINGENCIES

Duke is involved in various legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, the administration is of the opinion that the resolution of these matters will not have a material adverse effect on Duke's financial position.

Laws and regulations governing Medicare, Medicaid, and other Federal programs are complex and subject to interpretation. Duke, in part through its compliance program, seeks to ensure compliance with such laws and regulations, and to rectify instances of noncompliance with governmental program rules. Duke believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on Duke's consolidated financial statements. Compliance with such laws and regulations is subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare, Medicaid, and other Federal programs.

10. Pension and Other Postretirement Benefit Plans

Faculty and exempt staff members of Duke are eligible to participate in a contributory defined contribution retirement plan. For fiscal 2012 and fiscal 2011, Duke contributed $117,801 and $111,902, respectively, to this plan. Duke expects to contribute $124,949 to this plan in fiscal 2013.

In addition, Duke has a noncontributory defined benefit pension plan for substantially all full-time non-exempt employees. Pension expense for this plan for fiscal 2012 and fiscal 2011 amounted to $14,955 and $11,818, respectively. The benefit for this plan is based on years of service and the employee's compensation during the last ten (10) years of employment. Duke contributed $12,866 and $6,018 to the plan in fiscal 2012 and fiscal 2011, respectively. Duke expects to contribute $20,424 in fiscal 2013.

The following table summarizes the allocation of assets available for plan benefits for the defined benefit pension plan at June 30:

	2012	2011
Short-term investments	9.3%	9.6%
Domestic bonds and long term notes	5.2	4.5
International bonds and long-term notes	2.1	1.9
Domestic stocks	7.2	7.2
International stocks	20.2	22.6
Hedged strategies:		
Equity oriented	9.8	10.0
Credit oriented	4.6	5.8
Multi-strategy and other	6.4	6.9
Private capital	15.1	13.3
Real estate	10.3	8.3
Natural resources	9.6	9.8
Other	0.2	0.1
Total	100.0%	100.0%

The pension plan's investment strategy focuses on maximizing total return and places limited emphasis on liability matching and no emphasis on generating income. Over the long term, the plan's average exposure target is 38% equity (public and private investments in companies), 13% commodity (direct commodity exposure, commodity related equities, and private investments in energy, power, infrastructure and timber), 13% real estate (private real estate and REITs), 13% credit (investment-grade bonds, corporate bonds, bank debt, asset backed securities, etc.), 13% rates (public obligations including treasuries and agencies), and 10% inflation/other (U.S. Treasury Inflation Protected Securities, non-U.S. inflation linked bonds, and absolute return oriented hedge funds).

The fair value of Duke's assets available for pension benefits as of the June 30, 2012 measurement date is as follows:

	Level 1	Level 2	Level 3	2012 Total
Assets:				
Investments:				
Short-term investments	$ 677	$ 110,943	$ …	$ 111,620
Domestic bonds and long-term notes	(21,411)	83,936	…	62,525
International bonds and long-term notes	…	24,563	…	24,563
Domestic stocks	40,985	38,116	6,986	86,087
International stocks	31,935	169,997	38,819	240,751
Hedged strategies:				
Equity oriented	7	80,909	36,487	117,403
Credit oriented	…	27,676	27,068	54,744
Multi-strategy and other	814	35,273	40,808	76,895
Private capital	352	…	180,192	180,544
Real estate	…	…	122,470	122,470
Natural resources	1,002	…	113,347	114,349
Other investments	440	1,494	…	1,934
Total investments	54,801	572,907	566,177	1,193,885
Liabilities:				
Due to Duke University	$ (92)	$ …	$ …	$ (92)

The fair value of Duke's pension assets available for pension benefits as of the June 30, 2011 measurement date is as follows:

	Level 1	Level 2	Level 3	2011 Total
Assets:				
Cash and cash equivalents	$ 91	$ …	$ …	$ 91
Investments:				
Short-term investments	7,383	109,511	…	116,894
Domestic bonds and long-term notes	54,447	…	…	54,447
International bonds and long-term notes	…	22,682	…	22,682
Domestic stocks	36,073	42,375	9,330	87,778
International stocks	41,590	183,636	49,967	275,193
Hedged strategies:				
Equity oriented	3,881	76,540	41,109	121,530
Credit oriented	5,924	23,973	41,586	71,483
Multi-strategy and other	4,960	30,290	48,476	83,726
Private capital	256	…	161,486	161,742
Real estate	3	…	100,826	100,829
Natural resources	300	…	119,386	119,686
Other investments	815	675	…	1,490
Total investments	155,632	489,682	572,166	1,217,480
Other assets	463	…	…	463
Total assets	$ 156,186	$ 489,682	$ 572,166	$ 1,218,034

The following table presents additional information about the Level 3 pension benefit assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that Duke has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable and unobservable inputs.

	Balance as of June 30, 2011	Net realized and unrealized gains (losses)	Purchases	Sales	Transfers (to) from Level 2	Balance as of June 30, 2012
Investments:						
Domestic bonds and long-term notes	$ …	$ 24	$ 2,909	$ (2,933)	$ …	$ …
Domestic stocks	9,330	(60)	…	(2,284)	…	6,986
International stocks	49,967	(5,281)	1,397	(3,695)	(3,569)	38,819
Hedged strategies:						
Equity oriented	41,109	3,825	…	(6,016)	(2,431)	36,487
Credit oriented	41,586	(835)	3,412	(13,390)	(3,705)	27,068
Multi-strategy and other	48,476	(797)	5,276	(8,672)	(3,475)	40,808
Private capital	161,486	15,167	30,878	(27,589)	250	180,192
Real estate	100,826	3,694	24,694	(6,744)	…	122,470
Natural resources	119,386	(311)	14,229	(19,957)	…	113,347
Total	$ 572,166	$ 15,426	$ 82,795	$ (91,280)	$ (12,930)	$ 566,177

	Balance as of June 30, 2010	Net realized and unrealized gains	Purchases	Sales	Transfers from (to) Level 2	Balance as of June 30, 2011
Investments:						
Domestic stocks	$ 8,313	$ 3,604	$ 1,840	$ (11,379)	$ 6,952	$ 9,330
International stocks	54,224	19,061	10,871	(19,547)	(14,642)	49,967
Hedged strategies:						
Equity oriented	36,192	6,447	2,232	(8,336)	4,574	41,109
Credit oriented	52,511	5,987	22,161	(38,622)	(451)	41,586
Multi-strategy and other	52,527	7,220	9,000	(23,492)	3,221	48,476
Private capital	128,551	29,444	39,293	(35,802)	…	161,486
Real estate	78,536	17,697	66,107	(61,514)	…	100,826
Natural resources	101,664	24,071	17,288	(23,637)	…	119,386
Total	$ 512,518	$ 113,531	$ 168,792	$ (222,329)	$ (346)	$ 572,166

During fiscal 2012 and fiscal 2011, transfers of $13,180 and $346, respectively, were made between Level 2 and Level 3 related to changes in liquidity. During fiscal 2012, Level 1 investments totaling $250 became private, restricted, or not priced publicly and were consequently transferred to Level 3. The change in unrealized gains related to Level 3 assets still held at June 30, 2012 and 2011 was $34,430 and $103,004, respectively, and was recorded within nonperiodic changes in defined benefit plans on the consolidated statement of activities. There were no transfers between Level 1 and Level 2 investments during fiscal 2012 or fiscal 2011.

At June 30, 2012 and 2011, the accumulated benefit obligation for the pension benefits was $1,228,401 and $924,901, and the fair value of the plan assets was $1,193,793 and $1,218,034, respectively. At June 30, 2012, the plan was under funded in relation to accumulated benefits by $34,608. At June 30, 2011, the plan was over funded in relation to accumulated benefits by $293,133.

The pension benefits expected to be paid in each year from 2013-2017 are $41,280, $42,860, $45,274, $48,314, and $52,199, respectively. The aggregate benefits expected to be paid in the five years from 2018-2022 are $334,652. The expected benefits to be paid are based on the same assumptions used to measure the University's benefit obligation at June 30 and include estimated future employee service.

Duke also sponsors an unfunded, defined benefit postretirement medical plan that covers all full-time employees who elect coverage and satisfy the plan's eligibility requirements when they retire. The plan is contributory with retiree contributions established as a percentage of the total cost for retiree health care and for the health care of their dependents. Duke pays all benefits on a current basis. DUHS employees hired after June 30, 2002 are not eligible for DUHS contributions to the cost of this benefit and must bear the full cost themselves if elected at retirement. As a healthcare provider, Duke utilizes an incremental cost approach to determine its liability for the postretirement medical plan. The total liability reflects estimated additional costs to provide healthcare benefits to retirees within DUHS facilities plus the full cost to provide healthcare benefits to retirees at facilities other than DUHS.

The postretirement benefits expected to be paid in each year from 2013-2017 are $5,720, $7,534, $9,479, $10,232, and $11,069. The aggregate benefits expected to be paid in the five years from 2018-2022 are $62,310. The expected benefits to be paid are based on the same assumptions used to measure the University's benefit obligation at June 30 and include estimated future employee service. The current portion of the postretirement obligation at June 30, 2012 was $5,601.

The measurement date for both the defined benefit pension plan and the postretirement health benefit plan is June 30.

The following tables provide a reconciliation of the changes in the plans' projected benefit obligations and fair value of assets:

	Pension Benefits		**Postretirement Benefits**	
	2012	**2011**	**2012**	**2011**
Reconciliation of benefit obligation				
Obligation at beginning of year	$ 1,025,032	$ 961,791	$ 177,904	$ 229,064
Service cost	43,419	40,207	3,057	3,892
Interest cost	57,742	54,153	10,003	12,900
Actuarial loss (gain)	269,018	9,440	28,809	(58,055)
Benefit payments	(40,881)	(38,559)	(9,295)	(11,631)
Retiree drug subsidy payments	…	…	1,331	1,734
Administrative expenses (estimated)	(2,000)	(2,000)	…	…
Obligation at end of year	$ 1,352,330	$ 1,025,032	$ 211,809	$ 177,904
Reconciliation of fair value for plan assets				
Fair value of plan assets at beginning of year	$ 1,218,034	$ 1,027,765	$ …	$ …
Actual return on plan assets	5,482	224,651	…	…
Employer contributions	12,866	6,018	…	…
Participant contributions	152	122	…	…
Benefit payments	(40,881)	(38,559)	…	…
Administrative expenses	(1,860)	(1,963)	…	…
Fair value of plan assets at end of year	$ 1,193,793	$ 1,218,034	$ …	$ …
Funded status				
Net amount recognized (accrued benefit liability)	$ (158,537)	$ 193,002	$ (211,809)	$ (177,904)

The following table provides the components of net periodic benefit cost for the plans for fiscal 2012 and fiscal 2011:

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Service cost	$ 43,419	$ 40,207	$ 3,057	$ 3,892
Interest cost	57,742	54,153	10,003	12,900
Expected return on plan assets	(90,282)	(86,775)	…	…
Amortization of prior-service cost (asset)	4,202	4,357	(1,084)	(1,596)
Expected participant contributions	(126)	(124)	…	…
Recognized actuarial gain	…	…	(2,665)	…
Net periodic benefit cost	$ 14,955	$ 11,818	$ 9,311	$ 15,196

The prior-service costs are amortized on a straight-line basis over the average remaining service period of active participants. The expected amortization of prior-service cost (asset) for fiscal 2013 is $2,887 and ($471) for the pension benefits and postretirement benefits, respectively. The expected amortization of actuarial losses for fiscal 2013 is $17,939 for the pension benefits. Unrecognized prior-service cost (asset) were $10,179 and ($5,387) and unrecognized actuarial (losses) gains were ($198,919) and $15,096 for the pension benefits and postretirement benefits, respectively, as of June 30, 2012. Unrecognized prior-service cost (asset) were $14,381 and ($6,471) and unrecognized actuarial gains were $154,733 and $46,570 for the pension benefits and postretirement benefits, respectively, as of June 30, 2011.

