



UNIVERSITY OF DELAWARE

Statements of State of Delaware General, Capital Improvement, and Agency Funds
Appropriated, Received, and Expended, and Supplemental Data

June 30, 2014

(With Independent Auditors' Reports Thereon)

UNIVERSITY OF DELAWARE

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Trustees
University of Delaware:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Delaware (the University) which comprise the statement of State of Delaware general funds appropriated, received, and expended; the statement of State of Delaware capital improvement funds appropriated, received, and expended; and the statement of State of Delaware agency funds appropriated, received, and expended for the year ended June 30, 2014, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the appropriated general, capital improvement, and agency funds received from the State of Delaware and the expenditures therefrom by the University of Delaware for the year ended June 30, 2014, in accordance with the cash basis of accounting described in note 1.

Basis of Accounting

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information included in Schedules 1 through 3 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information included in Schedules 1 through 3 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Philadelphia, Pennsylvania
October 15, 2014

UNIVERSITY OF DELAWARE

Statement of State of Delaware General Funds Appropriated, Received, and Expended
Year ended June 30, 2014

	<u>Cash balance on hand at beginning of year</u>	<u>Appropriations received</u> (a)	<u>Expended</u>	<u>Returned to State of Delaware</u>	<u>Cash balance on hand at end of year</u>
Current funds:					
Government appropriations – State:					
General operations	\$ —	90,633,600	90,633,600	—	—
College of Agriculture and Natural Resources:					
Agricultural Environmental Quality	—	7,600	7,600	—	—
Agricultural Experiment Station	—	597,032	597,032	—	—
Biotechnology	—	595,595	595,595	—	—
Carvel Research and Education Center	—	957,860	957,860	—	—
Cooperative Extension	—	1,769,244	1,769,244	—	—
Crop Extension	—	55,816	55,816	—	—
Poultry Disease Research	—	1,111,503	1,111,503	—	—
Soil Testing/Pesticide Control	—	175,950	175,950	—	—
Total College of Agriculture and Natural Resources	—	5,270,600	5,270,600	—	—
College of Arts and Sciences:					
Associate in Arts Degree	—	160,500	160,500	—	—
Biotechnology	—	28,000	28,000	—	—
Civics Education for Teachers	—	85,000	85,000	—	—
Computer Aided Arts and Science Instruction	—	155,300	155,300	—	—
Computer Aided Math Instruction	—	40,000	40,000	—	—
Center for Community Development and Family Policy	—	222,000	222,000	—	—
Center for Energy and Environmental Policy	—	290,000	290,000	—	—
Center for Translational Cancer Research	—	310,100	310,100	—	—
Delaware Center for Teacher Education	—	245,200	245,200	—	—
Educational Management and Government Training	—	99,200	99,200	—	—
Information Technology Partnership	—	222,000	222,000	—	—
Local Government Research	—	202,900	202,900	—	—
Math/Science Education for Delaware Teachers	—	347,300	347,300	—	—
Public Service Assistantships	—	256,600	256,600	—	—
Research on School Finance Issues	—	76,900	76,900	—	—
Secondary Clinical Teacher Education	—	127,100	127,100	—	—
Urban Agent Program	—	115,300	115,300	—	—
Womens Leadership	—	11,300	11,300	—	—
Total College of Arts and Sciences	—	2,994,700	2,994,700	—	—
College of Business and Economics:					
Information Technology Partnership	—	1,680,100	1,680,100	—	—
Total College of Business and Economics	—	1,680,100	1,680,100	—	—
College of Earth Ocean and Environment:					
Biotechnology	—	51,454	51,454	—	—
Coastal Community Development	—	182,710	182,710	—	—
Sea Grant Program	—	570,236	570,236	—	—
Total College of Earth Ocean and Environment	—	804,400	804,400	—	—
College of Education and Human Development:					
Clinical Instruction in Teacher Education	—	250,300	250,300	—	—
The College School	—	96,200	96,200	—	—
Delaware Center for Teacher Education	—	355,800	355,800	—	—
Delaware Education Research/Development Center	—	241,700	241,700	—	—
Early Childhood Education	—	119,800	119,800	—	—
Early Learning Center	—	444,100	444,100	—	—
Educational Management and Government Training	—	185,200	185,200	—	—
Graduate Education-Southern Delaware	—	39,000	39,000	—	—
Math/Science Education for Delaware Teachers	—	473,500	473,500	—	—
Milford Professional Development School	—	122,800	122,800	—	—
Public Service Assistantships	—	67,900	67,900	—	—
Total College of Education and Human Development	—	2,396,300	2,396,300	—	—

UNIVERSITY OF DELAWARE

Statement of State of Delaware General Funds Appropriated, Received, and Expended

Year ended June 30, 2014

	Cash balance on hand at beginning of year	Appropriations received	(a) Expended	Returned to State of Delaware	Cash balance on hand at end of year
College of Engineering:					
Biotechnology	\$ —	399,220	399,220	—	—
Delaware Center for Teacher Education	—	9,094	9,094	—	—
Information Technology Partnership	—	373,986	373,986	—	—
Total College of Engineering	—	782,300	782,300	—	—
College of Health Sciences:					
Nurse Practitioner	—	260,300	260,300	—	—
Nursing Program Expansion	—	510,300	510,300	—	—
Total College of Health Sciences	—	770,600	770,600	—	—
Other Programs:					
Biotechnology Institute	—	518,200	518,200	—	—
Diversity Enhancement	—	259,500	259,500	—	—
Improved Campus Security	—	89,500	89,500	—	—
Library Automation	—	44,200	44,200	—	—
Software License Support	—	267,400	267,400	—	—
Undergraduate Multimedia Instruction	—	176,600	176,600	—	—
Total Other Programs	—	1,355,400	1,355,400	—	—
	—	106,688,000	106,688,000	—	—
Government appropriations – State scholarships:					
General Scholarships	—	3,334,608	3,334,608	—	—
Scholarship Fund	—	2,507,300	2,507,300	—	—
Academic Incentive Program	—	114,600	114,600	—	—
Aid to Needy Students	—	1,940,400	1,940,400	—	—
Delaware Scholars Program	—	200,000	200,000	—	—
Service Learning Scholarships	—	200,000	200,000	—	—
Title VI Compliance	—	1,742,400	1,742,400	—	—
Student Employment Program	—	116,392	116,392	—	—
Delaware Research Scholars Program	—	150,000	150,000	—	—
Study Abroad – Delaware residents	—	50,000	50,000	—	—
	—	10,355,700	10,355,700	—	—
Grand total current funds	\$ —	117,043,700	(a) 117,043,700	—	—

Note:

(a) In addition to general appropriated funds received, the State of Delaware also provided auto, fire, and other insurance coverage with an estimated premium value of \$942,398.

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Statement of State of Delaware Capital Improvement Funds Appropriated, Received, and Expended
Year ended June 30, 2014

	<u>Cash balance on hand at beginning of year</u>	<u>Appropriations received</u>	<u>Expended</u>	<u>Returned to State of Delaware</u>	<u>Cash balance on hand at end of year</u>	
Plant funds – capital improvements:						
Act of 2011	\$ —	51,755	51,755	—	—	(a)
Act of 2012	—	2,628,750	2,628,750	—	—	(b)
Act of 2013	—	2,584,024	2,584,024	—	—	(c)
Act of 2014	—	1,979,743	1,979,743	—	—	(d)
Grand total plant funds	\$ <u>—</u>	<u>7,244,272</u>	<u>7,244,272</u>	<u>—</u>	<u>—</u>	

Note:

- (a) In the Capital Improvement Act of 2011, the State of Delaware appropriated \$2,000,000 to the University of Delaware for the Chrysler site which is now referred to as the Science, Technology and Advance Research (STAR) Campus.
- (b) In the Capital Improvement Act of 2012, the State of Delaware appropriated \$9,500,000 to the University of Delaware for Alison Hall renovations and also appropriated \$4,000,000 to the University of Delaware for the Life Science Research Facility and Drake Laboratory renovations.
- (c) In the Capital Improvement Act of 2013, the State of Delaware appropriated \$3,000,000 to the University of Delaware for Drake Laboratory renovations.
- (d) In the Capital Improvement Act of 2014, the State of Delaware appropriated \$4,000,000 to the University of Delaware for laboratory renovations. Funds must be expended by June 30, 2016.

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Statement of State of Delaware Agency Funds Appropriated, Received, and Expended

Year ended June 30, 2014

	<u>Cash balance on hand at beginning of year</u>		<u>Appropriations received</u>	<u>Expended</u>	<u>Returned to State of Delaware</u>	<u>Cash balance on hand at end of year</u>
Delaware Geological Survey – 2013/2014:						
Salaries and wages	\$ 49,758	(a)	1,531,860	1,425,736	—	155,882
Travel	—		1,498	1,498	—	—
Supplies and expense	—		71,242	71,242	—	—
Federal cooperative program	7,886		144,000	119,773	—	32,113
Rivermaster program	50,073		107,500	124,323	—	33,250
	<u>\$ 107,717</u>		<u>1,856,100</u>	<u>1,742,572</u>	<u>—</u>	<u>221,245</u>

The Delaware Geological Survey is a separate State agency under the general charge and direction of the University of Delaware, and therefore, the Delaware Geological Survey appropriations are not included in the statement of State of Delaware general funds appropriated, received, and expended.