The assumptions used in the measurement of Duke's benefit obligation and benefit cost are shown in the following table:

	Pension Benefits				Postretirement Benefits			
	2012		2011		2012		2011	
Weighted average assumptions as of measurement date	Obligation	Cost	Obligation	Cost	Obligation	Cost	Obligation	Cost
Discount rate	4.25%	5.75%	5.75%	5.75%	4.25%	5.75%	5.75%	5.75%
Expected return on plan assets	N/A	8.50%	N/A	8.50%	N/A	N/A	N/A	N/A
Rate of compensation increase	3.00%	3.50%	3.50%	3.50%	N/A	N/A	N/A	N/A

The expected return on pension plan assets is established at an amount that reflects the targeted asset allocation and expected returns for each component of the plan assets. The expected return was developed using a stochastic forecast model of inflation expectations and long-term real expected returns for each asset class. The result was reduced by 1.0% to reflect medium-term expectations and survey data for similar plans. The rate is reviewed annually and adjusted as appropriate to reflect changes in the expected market performance or in targeted asset allocation ranges.

In order to determine the benefit obligation as of June 30, 2012, the per capita costs of covered health care benefits was assumed to increase 9.5% for non-Medicare eligible employees and 8.5% for Medicare eligible employees, declining to an ultimate annual rate of increase of 5.0% by 2023. The benefit expense for fiscal 2012 was driven by the rates used to determine the obligation at June 30, 2011, which were 8.5% for non-Medicare eligible employees and 9.5% for Medicare eligible employees declining to an ultimate rate of 5.0% by 2023.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1.0% change in assumed health care cost trend rates would have the following effect:

	1.0% Increase	1.0% Decrease
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	$ 2,227	$ (1,783)
Effect on the health care component of the accumulated postretirement benefit obligation	$ 31,634	$ (25,803)

Duke currently provides postemployment medical and life insurance benefits to former employees receiving long-term disability income benefits. The consolidated balance sheet includes a liability of $23,261 and $19,876 for this accrued postemployment benefit cost as of June 30, 2012 and 2011, respectively.

The Health Care Acts include several provisions that may affect Duke's postretirement benefit plans, including imposing an excise tax on high cost coverage, eliminating lifetime and annual coverage limits, and imposing inflation-adjusted fees for each person covered by a health insurance policy for each policy plan year ending after September 30, 2012, through September 30, 2019. For the postretirement benefit plan, the changes due to the Health Care Acts increase the postretirement benefit obligation by $607, which has been included in the measurement as of June 30, 2012.

11. Net Assets

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

	2012	2011
Contributions for physical plant	$ 147,620	$ 83,730
Appreciation on donor-restricted endowments	1,750,041	1,882,829
Annuity and other split-interest agreements	20,777	33,450
Contributions for instruction, research and divisional support	102,306	171,154
Other	6,868	6,559
Temporarily restricted net assets	$ 2,027,612	$ 2,177,722

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

	2012	2011
Instruction, research, and student aid:		
Donor-restricted endowment funds	$ 1,511,408	$ 1,419,932
Contributions receivable, net	104,773	34,001
Interests in perpetual trusts held by others	647,713	684,341
Total instruction, research, and student aid	2,263,894	2,138,274
Annuity and other split-interest agreements	43,040	69,090
Student loan funds	16,453	16,077
Permanently restricted net assets	$ 2,323,387	$ 2,223,441

Endowment net assets, excluding charitable remainder funds, consist of the following at June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Donor-restricted endowment funds	$ (3,158)	$ 1,750,041	$ 1,448,610	$ 3,195,493
Board-designated endowment funds	1,711,990	…	…	1,711,990
Interests in perpetual trusts held by others	…	…	647,713	647,713
Total endowed net assets	$ 1,708,832	$ 1,750,041	$ 2,096,323	$ 5,555,196

Endowment net assets, excluding charitable remainder funds, consist of the following at June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
Donor-restricted endowment funds	$ (212)	$ 1,882,829	$ 1,402,046	$ 3,284,663
Board-designated endowment funds	1,778,373	…	…	1,778,373
Interests in perpetual trusts held by others	…	…	684,341	684,341
Total endowed net assets	$ 1,778,161	$ 1,882,829	$ 2,086,387	$ 5,747,377

Changes in endowment net assets for the years ended June 30, 2012 and 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of June 30, 2010	$ 1,463,374	$ 1,417,573	$ 1,942,625	$ 4,823,572
Investment return:				
Investment income	120,828	162,169	18,084	301,081
Net appreciation in fair value	291,379	465,256	64,269	820,904
Total investment return	412,207	627,425	82,353	1,121,985
Contributions	264	…	61,409	61,673
New Board designated endowment funds	20,158	…	…	20,158
Appropriations for expenditure	(117,842)	(162,169)	…	(280,011)
Balance as of June 30, 2011	1,778,161	1,882,829	2,086,387	5,747,377
Investment return:				
Investment income	114,721	162,894	14,587	292,202
Net depreciation in fair value	(106,791)	(132,788)	(55,132)	(294,711)
Total investment return (loss)	7,930	30,106	(40,545)	(2,509)
Contributions	165	…	50,481	50,646
New Board designated endowment funds	29,264	…	…	29,264
Appropriations for expenditure	(106,688)	(162,894)	…	(269,582)
Balance as of June 30, 2012	$ 1,708,832	$ 1,750,041	$ 2,096,323	$ 5,555,196

12. Fair Value Measurements

The following is a summary of the levels within the fair value hierarchy for Duke's assets and liabilities measured at fair value at June 30:

Fair Value as of June 30, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 526,160	$ …	$ …	$ 526,160
Deposits with bond trustees	230,282	…	…	230,282
Investments:				
Short-term investments	596,699	695,515	…	1,292,214
U.S. Government securities	48,267	3,581	…	51,848
Domestic bonds and long-term notes	(69,629)	405,077	12,652	348,100
International bonds and long-term notes	(8,115)	112,349	…	104,234
Domestic stocks	500,000	222,776	101,573	824,349
International stocks	449,290	905,517	198,927	1,553,734
Hedged strategies:				
Equity oriented	43	109,084	168,325	277,452
Credit oriented	…	186,474	187,020	373,494
Multi-strategy and other	11,354	194,990	245,977	452,321
Private capital	2,793	…	1,579,131	1,581,924
Real estate	400	…	997,146	997,546
Natural resources	6,453	…	794,945	801,398
Other investments	43,807	26,596	4,371	74,774
Total investments	1,581,362	2,861,959	4,290,067	8,733,388
Interests in perpetual trusts held by others	…	…	647,713	647,713
Total assets	$ 2,337,804	$ 2,861,959	$ 4,937,780	$ 10,137,543
Liabilities:				
Interest rate and basis swaps	$ …	$ 140,520	$ …	$ 140,520

Fair Value as of June 30, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 317,593	$ 6,581	$ …	$ 324,174
Deposits with bond trustees	92,261	…	…	92,261
Investments:				
Short-term investments	693,019	551,052	…	1,244,071
U.S. Government securities	53,324	4,983	…	58,307
Domestic bonds and long-term notes	15,349	436,429	12,272	464,050
International bonds and long-term notes	4,298	210,269	(4,725)	209,842
Domestic stocks	437,425	247,754	108,125	793,304
International stocks	605,326	931,766	295,234	1,832,326
Hedged strategies:				
Equity oriented	20,038	72,286	197,368	289,692
Credit oriented	34,959	125,852	282,343	443,154
Multi-strategy and other	28,979	154,814	330,340	514,133
Private capital	2,095	…	1,489,420	1,491,515
Real estate	7	…	861,732	861,739
Natural resources	2,693	…	829,302	831,995
Other investments	40,301	30,617	12,148	83,066
Total investments	1,937,813	2,765,822	4,413,559	9,117,194
Interests in perpetual trusts held by others	…	…	684,341	684,341
Total assets	$ 2,347,667	$ 2,772,403	$ 5,097,900	$ 10,217,970
Liabilities:				
Interest rate and basis swaps	$ …	$ 85,332	$ …	$ 85,332

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that Duke has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable and unobservable inputs.

	Balance as of June 30, 2011	Net realized and unrealized gains (losses)	Purchases	Sales	Net transfers in (out)	Balance as of June 30, 2012
Investments:						
Domestic bonds and long-term notes	$ 12,272	$ 452	$ 180,304	$ (179,244)	$ (1,132)	$ 12,652
International bonds and long-term notes	(4,725)	3,391	13,953	(19,577)	6,958	…
Domestic stocks	108,125	4,427	13,924	(24,597)	(306)	101,573
International stocks	295,234	(40,716)	23,062	(50,071)	(28,582)	198,927
Hedged strategies:						
Equity oriented	197,368	26,398	5,500	(31,480)	(29,461)	168,325
Credit oriented	282,343	(1,668)	22,785	(55,818)	(60,622)	187,020
Multi-strategy and other	330,340	(5,976)	12,028	(62,308)	(28,107)	245,977
Private capital	1,489,420	83,968	245,161	(240,804)	1,386	1,579,131
Real estate	861,732	4,063	206,649	(75,298)	…	997,146
Natural resources	829,302	2,094	118,132	(154,583)	…	794,945
Other investments	12,148	(1)	1,861	(35)	(9,602)	4,371
Total investments	4,413,559	76,432	843,359	(893,815)	(149,468)	4,290,067
Interests in perpetual trusts held by others	684,341	(36,628)	…	…	…	647,713
Total	$ 5,097,900	$ 39,804	$ 843,359	$ (893,815)	$ (149,468)	$ 4,937,780

	Balance as of June 30, 2010	Net realized and unrealized gains (losses)	Purchases	Sales	Net transfers in (out)	Balance as of June 30, 2011
Investments:						
Domestic bonds and long-term notes	$ 20,615	$ 1,989	$ 8,187	$ (28,900)	$ 10,381	$ 12,272
International bonds and long-term notes	(1,780)	(771)	37	…	(2,211)	(4,725)
Domestic stocks	82,162	28,243	10,637	(44,056)	31,139	108,125
International stocks	329,701	142,431	101,567	(301,459)	22,994	295,234
Hedged strategies:						
Equity oriented	179,200	28,814	7,154	(40,435)	22,635	197,368
Credit oriented	373,859	42,934	149,334	(275,701)	(8,083)	282,343
Multi-strategy and other	354,416	47,139	53,518	(164,525)	39,792	330,340
Private capital	1,102,279	328,506	294,227	(241,283)	5,691	1,489,420
Real estate	723,569	139,407	369,461	(370,705)	…	861,732
Natural resources	683,003	183,664	133,654	(171,019)	…	829,302
Other investments	25,686	4,460	9,308	(19,916)	(7,390)	12,148
Total investments	3,872,710	946,816	1,137,084	(1,657,999)	114,948	4,413,559
Interests in perpetual trusts held by others	575,518	108,823	…	…	…	684,341
Total	$ 4,448,228	$ 1,055,639	$1,137,084	$(1,657,999)	$ 114,948	$ 5,097,900

During fiscal 2012 and fiscal 2011, transfers of ($138,117) and $90,960, respectively, were made between Level 2 and Level 3 related to changes in liquidity. In fiscal 2012, Level 1 and Level 2 securities totaling $13,465 and $542, respectively, became private, restricted, or not priced publicly and were consequently transferred to Level 3. In fiscal 2011, Level 1 and Level 2 securities totaling $19,521 and $5,319, respectively, became private, restricted, or not priced publicly and were consequently transferred to Level 3. During fiscal 2012, Level 3 securities totaling $20,545 and $4,813 reorganized into tradable Level 1 and Level 2 securities, respectively. In addition, during fiscal 2011 $852 of Level 3 securities reorganized into tradable Level 1 securities. There were no transfers between Level 1 and Level 2 investments during fiscal 2012 and fiscal 2011. The change in net unrealized gains and losses related to Level 3 assets still held at June 30, 2012 and 2011 was $34,733 and $899,108, respectively. As of June 30, 2012 and 2011, $71,361 and $790,285, respectively was recorded in investment return in excess of amounts designated for current operations and ($36,628) and $108,823 was recorded in (losses) gains on perpetual trusts held by others and changes in split-interest obligations on the consolidated statement of activities, respectively.

13. Derivative and Other Financial Instruments

Duke has executed derivative financial instruments in the normal course of managing its debt portfolio using long term strategies. Duke has five (5) interest rate swap agreements that are designed to synthetically increase or decrease the variable rate exposure associated with its portfolio of debt. In addition, Duke has one (1) basis swap agreement designed as a hedging technique to reduce the interest rate risk on variable rate indebtedness by utilizing the spread between the yield curves for taxable debt securities and tax-exempt municipal debt securities.

The following table summarizes the general terms for each of Duke's swap agreements:

	August 1993 Interest Rate Swap	March 2005 Interest Rate Swap	October 2005 Interest Rate Swap	November 2005 Interest Rate Swap	April 2007 Interest Rate Swap	July 2001 Basis Swap
Effective Date	August 12, 1993	May 19, 2005	December 1, 2006	November 15, 2005	April 1, 2009	July 6, 2001
Associated variable rate debt	Series 1993A	Series 2005 A/B/C	N/A	N/A	Portfolio[5]	N/A
Term	30 years	23 years	7 years	8 years	30 years	20 years
Notional amount	$28,650	$322,140	$7,000	$25,000[4]	$172,400	$400,000
Rate Duke receives	SIFMA[1]	61.52% of one-month LIBOR[2] plus 0.28%	One-month LIBOR[2] plus 0.60%	One-month LIBOR[2] plus 0.60%	67% of one-month LIBOR[2]	72.125% of one-month LIBOR[2]
Rate Duke pays	5.09%	3.60%	5.63%	5.10%	3.72%	SIFMA[1]
Collateral provisions	100% of exposure if >$500	Joint[3]	N/A	N/A	$30,000	Joint[3]

The fair value of each swap is the estimated amount Duke would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The net fair value is included in other liabilities on the consolidated balance sheet. The change in fair value is included as a gain or loss in other nonoperating activities on the consolidated statement of activities. The net settlement amount incurred on the swaps is included in operating income on the consolidated statement of activities. The collateral to support the swaps is included in investments on the consolidated balance sheet.

The aggregate fair value of all derivative instruments with credit-risk related contingent features that were in a liability position on June 30, 2012 and 2011 was $139,026 and $82,698, respectively, for which DUHS has posted collateral of $27,402 and $2,987, respectively, in the normal course of business. If the credit-risk related features underlying these agreements were triggered on June 30, 2012 and 2011, DUHS would have been required to post an additional $111,624 and $79,711, respectively, of collateral to its counterparties.

Financial Information Related to Derivative Instruments	2012 Fair Value	2012 Gain (Loss)	2011 Fair Value	2011 Gain
August 1993 Interest Rate Swap	$ (9,329)	$ (2,921)	$ (6,408)	$ 243
March 2005 Interest Rate Swap	(69,355)	(30,005)	(39,350)	7,269
October 2005 Interest Rate Swap	(433)	228	(661)	146
November 2005 Interest Rate Swap	(1,061)	912	(1,973)	524
April 2007 Interest Rate Swap	(51,381)	(25,442)	(25,939)	7,465
July 2001 Basis Swap	(8,961)	2,040	(11,001)	7,355
Total	$ (140,520)	$ (55,188)	$ (85,332)	$ 23,002

[1] SIFMA represents the Securities Industry and Financial Markets Association Municipal Swap Index. Formerly known as the BMA Municipal Swap Index, SIFMA is the interest rate index used as a basis for repricing the Series 1993A variable rate bonds; however, the rate may vary from SIFMA in any period.
[2] LIBOR represents the London Interbank Offered Rate.
[3] Duke and the counterparty for 100% of the July 2001 Basis Swap and 75% of the 2005 Interest Rate Swap are currently required to post collateral for combined fair value liability amounts in excess of $80,000, based on current credit ratings. Both Duke and the counterparty with 25% of the 2005 Interest Rate Swap are currently required to post collateral for combined fair value in excess of $40,000, based on current credit ratings.
[4] Original swap's effective date was June 2003, and had a notional value at June 30, 2005 of $15,000. This swap was revised effective November 15, 2005 with the terms outlined above.
[5] Notional amount of the April 2007 Interest Rate Swap declines coincident with the principal payment schedules for the Series 1985B and Series 2006 bonds. The residual portion is $5,785.

Duke is exposed to interest rate risk driven by factors influencing the spread between the taxable and tax-exempt market interest rates on its basis swap.

Duke is exposed to financial loss in the event of nonperformance by a counterparty to any of the financial instruments described above. General market conditions could impact the credit standing of the counterparties and, therefore, potentially impact the value of the instruments on Duke's consolidated balance sheet. Duke controls this counterparty credit risk by considering the credit rating, business risk, and reputation of any counterparty before entering into a transaction, monitoring for any change in the credit standing of its counterparty during the life of the transaction, and requiring collateral be posted when predetermined thresholds are crossed.

The counterparty on the 2007 Interest Rate Swap may exercise an early termination right on April 1, 2016, and every seven years thereafter, until 2037. In the event this right is exercised, DUHS may revoke it, at which time the DUHS collateral threshold reduces to zero for the remainder of the swap agreement.

Certain DUHS derivative instruments contain provisions requiring long-term, unsecured debt to be maintained at specified credit ratings from Moody's Investor Service and Standard and Poor's Rating Service. If the ratings of DUHS's debt were to fall below certain benchmarks, the counterparty could request immediate payment on derivatives in net liability positions. At June 30, 2012, DUHS's long-term debt ratings exceeded these benchmarks.

Investment strategies employed by DUMAC and investment managers retained by DUMAC incorporate the use of various derivative financial instruments. DUMAC uses these instruments for a number of investment purposes, including hedging or altering exposure to certain asset classes and cost-effectively adding exposures to portions of the portfolio. Positions are expected to create gains or losses that, when combined with the applicable portion of the total investment portfolio, provide an expected result.

During the year ended June 30, 2012, Duke, or external investment managers on Duke's behalf, entered into:

(a) Forward contracts with various counterparties to obtain exposure to foreign currency exchange rate movements and, in other cases, to hedge against certain foreign currency exchange rate risks resulting from non-U.S. dollar denominated investment securities. Forward contracts are contracts in which the seller agrees to exchange specified currencies on a specified date at a specified rate or to make cash settlement for the value of the agreement at expiration. Risks associated with forward currency contracts are the inability of counterparties to meet the terms of their contracts and movements in exchange rates. Gains and losses on forward transactions are recorded based on changes in fair value. Duke has established procedures to actively monitor and manage market and credit risks.

(b) Futures contracts to hedge exposure to equity price and interest rate movements and to obtain exposure to movements in the exchange rates of certain currencies and prices of certain commodities, equities, U.S Bonds, and non-U.S. sovereign bonds. Futures contracts are agreements in which the seller agrees to either make delivery of specified assets on a specified future date at a specified price or make cash settlement for the value of the agreement at expiration. Duke's maximum loss exposure for purchased contracts is the notional value of the contracts. Duke has unlimited liability on contracts sold. Duke has established procedures to actively monitor and manage market and credit risks.

The purchase and sale of futures contracts requires margin deposits with a Futures Commission Merchant (FCM). The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to Duke's pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

(c) Swap agreements, including, equity, index, interest rate, credit default, option, and variance swaps as part of its investment strategies to gain exposure to and, in some cases, hedge against changes in stock prices, interest rate levels, credit strength of specified companies, and market volatility. Generally, a swap contract is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon, or calculated by, reference to changes in specified prices or rates for a specified notional amount of the underlying assets. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

During the term of the swap contracts, changes in value are recognized as unrealized gains or losses by marking the contracts to market. Duke records a realized gain (loss) when periodic payments are received or made.

Loss may result from the failure of the counterparty to the swap contract to comply with the terms of the swap contract. Such loss is generally limited to the aggregate of the unrealized gain on the swap contract less collateral held or plus any collateral posted with the counterparty. Duke considers the creditworthiness of its swap contract counterparties in evaluating potential credit risk. Additionally, risks may arise from unanticipated movements in the fair value of the underlying securities and the lack of market liquidity to unwind the positions at current fair values.

(d) Option contracts (including swaptions, which are options on swaps) to obtain exposure to movements of certain equity prices, interest rates and currency exchange rates, and as economic hedges against certain equity positions held in its portfolio. Option contracts purchased give Duke the right, but not the obligation, to buy or sell within a limited time, a financial instrument, commodity, or currency at a contracted price. Option contracts may also be settled in cash, based on the difference between the contracted price and market price at the exercise date. The value of an option has two components: time value and intrinsic value. An option expires on a certain date and as the expiration date approaches, the time value of an option will decline. In addition, if the stock underlying the option declines in price, the intrinsic value of an "in the money" option will decline. Further, if the price of the stock underlying the option does not exceed the strike price of the option on the expiration date, the option will expire worthless. As a result, there is the potential for Duke to lose its entire investment in an option.

Options written (sold) by Duke obligate Duke to buy or sell within a limited time, a financial instrument, commodity, or currency at a contracted price. Alternatively Duke can settle in cash, based on the difference between the contracted price and market price at the exercise date. Options written expose Duke to market risk for changes in the financial instrument underlying the written option.

Duke is exposed to counterparty risk in that the seller of an option contract might not sell or purchase the underlying asset as agreed under the terms of the option contract. The maximum exposure to loss from counterparty risk for Duke is the fair value of the contracts and the premiums paid to purchase its open option contracts. Duke considers the creditworthiness of the intermediary counterparty to its option transactions in evaluating potential credit risk.

(e) Transactions where Duke received warrants from its portfolio companies upon an investment in the debt or equity of a company. The warrants provide Duke with exposure and potential gains upon appreciation of the portfolio company's share price.

The value of a warrant has two components: time value and intrinsic value. A warrant expires on a certain date and as that date approaches, the time value of a warrant will decline. In addition, if the stock underlying the warrant declines in price, the intrinsic value of an "in the money" warrant will decline. Further, if the price of the stock underlying the warrant does not exceed the strike price of the warrant on the expiration date, the warrant will expire worthless. As a result, there is the potential for Duke to lose its entire investment in a warrant.

Duke is exposed to counterparty risk in that the issuer of warrants may fail to settle its exercised warrants. The maximum loss from counterparty risk for Duke is the fair value of the contracts and the purchase price of the warrants. Duke considers the effects of counterparty risk when determining the fair value of its investments in warrants.