Notes:

- (a) The beginning cash balance on hand included \$1,373 that was encumbered against travel and supplies and expense at June 30, 2013. These amounts were reallocated to fund salaries and wages during fiscal year 2014.
- (b) At June 30, 2014 the ending balance consisted of \$34,563 in encumbered funds and \$186,682 to be carried forward to fiscal year 2015.

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Note to the Statements of State of Delaware General Funds Appropriated, Received, and Expended;
State of Delaware Capital Improvement Funds Appropriated, Received, and Expended; and
State of Delaware Agency Funds Appropriated, Received, and Expended

June 30, 2014

(1) **Summary of Significant Accounting Policies**

Basis of Presentation

The statement of State of Delaware general funds appropriated, received, and expended; the statement of State of Delaware capital improvement funds appropriated, received, and expended; and the statement of State of Delaware agency funds appropriated, received, and expended by the University of Delaware were prepared on the cash basis of accounting, and accordingly, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

UNIVERSITY OF DELAWARE

State of Delaware Appropriated Funds Current Funds Expenditures

Year ended June 30, 2014

Education and general:	
Instruction	\$ 46,131,897
Research	7,555,202
Public service	5,279,409
Academic support	14,359,145
Student services	3,692,927
Operation and maintenance of plant	17,390,637
Institutional support	12,278,783
Student aid – scholarships	8,096,908
Title VI compliance scholarships	1,724,400
Service learning scholarships	25,000
Student employment program	107,017
Study abroad – Delaware residents	50,000
Scholarship – other	352,375
Grand total	\$ <u>117,043,700</u>

See accompanying independent auditors' report.

UNIVERSITY OF DELAWARE

State of Delaware Appropriated Funds Current Funds Expenditures by Function

Year ended June 30, 2014

	<u>Total</u>	<u>Wages and benefits</u>	<u>Other</u>
Educational and general:			
Instruction:			
College of Agriculture and Natural Resources	\$ 1,860,345	1,860,345	—
College of Arts and Sciences	11,416,101	11,210,509	205,592
Alfred Lerner College of Business and Economics	3,322,536	3,322,536	—
College of Earth, Ocean, and Environment	1,395,080	1,395,080	—
College of Engineering	3,038,331	3,038,331	—
College of Education and Human Development	4,382,626	4,040,291	342,335
College of Health Sciences	3,530,840	3,530,840	—
Professional and Continuing Studies	430,079	430,079	—
Special Instructional Projects	2,580,845	2,485,801	95,044
Academic Affairs and International Programs	418,059	418,059	—
Benefits	13,757,055	13,757,055	—
	<u>46,131,897</u>	<u>45,488,926</u>	<u>642,971</u>
Research:			
Agricultural Experiment Station	518,221	241,604	276,617
Sea Grant Program	423,338	423,338	—
Poultry Disease Research	870,557	426,481	444,076
Center for Translational Cancer Research	276,275	105,595	170,680
Delaware Education Research and Development Center	194,218	165,175	29,043
Carvel Research and Education Center	841,266	281,026	560,240
College of Agriculture and Natural Resources	2,420,141	2,420,141	—
College of Arts and Sciences	109,403	109,403	—
College of Health Sciences	4,675	4,675	—
College of Earth, Ocean, and Environment	1,158	1,158	—
College of Engineering	70,510	70,510	—
Benefits	1,825,440	1,825,440	—
	<u>7,555,202</u>	<u>6,074,546</u>	<u>1,480,656</u>
Public service:			
Agricultural Extension Service	2,245,783	1,855,369	390,414
Agricultural Environmental Quality	7,600	—	7,600
Soil Testing/Pesticide Control	131,159	129,082	2,077
Public Policy	1,155,443	1,115,008	40,435
Public Service Assistantships	325,405	325,086	319
Coastal Community Development	141,921	111,379	30,542
Benefits	1,272,098	1,272,098	—
	<u>5,279,409</u>	<u>4,808,022</u>	<u>471,387</u>