(f) Transactions where Duke received rights from its portfolio companies upon an investment in a debt or equity of a company. The rights provide Duke with exposure to, and potential gains from, appreciation of the portfolio company's share price. Rights entitle the holder to buy stock of the issuing company at a specified price. Changes in the value of the rights are recognized as unrealized gains or losses at the end of each day's trading. If the right is exercised, the new stock is assigned a cost basis at the strike price and the right is marked to zero. If the right is sold, Duke records a realized gain or loss.

The volume of Duke's derivative activities based on their notional amounts and number of contracts, categorized by primary underlying risk, are as follows:

Primary underlying risk as of June 30, 2012	Long exposure Notional amounts	Long exposure Number of contracts	Short exposure Notional amounts	Short exposure Number of contracts
Equity Price:				
Options	$ 41,098	129,357	$ 321,258	49,146
Equity swaps	601,309	84	103,122	77
Index swaps	…	…	22,577	4
Warrants	30,561	44	…	…
Futures contracts	10,894	152	101,377	1,185
Rights	4,471	4	2,733	3
	688,333	129,641	551,067	50,415
Interest Rate:				
Interest rate options	…	…	522,500	13
Interest rate swaps	…	…	3,432	6
Futures contracts	24,000	4	201,258	1,524
	24,000	4	727,190	1,543
Commodity Price:				
Futures contracts	362,544	6,065	4,498	102
Credit:				
Credit default swaps	62,364	10	52,999	10
Swaptions	2,538	2	4,798	1
	64,902	12	57,797	11
Foreign currency exchange rate:				
Options	15,550	8	…	…
Futures contracts	599,000	2	…	…
Forward contracts	432,397	61	172,109	58
	1,046,947	71	172,109	58
Total	$ 2,186,726	135,793	$ 1,512,661	52,129

Primary underlying risk as of June 30, 2011	Long exposure Notional amounts	Long exposure Number of contracts	Short exposure Notional amounts	Short exposure Number of contracts
Equity Price:				
Options	$ 452,013	78,604	$ 123,788	12,844
Equity swaps	543,735	94	23,173	29
Index swaps	…	…	59,833	10
Warrants	11,520	38	…	1
Futures contracts	…	…	48,939	577
Rights	1,535	4	…	…
	1,008,803	78,740	255,733	13,461
Interest Rate:				
Interest rate swaps	23,531	6	40,600	9
Futures contracts	12,000	12	168,282	1,392
	35,531	18	208,882	1,401
Commodity Price:				
Futures contracts	366,087	6,525	2,701	22
Credit:				
Credit default swaps	2,930	2	195,413	104
Swaptions	4,090	3	834	1
	7,020	5	196,247	105
Foreign currency exchange rate:				
Futures contracts	1,683,000	1,683	…	…
Forward contracts	472,786	41	237,036	21
	2,155,786	1,724	237,036	21
Total	$ 3,573,227	87,012	$ 900,599	15,010

The following tables identify the fair value amounts of derivative instruments included in investments categorized by primary underlying risk. Balances are presented on a gross basis, prior to the application of counterparty netting. Total derivative assets and liabilities, and their related gains or losses are adjusted on an aggregate basis to take into consideration the effects of master netting arrangements with its counterparties.

Primary underlying risk as of June 30, 2012	**Derivative assets**	**Derivative liabilities**	**Gain (loss)**
Equity Price:			
Options	$ 11,992	$ (660)	$ (9,842)
Equity swaps	18,821	(9,276)	22,458
Index swaps	…	(2,224)	(495)
Warrants	13,053	…	1,437
Futures contracts	291	(2,898)	(2,415)
Rights	1,057	(255)	(1,461)
	45,214	(15,313)	9,682
Interest Rate:			
Interest rate options	…	(257)	(113)
Interest rate swaps	…	(762)	(966)
Futures contracts	547	(84)	(15,392)
	547	(1,103)	(16,471)
Commodity Price:			
Futures contracts	15,001	(201)	(26,122)
Credit:			
Credit default swaps	12,503	(2,144)	13,867
Swaptions	69	(19)	(561)
	12,572	(2,163)	13,306
Foreign currency exchange rate:			
Options	60	…	(12)
Futures contracts	300	…	1,351
Forward contracts	3,935	(1,375)	(24,456)
	4,295	(1,375)	(23,117)
Total	$ 77,629	$ (20,155)	$ (42,722)

Primary underlying risk as of June 30, 2011	**Derivative assets**	**Derivative liabilities**	**Gain (loss)**
Equity Price:			
Options	$ 13,196	$ (1,969)	$ (37,379)
Equity swaps	9,352	(9,959)	85,557
Index swaps	40	(1,754)	(26,945)
Warrants	17,282	(11)	8,321
Futures contracts	…	(521)	(13,493)
Rights	1,981	…	(2,065)
	41,851	(14,214)	13,996
Interest Rate:			
Interest rate swaps	846	(895)	10
Futures contracts	600	…	(8,393)
	1,446	(895)	(8,383)
Commodity Price:			
Futures contracts	864	(2,918)	100,444
Credit:			
Credit default swaps	10,718	(1,472)	(18,736)
Swaptions	1,779	…	(600)
	12,497	(1,472)	(19,336)
Foreign currency exchange rate:			
Futures contracts	795	…	1,717
Forward contracts	3,727	(1,490)	55,391
	4,522	(1,490)	57,108
Total	$ 61,180	$ (20,989)	$ 143,829

14. Functional Expenses

Expenses are reported in the consolidated statement of activities in natural categories. Functional expenses for fiscal 2012 and fiscal 2011 were categorized as follows:

	2012	2011
Health care services	$ 1,667,957	$ 1,531,608
Instruction and departmental research	793,253	782,154
General administration	729,518	768,683
Sponsored and separately budgeted research	722,951	750,704
Auxiliary enterprises	198,555	195,601
Student services	47,316	44,518
Libraries	42,468	39,825
Student aid	42,357	39,714
Other	241,217	211,464
Total operating expenses	$ 4,485,592	$ 4,364,271

Functional expenses are shown in categories recommended by the National Association of College and University Business Officers. Duke's primary program services are health care services, instruction and departmental research, and sponsored and separately budgeted research. Expenses reported as general administration, auxiliary enterprises, student services, libraries, and student aid are incurred in support of these primary program services.

Plant operation and maintenance expense is allocated to program and supporting activities based upon periodic assessment of facilities usage. Total amounts allocated in fiscal 2012 and fiscal 2011 were $127,504 and $113,821, respectively.

15. Charity Care

DUHS provides services at a free or substantially discounted rate to patients who are approved under the guidelines of its charity care policy. Services qualifying for charity care consideration include emergent and medically necessary services as determined by a DUHS physician. Because DUHS does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenues. Records are maintained to identify and monitor the level of charity care provided. These records include the amount of charges foregone and estimated costs incurred for services and supplies furnished under the charity care policy. Costs incurred are estimated based on the ratio of total operating expenses to gross charges applied to charity care charges. The amount of charity care provided, based on estimated cost, was $69,093 and $64,690 during fiscal 2012 and fiscal 2011, respectively.

16. Concentration of Credit Risk

DUHS grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The related receivables at June 30, 2012 included approximately 43% and 46% from commercial payors and U.S. Government sources, respectively, and at June 30, 2011 included approximately 41% and 46%, respectively.

17. Conflicts of Interest Transactions

Members of Duke's governing boards and senior administration may, from time to time, be associated, either directly or indirectly, with companies doing business with Duke.

Duke maintains written conflict of interest policies for both the University and DUHS that require, among other things, that no member of a governing board may participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each governing board member is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether Duke does business with an entity in which that member (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and in the best interests of Duke, and in accordance with applicable conflict of interest laws. No such associations that have been disclosed are considered to be material to the consolidated financial statements.

For members of the senior administration, Duke requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with Duke. These annual disclosures cover members of the senior administration and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of Duke.

18. Other Revenue

During fiscal 2011, the School of Medicine sold a patent for a drug developed at Duke. Pursuant to the agreement, Duke received $90,100, which is reflected in other operating revenue on the consolidated statement of activities.

19. Subsequent Events

Duke has evaluated subsequent events from the balance sheet date through October 2, 2012, the date at which the financial statements were issued.

In August 2012, DUHS converted it's Series 1985B and Series 1993A bonds to a Bank-Bought Index Floating Rate mode.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS AND OMB CIRCULAR A-133 REPORTS

DUKE UNIVERSITY

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2012

Federal and state grantors/pass-through grantors/agencies or cluster title	Federal CFDA number or other identifying grant number	Pass-through entity identifying number	Expenditures
Federal Award Expenditures:			
Research and Development Cluster:			
Department of Health and Human Services:			
National Institutes of Health	93.RD	—	$ 341,351,167
Agency for Healthcare Research and Quality	93.RD	—	4,436,135
ARRA - Accelerating Adoption of Comparative Effectiveness Research	93.726	—	953,457
ARRA - Comparative Effectiveness Research AHRQ	93.715	—	233,112
ARRA - Compete - HF	93.HHSA290200500321	—	593,561
ARRA - Comprehensive EPC CER for Effective Health Care	93.HHSA 290-200710066	—	2,361,644
ARRA - Trans-NIH Recovery Act Research Support	93.701	—	29,381,421
ARRA - Endometrial Cancer TCGA Project	93.HHSN2612010000191	—	100,294
ARRA - TCGA - Breast Cancer	93.HHSN2612010000231	—	10,777
ARRA - Follow-up of the Multimodal Treatment Study of Children with ADHD (MTA)	93.HSN271200800009C	—	463,242
Biomedical Advanced Research and Development Authority	93.RD	—	4,175,640
Centers for Disease Control and Prevention	93.RD	—	1,310,833
Food and Drug Administration	93.RD	—	2,216,504
Health Resources and Services Administration	93.RD	—	2,397,860
Substance Abuse and Mental Health Services Administration	93.RD	—	526,792
Pass-through programs from:			
ABT Associates	93.RD	—	(504)
Academy Educational Development	93.RD	—	48,423
Advanced Liquid Logic	93.RD	—	423,504
Aeolus Pharmaceuticals	93.RD	—	387,122
Alamance Social Services	93.RD	—	262,106
Albert Einstein College of Medicine of Yeshva University	93.RD	—	25,459
Altarium Institute	93.RD	—	106,661
American College of Oncology Group	93.RD	—	4,997
ARRA - American College Cardiology Foundation *	93.701	—	240,301
American College of Radiology	93.RD	—	96,777
ARRA - American College of Radiology *	93.701	—	17,903
ARRA - American College of Radiology Imaging Network *	93.701	—	7,385
American Federation for Aging Research	93.RD	—	62,522
American Institute for Research	93.RD	—	237
AMPLX Pharmaceuticals	93.RD	—	25,590
Angion Biomedical Corporation	93.RD	—	282,212
Argos Therapeutics, Inc.	93.RD	—	49,568
Association of American Medical Colleges	93.RD	—	141,259
Axio Research Corporation	93.RD	—	132,944
Baylor College of Medicine	93.RD	—	829,990
Benayora Research Institute	93.RD	—	118,200
Blood Center of Wisconsin	93.RD	—	10,602
Booz Allen Hamilton, Inc.	93.RD	—	143,012
ARRA - Booz Allen Hamilton, Inc.*	—	93.992978XSB23	19,133
ARRA - Boston Medical Center *	93.701	—	1
Boston University	93.RD	—	170,999
ARRA - Boston University *	93.701	—	50,947
ARRA - Brain Plasticity*	—	93.1RC3MH090833-01	103,188
Brandeis University	93.RD	—	214,085
Brigham and Women's Hospital	93.RD	—	4,719,509
Burnham Institute of Medical Research	93.RD	—	248,202
California Institute of Technology	93.RD	—	265,799
Carnegie Mellon University	93.RD	—	53,769
Case Western Reserve University	93.RD	—	183,719
Catholic Healthcare West	93.RD	—	5,511
Celsion	93.RD	—	37,147
Center for Aids Program in South Africa	93.RD	—	115,114
Children’s Hospital and Medical Center	93.RD	—	3,697
ARRA - Children’s Hospital and Research Center*	93.701	—	205
Children’s Hospital Boston	93.RD	—	569,865
ARRA - Children’s Hospital Boston *	93.701	—	52,686
Children’s Hospital Los Angeles	93.RD	—	(3,612)
Children’s Hospital Philadelphia	93.RD	—	100,373
Childrens' Mercy Hospital	93.RD	—	31,942
Children’s Memorial Hospital	93.RD	—	4,299
Cleveland Clinic Foundation	93.RD	—	8,699
Cognosci, Inc.	93.RD	—	169,229
Columbia University	93.RD	—	365,216
Constella Group, LLC	93.RD	—	59
ARRA - Creighton University*	93.701	—	290,298
Cytex Therapeutics, Inc.	93.RD	—	5,483
Dana-Farber Cancer Institute	93.RD	—	548,734
Dekk-Tec	93.RD	—	172,989
East Carolina University	93.RD	—	1,740
EMMES Corporation	93.RD	—	133,800
Emory University	93.RD	—	32,747
ENDLS Optics, Inc.	93.RD	—	35,328
Florida State University	93.RD	—	827
Fred Hutchinson Cancer Research Center	93.RD	—	1,688,613
Foundation for the National Institutes of Health	93.RD	—	37,636

DUKE UNIVERSITY

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Federal and state grantors/pass-through grantors/agencies or cluster title	Federal CFDA number or other identifying grant number	Pass-through entity identifying number	Expenditures
Georgetown University	93.RD	—	$ 202,892
George Washington University	93.RD	—	33,654
Georgia Institute of International Health	93.RD	—	117,932
Harvard Pilgrim Healthcare	93.RD	—	182,719
Harvard University	93.RD	—	224,000
Health Research Education Trust	93.RD	—	9,316
Health Research, Inc.	93.RD	—	16,215
Heart Imaging Technologies, LLC	93.RD	—	182,763
Human Frontier Science Program	93.RD	—	380,995
Imquest Biosciences, Inc.	93.RD	—	494,771
Indiana University	93.RD	—	135,606
Institute for Clinical Research	93.RD	—	48,369
J David Gladstone Institutes	93.RD	—	305,883
Jackson State University	93.RD	—	19,127
JAEB Center for Health Research	93.RD	—	192,597
Joan and Sanford Weill	93.RD	—	(2,042)
Johns Hopkins University	93.RD	—	703,061
ARRA - Kaiser Foundation *	93.701	—	2,376
Kilimanjaro Christian Medical Center	93.RD	—	365,350
LAAM Science, Inc.	93.RD	—	32,800
Lawrence Berkeley National Lab	93.RD	—	116,441
Lifepoint Hospitals	93.RD	—	195,880
Lifescitech	93.RD	—	10,006
Los Angeles Biomedical Research Institute	93.RD	—	(2,465)
Louisiana State University	93.RD	—	(163)
Lumicell Diagnostics	93.RD	—	9,491
Macro International, Corp.	93.RD	—	31,571
Massachusetts General Hospital	93.RD	—	3,306
ARRA - Massachusetts General Hospital *	93.701	—	96,863
Massachusetts Institute of Technology	93.RD	—	107,870
ARRA - Massachusetts Institute of Technology *	93.701	—	13,827
Mayo Foundation	93.RD	—	4,039,763
ARRA - Mayo Foundation *	93.701	—	60,027
Medical University of South Carolina	93.RD	—	363,638
MEDISPIN, Inc.	93.RD	—	60,817
Meharry Medical College	93.RD	—	55,787
Memorial Sloan-Kettering	93.RD	—	144,798
Michigan Public Health	93.RD	—	18,316
Micromed Technology	93.RD	—	5,500
Miriam Hospital	93.RD	—	50,184
Moffitt Cancer Center	93.RD	—	263,542
Moi University	93.RD	—	193,550
Molecular Insight Pharmacy	93.RD	—	10,377
Montefiore Medical Center	93.RD	—	765,120
ARRA - Montefiore Medical Center *	93.701	—	1,099
Moses Cone Health Systems	93.RD	—	(3,331)
Mt. Sinai Medical Center	93.RD	—	1,268,376
ARRA - Mt. Sinai Medical Center*	93.701	—	64
ARRA - Mt. Sinai Medical Center*	—	93.1RC1-HL100951-01	7,310
National Association of Chronic Disease	93.RD	—	285,457
National Childhood Cancer Foundation	93.RD	—	24,076
National Genome Resources	93.RD	—	11,716
National Fragile X Foundation	93.RD	—	104
National Jewish Medical and Research Center	93.RD	—	(18,747)
National Marrow Donor Program	93.RD	—	127,278
National Skeletal Muscle Research	93.RD	—	(10)
Nationwide Children's Hospital	93.RD	—	167,260
New England Research Institute	93.RD	—	199,963
New World Medical, Inc.	93.RD	—	177,336
New York School of Medicine	93.RD	—	(44,331)
North Carolina Central University	93.RD	—	115,527
North Carolina Department of Environment, Health and Natural Resources	93.RD	—	(11,030)
North Carolina Department of Health and Human Services	93.RD	—	95,107
North Carolina Space Grant Consortium	93.RD	—	21,571
North Carolina State University	93.RD	—	324,578
Northern California Institute for Research and Education	93.RD	—	29,399
Northwestern University	93.RD	—	120,177
ARRA - Northwestern University*	93.701	—	2,702
Ohio State University Research Foundation	93.RD	—	313,725
Ordway Research Institute	93.RD	—	15,614
Oregon Health & Science University	93.RD	—	43,436
Palo Alto Institute for Research	93.RD	—	(101,420)
Pennsylvania State University	93.RD	—	421,750
Pharmaceutical Product Development, Inc.	93.RD	—	(703)
ARRA - Pitt Community College*	93.721	—	14,243
Prevent Blindness America	93.RD	—	15,577
Premitec, Inc.	93.RD	—	48,502
Prevent Teaching and Research	93.RD	—	15,813
Profusa, Inc.	93.RD	—	46,996

Federal and state grantors/pass-through grantors/agencies or cluster title	Federal CFDA number or other identifying grant number	Pass-through entity identifying number	Expenditures
Purdue University	93.RD	—	$ 33,322
Qualify Biological, Inc.	93.RD	—	80,721
Radiation Effects Research Foundation	93.RD	—	424,242
Radiological Society of North America	93.RD	—	135,824
Religent, Inc.	93.RD	—	(2,051)
ARRA - Religent, Inc. *	93.701	—	(2,314)
Research Foundation Mental Hygiene	93.RD	—	(5,513)
ARRA - Research Foundation of SUNY *	93.701	—	10,535
Research Triangle Institute	93.RD	—	599,097
Rosalind Franklin University of Medicine and Science	93.RD	—	(462)
Roswell Park Cancer Institute	93.RD	—	70,225
SAIC-Frederick, Inc.	93.RD	—	1,426,531
ARRA - SAIC-Frederick, Inc.*	—	93.HHSN261200800001E	67,794
Savannah River Nuclear Solution, LLC	93.RD	—	(292)
Scimetricka LLC	93.RD	—	571
Scripps Research Institute	93.RD	—	(2,355)
ARRA - Seattle Institute of Cardiac Research *	93.701	—	7,278
Social and Scientific Systems, Inc.	93.RD	—	188,656
ARRA - Social and Scientific Systems, Inc. *	93.701	—	31,878
ARRA - Social and Scientific Systems, Inc. *	—	93.CRB-DCR-01-S-09-00318	12,077
St. John Health	93.RD	—	17
ARRA - St. John Health*	93.701	—	493
St. Joseph's Hospital	93.RD	—	9,120
St. Jude Children’s Research Hospital	93.RD	—	328,401
ARRA - St. Jude Children’s Research Hospital *	93.701	—	(171)
St. Louis University	93.RD	—	20,479
St. Luke's Roosevelt Institute	93.RD	—	31,381
Stanford University	93.RD	—	124,907
ARRA - Stanford University *	93.701	—	1,313
Stony Brook University	93.RD	—	212,044
Syntrix Biosystems, Inc.	93.RD	—	(1,554)
TKC Global Solution, LLC	93.RD	—	8,687
ARRA - Towson University *	93.701	—	35,167
Tufts University	93.RD	—	236,589
University of Alabama	93.RD	—	157,756
ARRA - University of Alabama*	93.701	—	44,692
University of Arizona	93.RD	—	466,520
University of California at Berkeley	93.RD	—	228,268
University of California at Davis	93.RD	—	240,097
University of California at Irvine	93.RD	—	70,190
ARRA - University of California at Irvine*	93.701	—	1,785
University of California at Los Angeles	93.RD	—	2,834,499
ARRA - University of California at Los Angeles*	93.701	—	11,007
University of California at Riverside	93.RD	—	5
University of California at San Diego	93.RD	—	859,611
ARRA - University of California at San Diego*	93.701	—	23,810
University of California at San Francisco	93.RD	—	310,457
ARRA - University of California at San Francisco *	93.701	—	124,161
University of California at Santa Cruz	93.RD	—	125,917
University of Chicago	93.RD	—	17,992
University of Cincinnati	93.RD	—	47,690
University of Colorado	93.RD	—	102,834
University of Connecticut	93.RD	—	145,349
University of Florida	93.RD	—	726,406
ARRA - University of Florida *	93.701	—	77,064
University of Illinois	93.RD	—	(6,509)
University of Iowa	93.RD	—	17,121
ARRA - University of Iowa *	93.701	—	57,008
University of Kansas	93.RD	—	41,469
University of Maryland	93.RD	—	1,342,207
University of Massachusetts	93.RD	—	68,805
ARRA - University of Massachusetts *	93.701	—	580,040
University of Medicine & Dentistry of New Jersey	93.RD	—	1,179
ARRA - University of Medicine & Dentistry of New Jersey*	93.701	—	3,335
University of Miami	93.RD	—	523,131
ARRA - University of Miami *	93.701	—	388,178
ARRA - University of Miami *	—	93.5082	9
University of Minnesota	93.RD	—	56,050
University of North Carolina at Chapel Hill	93.RD	—	4,610,208
ARRA - University of North Carolina at Chapel Hill *	93.701	—	337,423
University of North Carolina at Greensboro	93.RD	—	(2,915)