UNIVERSITY OF DELAWARE

State of Delaware Appropriated Funds Current Funds Expenditures by Function

Year ended June 30, 2014

	<u>Total</u>	<u>Wages and benefits</u>	<u>Other</u>
Academic support:			
Library	\$ 4,954,825	4,843,130	111,695
University Media Services	1,162,254	1,162,254	—
Office of Vice President for Information Technologies	182,159	182,159	—
Student Special Services	192,917	192,917	—
Research Coordination	1,463,635	1,463,635	—
College of Engineering	69,003	69,003	—
Office of Vice President for Academic Programs	189,426	189,426	—
College Administration	1,570,943	1,570,943	—
Graduate Studies	143,815	143,815	—
Benefits	4,430,168	4,430,168	—
	<u>14,359,145</u>	<u>14,247,450</u>	<u>111,695</u>
Student services:			
Student Life	428,148	428,148	—
Admissions and Financial Aid	1,142,074	1,142,074	—
University Registrar	413,411	413,411	—
Counseling and Student Development	117,892	117,892	—
Career Services Center	346,051	346,051	—
Foreign Student and Scholar Services	87,480	87,480	—
Benefits	1,157,871	1,157,871	—
	<u>3,692,927</u>	<u>3,692,927</u>	<u>—</u>
Operations and maintenance of plant:			
Administration and Supervision	435,681	435,681	—
Building Services	4,870,692	4,870,692	—
Repairs and Maintenance	5,129,729	5,129,729	—
Grounds Services	1,357,146	1,357,146	—
Facilities Planning and Construction	67,678	67,678	—
Other Operations and Maintenance	112,302	—	112,302
Benefits	5,417,409	5,417,409	—
	<u>17,390,637</u>	<u>17,278,335</u>	<u>112,302</u>
Institutional support:			
Office of Executive Vice President and University Treasurer	1,025,304	1,025,304	—
Student Life	554,097	554,097	—
Human Resources	919,938	889,938	30,000
Office of Vice President for Information Technologies	1,348,694	1,081,294	267,400
Public Safety	3,643,773	3,643,773	—
Supporting Services	315,722	315,722	—
Environmental Health and Safety	458,831	458,831	—
Institutional Research and Planning	55,041	55,041	—
Other General Institutional Expense	202,608	202,608	—
Benefits	3,754,775	3,754,775	—
	<u>12,278,783</u>	<u>11,981,383</u>	<u>297,400</u>

UNIVERSITY OF DELAWARE

State of Delaware Appropriated Funds Current Funds Expenditures by Function
Year ended June 30, 2014

	<u>Total</u>	<u>Wages and benefits</u>	<u>Other</u>
Student aid – scholarships	\$ 8,096,908	—	8,096,908
Title VI compliance scholarships	1,724,400	—	1,724,400
Service learning scholarships	25,000	—	25,000
Student employment program	107,017	—	107,017
Study abroad – Delaware residents	50,000	—	50,000
Scholarship – other (a)	352,375	80,648	271,727
	<u>10,355,700</u>	<u>80,648</u>	<u>10,275,052</u>
Grand total	\$ <u>117,043,700</u>	<u>103,652,237</u>	<u>13,391,463</u>

Note:

- (a) Includes \$18,000 of Title VI Compliance and \$9,375 of Student Employment Program administrative expenditures.

See accompanying independent auditors' report.

UNIVERSITY OF DELAWARE

State of Delaware Appropriated Funds Capital Improvements Appropriations

Year ended June 30, 2014

	<u>Original appropriations</u>	<u>Appropriations expended during the year ended June 30, 2014</u>	<u>Appropriations expended through June 30, 2013</u>	<u>Returned to State of Delaware</u>	<u>Unexpended appropriations at June 30, 2014</u>
Capital improvements:					
Act of 2011:					
Chrysler	\$ 2,000,000	(51,755)	(1,948,245)	—	—
	<u>\$ 2,000,000</u>	<u>(51,755)</u>	<u>(1,948,245)</u>	<u>—</u>	<u>—</u>
Act of 2012:					
Alison Hall	\$ 9,500,000	(1,521,622)	(7,978,378)	—	—
Life Science Research Facility	3,127,926	(235,054)	(2,892,872)	—	—
Drake Lab	872,074	(872,074)	—	—	—
	<u>\$ 13,500,000</u>	<u>(2,628,750)</u>	<u>(10,871,250)</u>	<u>—</u>	<u>—</u>
Act of 2013:					
Drake Lab	\$ 3,000,000	(2,584,024)	(415,976)	—	—
	<u>\$ 3,000,000</u>	<u>(2,584,024)</u>	<u>(415,976)</u>	<u>—</u>	<u>—</u>
Act of 2014:					
Laboratories	\$ 4,000,000	(1,979,743)	—	—	2,020,257
	<u>\$ 4,000,000</u>	<u>(1,979,743)</u>	<u>—</u>	<u>—</u>	<u>2,020,257</u>

See accompanying independent auditors' report.



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

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

The Board of Trustees
University of Delaware:

We have audited, 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, the statement of State of Delaware general funds appropriated, received, and expended; the statement of State of Delaware capital improvement funds appropriated, received, and expended; and the statement of State of Delaware agency funds appropriated, received, and expended of the University of Delaware (the University) for the year ended June 30, 2014, and have issued our report thereon dated October 15, 2014.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

Philadelphia, Pennsylvania
October 15, 2014