DUKE UNIVERSITY

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2012

Federal and state grantors/pass-through grantors/agencies or cluster title	Federal CFDA number or other identifying grant number	Pass-through entity identifying number	Expenditures
University of Oregon	93.RD	—	$ 25,650
University of Pennsylvania	93.RD	—	206,463
University of Pittsburgh	93.RD	—	657,608
ARRA - University of Pittsburgh*	93.701	—	3,006
ARRA - University of Pittsburgh*	—	93.0015124/116763	9,876
University of Rochester	93.RD	—	375,528
ARRA - University of Rochester*	93.701	—	28,340
ARRA - University of South Carolina *	93.701	—	140,491
ARRA - University of South Carolina *	—	93.5RC2-LM010796-02	22,370
University of Southern California	93.RD	—	222,187
University of Southern Florida	93.RD	—	26,094
University of Texas at Austin	93.RD	—	31,218
University of Texas Health Science Center at Houston	93.RD	—	209,739
University of Texas M.D. Anderson	93.RD	—	(36,568)
University of Texas Southwestern Medical Center	93.RD	—	47,164
University of Vermont	93.RD	—	132,573
University of Washington	93.RD	—	113,176
ARRA - University of Washington *	93.701	—	31,668
University of Wisconsin	93.RD	—	109,487
Valencell Clinic	93.RD	—	140,319
Vanderbilt University	93.RD	—	36,240
ARRA - Vanderbilt University *	93.701	—	17,610
Vindico Nanbiotech	93.RD	—	25,641
Virginia Commonwealth University	93.RD	—	9,742
Virginia Polytechnical Institute and State University	93.RD	—	169,185
Vortant Technologies, LLC	93.RD	—	42,045
Wake County	93.RD	—	120,227
Wake Forest University	93.RD	—	466,427
ARRA - Wake Forest University *	93.701	—	174,223
Washington University	93.RD	—	183,196
Wayne State University	93.RD	—	60,432
West Virginia University	93.RD	—	21,691
Westat, Inc.	93.RD	—	407,093
Winstar Institute	93.RD	—	34,537
Wister	93.RD	—	200,707
WITS Health Consortium	93.RD	—	(397)
Woods Hole Oceanographic Institution	93.RD	—	19,314
Yale University	93.RD	—	170,905
ARRA - Yale University *	93.701	—	40,791
Total Department of Health and Human Services			441,775,783
National Science Foundation:	47.RD	—	34,691,998
ARRA – Trans-NSF Recovery Act Research Support	47.082	—	2,046,448
Pass-through programs from:			
Carnegie Mellon University	47.RD	—	52,765
Columbia University	47.RD	—	97,253
Florida International University	47.RD	—	35,662
Georgia Institute of Technology	47.RD	—	23,135
Institute for Advance Study	47.RD	—	324
Inter-America Institute Global Research	47.RD	—	9,607
International Start Secretariat	47.RD	—	20,022
ARRA - Lifescitech **	47.082	—	(50,352)
Michigan State University	47.RD	—	211,401
National Institute of Statistics	47.RD	—	262,858
North Carolina State University	47.RD	—	124,690
Ohio State University	47.RD	—	26,296
Old Dominion University	47.RD	—	78,770
Stanford University	47.RD	—	(4,864)
University of Arizona	47.RD	—	11,758
University of California at Davis	47.RD	—	144,496
University of California at Merced	47.RD	—	26,070
University of California at San Diego	47.RD	—	9,187
University of California at Santa Barbara	47.RD	—	154,920
ARRA - University of California at Santa Cruz **	47.082	—	29,770
University of Colorado	47.RD	—	42,878
University of Connecticut	47.RD	—	31,856
University of Florida	47.RD	—	5,856
University of Georgia	47.RD	—	99,123
University of New Mexico	47.RD	—	85,192
University of North Carolina at Chapel Hill	47.RD	—	196,169
University of Pennsylvania	47.RD	—	54,332
University of Rochester	47.RD	—	112,991
University of Utah	47.RD	—	(13,178)
University of Washington, Seattle	47.RD	—	(18,593)
University of Wisconsin	47.RD	—	88,538
Valencell, Inc.	47.RD	—	15,668
Total National Science Foundation			38,703,046

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Federal and state grantors/pass-through grantors/agencies or cluster title	Federal CFDA number or other identifying grant number	Pass-through entity identifying number	Expenditures
Department of Defense:	12.RD	—	$ 42,666,267
Pass-through programs from:			
ABT Associates, Inc.	12.RD	—	222,830
Applied Quantum Technologies, Inc.	12.RD	—	85,925
Applied Research Association	12.RD	—	196,971
Applied Research Laboratory	12.RD	—	23,793
Battelle LLC	12.RD	—	2,422
Boston College	12.RD	—	70,058
Boeing Company	12.RD	—	(461)
DRS Sensors & Targeting Systems	12.RD	—	64,936
General Electric Fund	12.RD	—	(39,245)
Georgia Institute of Technology	12.RD	—	229,605
GEO-MARINE, Inc.	12.RD	—	29
Greenville Hospital System	12.RD	—	10,156
Harvard University	12.RD	—	46,231
HDR Environmental, Operations and Construction, Inc.	12.RD	—	1,195,458
HRL Laboratories, LLC	12.RD	—	149,327
Infoscitex Corporation	12.RD	—	3,117
Jackson Foundation	12.RD	—	1,211,487
Johns Hopkins University	12.RD	—	109,126
Lockheed Martin Corporation	12.RD	—	81,128
Logos Technologies, Inc.	12.RD	—	(640)
Loma Linda University	12.RD	—	120,595
Massachusetts Institute of Technology	12.RD	—	223,865
MCNC	12.RD	—	(31,380)
MDC, Inc.	12.RD	—	3,589
Metron, Inc.	12.RD	—	22,936
Molecular Express, Inc.	12.RD	—	448
Moses Cone Health System	12.RD	—	405,165
National Security Innovation	12.RD	—	20,000
North Carolina Central University	12.RD	—	1,772
North Carolina State University	12.RD	—	57,171
Northrop Grumman	12.RD	—	(10,162)
Northwestern University	12.RD	—	166,842
Pennsylvania State University	12.RD	—	89,614
Physical Layer Systems	12.RD	—	472
Princeton University	12.RD	—	100,496
Profusa, Inc.	12.RD	—	81,281
Research Triangle Institute	12.RD	—	205,408
Rice University	12.RD	—	177,422
Samueli Institute	12.RD	—	(3,068)
Science Applications International Corporation	12.RD	—	(41,777)
Sensormetrix, Inc.	12.RD	—	145,759
Signal Innovations Group	12.RD	—	29,929
SRI International	12.RD	—	68,425
Teledyne Scientific Company	12.RD	—	15,666
Tetra Tech, Inc.	12.RD	—	75,828
University of California at San Diego	12.RD	—	748,171
University of California at San Francisco	12.RD	—	36,465
University of Central Florida	12.RD	—	30,233
University of Colorado	12.RD	—	993,898
University of Florida	12.RD	—	32,480
University of Illinois	12.RD	—	126,540
University of Maryland	12.RD	—	327,487
University of Miami	12.RD	—	2,865
University of Michigan	12.RD	—	1,272
University of New Mexico	12.RD	—	59,459
University of Pennsylvania	12.RD	—	495,877
University of South California	12.RD	—	191,674
University of Virginia	12.RD	—	30,591
University of Wisconsin	12.RD	—	(1,267)
Wave Computation Technology	12.RD	—	56,071
Woods Hole Oceanographic Institution	12.RD	—	27,138
ZT Solar	12.RD	—	28,837
Total Department of Defense			51,442,607
Department of Energy:	81.RD	—	9,754,583
ARRA - Geologic Sequestration Training and Research Grant	81.133	—	176,244
Pass - through programs from:			
American Institutes for Research	81.RD	—	95,329
Argonne National Labs	81.RD	—	5,934
Brookhaven National Laboratory	81.RD	—	260,078
Battelle LLC	81.RD	—	152,627
Cellana, LLC	81.RD	—	54,367
Center to Protect Workers' Rights	81.RD	—	80,134
Georgia Institute of Technology	81.RD	—	172,993
Lawrence Livermore National Security, LLC	81.RD	—	23,309
Los Alamos National Laboratory	81.RD	—	15,340

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Federal and state grantors/pass-through grantors/agencies or cluster title	Federal CFDA number or other identifying grant number	Pass-through entity identifying number	Expenditures
National Renewable Energy	81.RD	—	$ 219,041
North Carolina State University	81.RD	—	14,835
Oak Ridge Associate University	81.RD	—	108,937
Sandia National Laboratory	81.RD	—	88,338
Tulane University	81.RD	—	28,813
University of Kentucky Research Foundation	81.RD	—	46,855
ARRA - University of North Carolina at Chapel Hill ***	81.049	—	405,937
University of Pennsylvania	81.RD	—	95,889
Urban Institute	81.RD	—	10,078
Washington State University	81.RD	—	89,494
Woods Hole Research Center	81.RD	—	234,922
Total Department of Energy			12,134,077
Environmental Protection Agency:	66.RD	—	1,082,412
Pass-through programs from:			
ICF Associates, Inc.	66.RD	—	418,120
North Carolina State University	66.RD	—	4,622
Research Triangle Institute	66.RD	—	144,269
University of South Carolina	66.RD	—	54,313
Vanderbilt University	66.RD	—	(413)
Total Environmental Protection Agency			1,703,323
National Aeronautics and Space Administration:	43.RD	—	2,451,360
Pass-through programs from:			
Cornell University	43.RD	—	48,771
Jet Propulsion Lab	43.RD	—	61,477
North Carolina State University	43.RD	—	5,136
University of California at Irvine	43.RD	—	17,324
University of Connecticut	43.RD	—	60,776
University of Maine	43.RD	—	21,350
Woods Hole Oceanographic	43.RD	—	107,719
Total National Aeronautics and Space Administration			2,773,913
Department of Commerce:	11.RD	—	382,676
Pass-through programs from:			
Cape Cod Commercial Hook Fisherman's Association, Inc.	11.RD	—	107,370
Florida State University	11.RD	—	118,772
New England Aquarium	11.RD	—	8,842
North Carolina State University	11.RD	—	13,224
University of Miami	11.RD	—	(6,833)
Southeast Coastal Ocean Observing	11.RD	—	17,782
Woods Hole Oceanographic	11.RD	—	10,186
Total Department of Commerce			652,019
Department of Education:	84.RD	—	1,594,860
Pass-through programs from:			
University of North Carolina at Chapel Hill	84.RD	—	110,608
University of North Carolina at Greensboro	84.RD	—	137
Total Department of Education			1,705,605
Department of Transportation:	20.RD	—	317,599
Pass-through programs from:			
Harvard University	20.RD	—	14,933
Princeton University	20.RD	—	103,976
Total Department of Transportation			436,508
Department of Agriculture:	10.RD	—	559,324
Pass-through programs from:			
Indiana University	10.RD	—	1
North Carolina State University	10.RD	—	29,665
University of Connecticut	10.RD	—	54,008
Total Department of Agriculture			642,998
Department of Veteran Affairs:	64.RD	—	228,668
Pass-through programs from:			
Family Health International	64.RD	—	121,059
Total Department of Veteran Affairs			349,727
Department of Homeland Securities:	97.RD	—	1,723,018
Pass-through programs from:			
Research Triangle Institute	97.RD	—	25,868
Stanford University	97.RD	—	76,648
University of Southern California	97.RD	—	9,916
Total Department of Homeland Securities			1,835,450

DUKE UNIVERSITY

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2012

Federal and state grantors/pass-through grantors/agencies or cluster title	Federal CFDA number or other identifying grant number	Pass-through entity identifying number	Expenditures
Department of Justice:			
Pass-through programs from:			
Durham Police Department	16.RD	—	$ 7,649
North Carolina Department of Juvenile Justice	16.RD	—	5,319
Total Department of Justice			12,968
Agency for International Development:	98.RD	—	80,343
Pass-through programs from:			
Indiana University	98.RD	—	30,098
International Food Policy and Research Institute	98.RD	—	40
Research Triangle Institute	98.RD	—	4,107
University of California at Davis	98.RD	—	13,986
University of Maryland	98.RD	—	335,145
University Research Co., LLC	98.RD	—	89,684
Total Agency for International Development			553,403
Social Security Administration:			
Pass-through programs from:			
Boston College	96.RD	—	7,839
Total Social Security Administration			7,839
Corporation for National and Community Service:			
Pass-through programs from:			
University of Florida	94.RD	—	32,149
Total Corporation for National and Community Service			32,149
Central Intelligence Agency:			
Pass-through programs from:			
Sensormetrix, Inc.	13.RD	—	134,892
Total Central Intelligence Agency			134,892
Department of Labor:			
Pass-through programs from:			
Harvard University	17.RD	—	24,120
Total Department of Labor			24,120
Department of Interior	15.RD	—	223,796
Marine Mammal Commission	90.RD	—	13,417
National Endowment for the Humanities	45.RD	—	161,126
Total Research and Development Cluster			555,318,766
Student Financial Aid Cluster:			
Department of Education:			
Federal Supplemental Educational Opportunity Grant	84.007	—	710,643
Federal Direct Loan Program	84.268	—	164,888,779
Federal Work-Study Program	84.033	—	2,058,149
Federal Perkins Loan Program	84.038	—	4,261,187
Federal Pell Grant Program	84.063	—	3,922,309
Total Department of Education			175,841,067
Department of Health and Human Services:			
Nurse Faculty Loan Program	93.264	—	499,602
Scholarships for Disadvantaged Students	93.925	—	13,358
Total Department of Health and Human Services			512,960
Total Student Financial Aid Cluster			176,354,027
Training and Other Programs:			
Department of Health and Human Services:			
Nurse Anesthetist Traineeships	93.124	—	13,862
Geriatric Training for Physicians, Dentists and Behavioral/Mental Health Professionals	93.156	—	396,583
Human Genome Research	93.172	—	82,151
Nursing Workforce Diversity	93.178	—	264,569
Telehealth Network Grants	93.211	—	(5,949)
Research and Training in Complementary and Alternative Medicine	93.213	—	34,632
National Research Service Awards-Health Service Research Training	93.225	—	130,744
Research on Healthcare Costs, Quality and Outcomes	93.226	—	219,135
Mental Health Research Grants	93.242	—	163,460
Substance Abuse and Mental Health Services	93.243	—	244,133
Advanced Education Nursing Grant Program	93.247	—	1,207,010
Occupational Safety and Health Program	93.262	—	170,397
Comprehensive Geriatric Education Program	93.265	—	161,884
Alcohol Research Career Development Awards for Scientists and Clinicians	93.271	—	42,866
Drug Abuse and Addiction Research Programs	93.279	—	986,680

(Continued)

DUKE UNIVERSITY

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2012

Federal and state grantors/pass-through grantors/agencies or cluster title	Federal CFDA number or other identifying grant number	Pass-through entity identifying number	Expenditures
Mental Health Research Career/Scientist Development Awards	93.281	—	$ 723,026
Mental Health National Research Service Awards for Research Training	93.282	—	189,199
Discovery and Applied Research	93.286	—	398,090
Advanced Nursing Education Traineeships	93.358	—	85,068
Nurse Education, Practice and Retention Grants	93.359	—	641,437
Nursing Research	93.361	—	198,797
Sickle Cell Treatment Demonstration Program	93.365	—	83,444
Research Infrastructure	93.389	—	1,392,370
Cancer Treatment Research	93.395	—	474,603
Cancer Research Manpower	93.398	—	4,039,467
ARRA – Equipment to Enhance Training for Health Care Professionals	93.411	—	5,510
Affordable Care Act Advanced Nursing Education Expansion Initiative	93.513	—	336,825
Affordable Care Act Expansion of Physician Assistant Training Program	93.514	—	220,000
ARRA – Trans-NIH Recovery Act Research Support	93.701	—	1,064,122
ARRA – National Center for Research Resources, Recovery Act	93.702	—	231,237
ARRA – Recovery Act - Comparative Effectiveness Research AHRQ	93.715	—	815,126
ARRA – Health Information Technology Professionals in Health Care	93.721	—	1,312,200
Heart and Vascular Diseases Research	93.837	—	1,893,548
Lung Diseases Research	93.838	—	572,170
Blood Diseases and Resources Research	93.839	—	726,351
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	—	174,791
Diabetes, Endocrinology and Metabolism Research	93.847	—	1,343,816
Digestive Diseases and Nutrition Research	93.848	—	55,765
Kidney Diseases and Nutrition Research	93.849	—	31,023
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	—	354,400
Allergy, Immunology and Transplantation Research	93.855	—	2,219,533
Microbiology and Infectious Diseases Research	93.856	—	(3,845)
Pharmacology, Physiology and Biological Chemistry Research	93.859	—	5,109,830
National Institute of General Medical Science Fellowship Award	93.862	—	40,357
Population Research	93.864	—	421,903
Center for Research for Mothers and Children	93.865	—	1,651,896
Aging Research	93.866	—	1,325,822
Vision Research	93.867	—	969,558
Medical Library Assistance	93.879	—	14,780
Grants for Training in Primary Care Medicine and Dentistry	93.884	—	7,940
Geriatric Education Centers	93.969		201,624
International Research and Research Training	93.989	—	531,406
Cancer Information Services	93.HHSN261200511005C	—	(8,158)
Cancer Information Services	93.N02-CO-01104	—	
Develop Training in the Principles, Methods, Ethics of Clinical Research under Crest	93.HHSN275201000335P	—	7,100
Develop Training in the Principles, Methods, Ethics of Clinical Research	93.275201100476	—	78,641
Correlates of Vaccine Protection Workshop	93.unknown OAR Correlates	—	535
2011 National CFAR Symposium	93.unknown	—	27,989
Pass-through programs from:			
North Carolina Department of Health and Human Services:			
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	—	83,730
Alzheimer's Disease Demonstration Grants to States	93.051	—	81
National Family Caregiver Support, Title III, Part E	93.052	—	(1)
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	—	84,283
Project Grants and Cooperative Agreement for Tuberculosis Control Programs	93.116	—	104,006
Center for Disease Control and Prevention: Investigations and Technical Assistance	93.283	—	5,576
Centers for National Bioterrorism Hospital Preparedness Program	93.889	—	(40,309)
HIV Care Formula Grants	93.917	—	99,978
Block Grants for Prevention and Treatment of Substance Abuse	93.959	—	69,003
Ryan White Part B Region 7 Network of Care	—	93.26434	48,341
Cincinnati Children's Hospital: Microbiology and Infectious Diseases Research	93.856	—	108,340
Prevention Teaching and Research:			
Regional Community Engagement Workshop	—	93.5U50-CD-300860	(63)
Wake County:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	—	(363)
HIV Adult ID Services	—	93.unknown	253,447
Yale University:			
Microbiology and Infectious Diseases Research	93.856	—	(20)
Emory University:			
AIDS Education and Training Centers	93.145	—	(1,075)

DUKE UNIVERSITY

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2012

Federal and state grantors/pass-through grantors/agencies or cluster title	Federal CFDA number or other identifying grant number	Pass-through entity identifying number	Expenditures
North Carolina State University:			
Cardiovascular Diseases Research	93.837	—	$ 7,278
Wisconsin Medical College:			
Mental Health Research Grants	93.242	—	9,903
Glucoma Caucus Foundation:			
Student Sight Saver Program	—	93.E11/CCE220462-01	95
Alamance Social Services:			
Developing, Implementing and Evaluating a CFA to Improve Child Welfare Outcomes	—	93.unknown	218,892
Vanderbilt University:			
Fogarty International Clinical Research Fellow	—	93.5R24-TW007988-04	(259)
International Research and Research Training	93.989	—	153,965
University of North Carolina at Chapel Hill:			
Mental Health Research Grants	93.242	—	2,144
Occupational Safety and Health Research Grants	93.262	—	161,367
Mental Health National Research Service Awards for Research Training	93.282	—	58,833
Biomedical Research and Research Training	93.859	—	51,945
University of Washington: Cancer Research Manpower	93.398	—	20,944
University of Texas at San Antonio:			
Newborn Screening by Tandem Mass Spectrometry: A Comprehensive Training Course/Lab	93.110	—	12,266
Alamance County: Development, Implementing and Evaluating a Comprehensive Family Assessment/Improve Child Welfare	—	93.AC-000046	30,055
Total Department of Health and Human Services			35,613,835
Department of Justice:			
Pass-through programs from:			
Philadelphia Children's Alliance:			
Learning Collaborative for Northeastern Regional CAC's	—	16.TFCBT	61,298
National Children's Advocacy:			
TFCBT Learning Collaborative for CAC's	—	16.2009-MU-MU-K005	1,216
Total Department of Justice			62,514
Department of Defense:			
Basic and Applied Scientific Research	12.300	—	66,047
Military Medical Research and Development	12.420	—	836,467
Basic Scientific Research	12.431	—	76,978
Basic, Applied, and Advanced Research in Science and Engineering	12.630	—	10,000
Air Force Defense Research Sciences Program	12.800	—	22,899
Reserve Officers Training Core – Air Force	12.ROTC	—	(16,868)
Reserve Officers Training Core – Army	12.ROTC	—	900,345
Reserve Officers Training Core – Navy	12.ROTC	—	1,426,518
Conference on Learning	12.FA9550-11-1-0333	—	12,436
Fellowship	12.HU0001-11-1-TS03 N	—	14,503
Fellowship	12.HU0001-11-1-TS14 N	—	4,345
Ship Rental/ RV Cape Hatteras	12.N66001-11-P-5041	—	63,600
Pass-through programs from:			
National Marrow Donor Program: RITN Agreement	—	12.N00014-10-1-0204	8,364
University of California at Los Angeles: Negative index Materials Workshop	—	12.N00189-08-C-2009	45,514
Total Department of Defense			3,471,148
Nuclear Regulatory Commission:			
Fellowship	77.HQ12-G-38-0022	—	1,361
Health Physics: Accelerator Health Physics; Reactor Health Physics	77.HQ-12-G-38-005	—	14,026
Development of Nuclear Safety Graduate Level Courses	77.NRC-38-07-494	—	24,702
Environmental Leadership Program Courses	77.41-08-008	—	144,419
Total Nuclear Regulatory Commission			184,508
Department of Energy:			
Pass-through programs from:			
Fermi National Lab: COT DE/DX Removal Service Work	—	81.DE-AC02-07OH11959	4,194
ARRA - North Carolina Department of Commerce***	—	81.43900146	221,782
Total Department of Energy			225,976
National Science Foundation:			
Engineering Grants	47.041	—	387,906
Mathematical and Physical Sciences	47.049	—	699,274
Geosciences	47.050	—	1,125,997
Computer and Information Science and Engineering	47.070	—	6,702
Biological Sciences	47.074	—	728,985
Social, Behavioral, and Economic Sciences	47.075	—	334,697
Education and Human Resources	47.076	—	3,619,321
International Science and Engineering (OISE)	47.079	—	62,761
ARRA – Trans-NSF Recovery Act Research Support	47.082	—	436,553

DUKE UNIVERSITY

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2012

Federal and state grantors/pass-through grantors/agencies or cluster title	Federal CFDA number or other identifying grant number	Pass-through entity identifying number	Expenditures
Pass-through programs from:			
Computing Research Association:			
Computer and Information Science and Engineering	47.070	—	$ 63,341
Smithsonian Institute: Fellowship	47.074	—	(34,525)
University of Colorado: Education and Human Resources	47.076	—	23,683
Total National Science Foundation			7,454,695
Corporation for National and Community Service:			
Learn and Serve America Higher Education	94.005	—	128,711
Total Corporation for National and Community Service			128,711
Department of Agriculture:			
Agriculture and Food Research Initiative (AFRI)	10.310	—	51,002
Total Department of Agriculture			51,002
National Aeronautics and Space Administration:			
Fellowship Program	43.NNX09AJ10H	—	29,374
Fellowship Program	43.NNX09AN74H	—	19,471
Fellowship Program	43.NNX09AJ17H	—	24,664
Fellowship Program	43.NNX10AO62H	—	30,355
Fellowship Program	43.NNX10AO68H	—	30,000
Total National Aeronautics and Space Administration			133,864
Environmental Protection Agency:			
Science to Achieve Results (STAR) Fellowship Program	66.514	—	35,970
P3 Award: National Student Design Competition for Sustainability	66.516	—	15,009
Environmental Education Grants	66.951	—	9,204
Fellowship	66.FP-91728801-0	—	10,515
Fellowship	66.U-91618001-0	—	(11,745)
Fellowship	66.unknown	—	16,116
Pass-through programs from:			
Water Environment Research Foundations:			
21st Century Water Asset Accounting	66.511	—	9,405
Systems Research Application:			
Support for OSWER Center for Program Analysis (CPA)	—	66.EP-W-07-023	23,581
Total Environmental Protection Agency			108,055
Department of Veteran Affairs:			
VA Ambulatory Care Optimization Project	64.VA246-P-0553	—	212,495
Pass-through programs from:			
Chesapeake Health Education Program:			
Smoking Cessation Treatment in Veterans Suffering with PTSD	—	64.unknown	182,957
Total Department of Veteran Affairs			395,452
Agency for International Development:			
Pass-through programs from:			
Deloitte Consulting, LLP:			
Program on Applied Cost Benefit Analysis and Cost Effectiveness Analysis	—	98.EEM-I-00-07-0005-0	200,786
Chemonics International:			
PFM and Tax Analysis Training Ministry of Finance, Egypt	—	98.EEM-I12-07-00008	122,185
Egypt's Competitiveness Program	—	98.unknown	22,534
Total Agency for International Development			345,505
Department of Housing and Urban Development:			
Pass-through programs from:			
City of Durham:			
Hope IV	—	14.unknown	(403,222)
North Carolina Department of Health and Human Services:			
Housing Opportunities for Persons with AIDS	14.241	—	4,780
Total Department of Housing and Urban Development			(398,442)
National Archives and Records Administration:			
National Historical Publications and Records Grants	89.003	—	112,008
Total National Archives and Records Administration			112,008
Department of the Interior:			
Forum on Advancing Ecosystems Services	15.AG3187-P-12-003	—	9,981
Forum on Advancing Ecosystems Services	15.G12AP20102	—	2,843
Forum on Advancing Ecosystems Services	15.L12PX00929	—	2,264
Total Department of the Interior			15,088
Appalachian Regional Commission:			
Spring Creek Literacy Project	23.NC-16667-2010	—	24,972
Total Appalachian Regional Commission			24,972

DUKE UNIVERSITY

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2012

Federal and state grantors/pass-through grantors/agencies or cluster title	Federal CFDA number or other identifying grant number	Pass-through entity identifying number	Expenditures
National Endowment for the Arts:			
Promotion of the Arts: Grants to Organizations and Individuals	45.024	—	$ 26,000
Total National Endowment for the Arts			26,000
National Endowment for the Humanities:			
Promotion of the Humanities Research	45.161	—	(33,067)
Total National Endowment for the Humanities			(33,067)
Department of Education:			
National Resource Centers and Fellowships Program for Language and Area or Language and International Studies	84.015	—	1,670,285
Overseas Programs – Doctoral Dissertation Research Abroad	84.022	—	(21,148)
Fund for the Improvement of Postsecondary Education	84.116	—	237,015
Graduate Assistance in Areas of National Need	84.200	—	3,588
Centers for International Business Education	84.220	—	217,928
Language Resource Centers	84.229	—	167,480
Pass-through programs from:			
University of North Carolina at Chapel Hill: National Resource Centers and Fellowships Programs for Language and Area of Language and International Studies	84.015	—	436,756
Total Department of Education			2,711,904
Vietnam Education Foundation Fellowship	99.Unknown	—	26,774
Total Federal Award Expenditures			782,333,295
State Award Expenditures:			
North Carolina Arts Council	—	—	53,953
North Carolina Contractual Scholarship for Needy North Carolinians	—	—	1,125,103
North Carolina Department of Environment, Health and Natural Resources	—	—	12,598
North Carolina Department of Health and Human Services	—	—	526,633
North Carolina Department of Public Inspection	—	—	77,044
North Carolina Health and Wellness Trust Fund Commission	—	—	(6,069)
North Carolina Legislature	—	—	1,419,240
Pass through programs from:			
North Carolina Agricultural and Technical State University	—	—	12,670
North Carolina State University	—	—	114,615
North Carolina Wildlife Resources Commission	—	—	12,919
University of North Carolina at Chapel Hill	—	—	2,042,989
University of North Carolina at Greensboro	—	—	2,295
Total State Award Expenditures			5,393,990
Total Federal and State Award Expenditures			$ 787,727,285

* Funds received as pass–through related to the Trans–NIH Recovery Act Research Support program.

**Funds received as pass–through related to the Trans–NSF Recovery Act Research Support program.

***Funds received as pass–through related to the Office of Science Financial Assistance Program.

See accompanying notes to schedule of expenditures of federal and state awards.

DUKE UNIVERSITY

Notes to Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2012

(1) Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes all grants, contracts, and similar agreements entered into directly between Duke University (Duke) and agencies and departments of the federal and state governments and all subawards to Duke by other organizations pursuant to federal and state grants, contracts, and similar agreements. The information in this schedule is prepared on the accrual basis of accounting. The federal award information is presented in accordance with the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

(2) Summary of Significant Accounting Policies for Federal and State Award Expenditures

Expenditures for student financial aid programs are recognized as incurred and include the federal share of students' Federal Supplemental Educational Opportunity Grants program and Federal Work-Study program earnings, Pell grants, loan disbursements and administrative cost allowances, where applicable.

Expenditures for other federal awards are determined using the cost accounting principles and procedures set forth in OMB Circular A-21, *Cost Principles for Educational Institutions*. Under these cost principles, certain expenditures are not allowable or are limited as to reimbursement.

Expenditures include facilities and administrative costs, related primarily to facilities operation and maintenance and general, divisional, and departmental administrative services, which are allocated as a percentage of direct cost based on negotiated rates. Facilities and administrative costs allocated to such awards for the year ended June 30, 2012 were based on predetermined fixed rates negotiated with Duke's cognizant federal agency, the Department of Health and Human Services.

Expenditures labeled as ARRA relate to the American Recovery and Reinvestment Act (Pub. L. No., 111-5).

(3) Summary of Facilities and Administrative Cost Allowances – Governmental Sources

Facilities and administrative cost recoveries and administrative cost allowances from governmental sources for Duke's academic and other divisions for the year ended June 30, 2012 are summarized as follows:

Research and development	$ 135,273,000
Student financial aid	303,000
Training and other programs	2,784,000
	$ 138,360,000

(4) Federal Student Financial Aid Loan Programs

The Federal Perkins, Nurse Faculty Loan (NFL) and Primary Care Loan (PCL) programs are administered directly by Duke and balances and transactions relating to these programs are included in Duke's consolidated financial statements. The balances of loans outstanding under the Federal Perkins, NFL and PCL programs were approximately $29,738,000, $2,703,000, and $21,000, respectively, as of June 30, 2012.

Duke is responsible only for the performance of certain administrative duties with respect to the Direct Loan Program and, accordingly, these loans are not included in its consolidated financial statements. It is not practical to determine the balance of loans outstanding to students and former students of Duke under these programs as of June 30, 2012.

(5) Subrecipients

Of the federal expenditures presented in the schedule, Duke provided federal awards to subrecipients as follows:

Federal grant agency		Amounts provided to subrecipients
Department of Health and Human Services	$	63,547,000
Department of Defense		13,190,000
National Science Foundation		4,761,000
Department of Energy		660,000
Others		2,021,000
	$	84,179,000

KPMG

KPMG LLP
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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees of Duke University:

We have audited the consolidated financial statements of Duke University (Duke) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 2, 2012. 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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Duke'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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees and the administration of Duke, others within the entity, 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.

KPMG LLP

October 2, 2012

KPMG LLP
Suite 400
300 North Greene Street
Greensboro, NC 27401

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

The Board of Trustees of Duke University:

Compliance

We have audited the compliance of Duke University (Duke) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Duke's major federal programs for the year ended June 30, 2012. Duke'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 administration of Duke. Our responsibility is to express an opinion on Duke'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 Duke'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 Duke's compliance with those requirements.

In our opinion, Duke complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The administration of Duke 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 Duke's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Duke's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the consolidated financial statements of Duke University as of and for the year ended June 30, 2012, and have issued our report thereon dated October 2, 2012 which contained an unqualified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to October 2, 2012. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal and state awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

This report is intended solely for the information and use of the Board of Trustees and the administration of Duke, others within the entity, 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.

KPMG LLP

November 7, 2012

DUKE UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(1) Summary of Auditors' Results

(a) The type of report issued on the financial statements: **unqualified opinion**

(b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: **none reported**

Material weaknesses: **none**

(c) Noncompliance which is material to the financial statements: **none**

(d) Significant deficiencies in internal control over major programs: **none reported**

Material weaknesses: **none**

(e) The type of report issued on compliance for major programs: **unqualified opinion**

(f) Any audit findings which are required to be reported under Section 0.510(a) of OMB Circular A-133: **none**

(g) Major programs: **Research and Development Cluster; National Institutes of Health Recovery Act Comparative Effectiveness Research AHRQ (CFDA 93.715); Health Information Technology Professionals in Health Care (CFDA 93.721); Education and Human Resources (CFDA 47.076); and Cancer Research Manpower (CFDA 93.398)**

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$3,000,000**

(i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: none

(3) Findings and Questioned Costs Relating to Federal Awards: none

DUKE UNIVERSITY
Update on June 30, 2011 findings

Finding No. 11-1: Deviation from Cost of Attendance Increase Policies

Corrective Action Planned
The central financial aid office will ensure that all graduate and professional school financial aid officers are adequately trained and aware of the requirements around cost of attendance increases.

Person Responsible for Corrective Action
Alison Rabil, Assistant Vice Provost and Director, Financial Aid

Anticipated Completion Date
Completed

Finding No. 11-2: Correction of Errors noted Through the Verification Process

Corrective Action Planned
The central financial aid office will ensure that all graduate and professional school financial aid officers are adequately trained and aware of the requirements around the verification process.

Person Responsible for Corrective Action
Alison Rabil, Assistant Vice Provost and Director, Financial Aid

Anticipated Completion Date
Completed

Finding No. 11-3: Untimely Reporting of Student Status Change

Corrective Action Planned
The Registrar's Office reports student status changes to the National Student Loan Data System (NSLDS) on a monthly basis. During the fiscal year, the Registrar's Office learned about an error in the file they were submitting and has since corrected the program being used to report student status changes.

Person Responsible for Corrective Action
Bill Burig, Associate Registrar

Anticipated Completion Date
Completed