

UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

**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**

Board of Regents
University of Minnesota
Minneapolis, Minnesota

We have audited the consolidated financial statements of the University of Minnesota (the University), as of and for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's consolidated financial statements that is more than inconsequential will not be prevented or detected by the University's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. See finding 08-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected by the University's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

We noted other matters that we have reported to management of the University in a separate letter dated October 30, 2008.

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

This report is intended solely for the information and use of the board of regents, the audit committee, management, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LarsonAllen LLP

Minneapolis, Minnesota
October 30, 2008

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

Board of Regents
University of Minnesota
Minneapolis, Minnesota

COMPLIANCE

We have audited the compliance of the University of Minnesota (the University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

INTERNAL CONTROL OVER COMPLIANCE

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the University's consolidated financial statements. The accompanying schedule of expenditures of federal 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 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

This report is intended solely for the information and use of the board of regents, the audit committee, management, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



LarsonAllen LLP

Minneapolis, Minnesota
January 15, 2009

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Clustered Programs				
Research and Development				
Department of Agriculture:				
Agriculture Research Service	10.RD	\$ 91,791	\$ 2,057,387	\$ 2,149,178
Animal and Plant Health Inspection Service	10.RD	419,373	160,394	579,767
Cooperative State Research, Education, and Extension	10.RD	1,598,108	10,789,145	12,387,253
Economic Research Service	10.RD	37,417	172,118	209,535
Food and Nutrition Service	10.RD	56,742	-	56,742
Foreign Agricultural Service	10.RD	-	4,247	4,247
Forest Service	10.RD	162,983	121,729	284,712
Other	10.RD	199,972	1,254,571	1,454,543
Risk Management Agency	10.RD	37,512	211,822	249,334
Rural Business-Cooperative Service	10.RD	24,971	-	24,971
Department of Commerce:				
Economic Development Administration	11.RD	-	561,591	561,591
National Institute for Standards and Technology	11.RD	-	37,632	37,632
National Oceanic and Atmospheric Administration	11.RD	283,812	486,959	770,771
National Telecommunications and Information Administration	11.RD	-	10,010	10,010
Other	11.RD	9,205	-	9,205
Department of Defense:				
Advanced Research Projects Agency	12.RD	47,398	175,832	223,230
Department of the Air Force, Material Command	12.RD	442,184	2,551,325	2,993,509
Department of the Navy, Office of the Chief of Naval Research	12.RD	558,194	6,080,329	6,638,523
National Guard Bureau	12.RD	-	119,552	119,552
National Security Agency	12.RD	-	50,530	50,530
Office of the Secretary of Defense	12.RD	116,845	321,940	438,785
Other	12.RD	1,878,534	1,089,953	2,968,487
U.S. Army Material Command	12.RD	106,655	1,077,935	1,184,590
U.S. Army Medical Command	12.RD	51,707	1,810,235	1,861,942
Department of Education:				
Office of Educational Research and Improvement	84.RD	390,804	203,442	594,246
Office of Postsecondary Education	84.RD	3,885	245,124	249,009
Office of Special Education and Rehabilitative Services	84.RD	395,822	2,470,908	2,866,730
Other	84.RD	11,549	-	11,549
Department of Energy:				
National Nuclear Security Administration	81.RD	62,130	431,762	493,892
Office of Energy Efficiency and Renewable Energy	81.RD	497,376	256,955	754,331
Office of Science	81.RD	3,820,191	1,573,264	5,393,455
Other	81.RD	705,061	5,994,099	6,699,160

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Department of Health and Human Services:				
Administration for Children and Families	93.RD	\$ 49,661	\$ 320,232	\$ 369,893
Administration on Aging	93.RD	2,793	-	2,793
Agency for Health Care Policy and Research	93.RD	443,502	2,024,140	2,467,642
Agency for Toxic Substances and Disease Registry	93.RD	-	248,833	248,833
Centers for Disease Control	93.RD	607,835	2,520,037	3,127,872
Centers for Medicare and Medicaid Services	93.RD	135,732	216,634	352,366
Health Resources and Services Administration	93.RD	428,082	960,845	1,388,927
Indian Health Service	93.RD	-	59,041	59,041
National Institutes of Health	93.RD	22,372,212	245,215,494	267,587,706
Office of Disease Prevention and Health Promotion	93.RD	44,815	-	44,815
Office of Population Affairs	93.RD	19,826	-	19,826
Office of the Secretary	93.RD	21,632	-	21,632
Other	93.RD	785,570	222,664	1,008,234
Substance Abuse and Mental Health Services Administration	93.RD	-	553,834	553,834
Department of Homeland Security:				
Department of Homeland Security	97.RD	34,547	1,895,657	1,930,204
Other	97.RD	97,402	706,379	803,781
Department of Housing and Urban Development:				
Office of Healthy Homes and Lead Hazard Control	14.RD	-	160,840	160,840
Office of Policy Development and Research	14.RD	-	1,564	1,564
Other	14.RD	8,280	-	8,280
Department of Justice:				
National Institute of Peace	16.RD	-	78,597	78,597
Office of Community Oriented Policing Services	16.RD	55,000	-	55,000
Violence Against Women Office	16.RD	-	(7,113)	(7,113)
Department of Labor:				
Other	17.RD	71,002	-	71,002
Department of the Interior:				
Bureau of Indian Affairs	15.RD	-	9,906	9,906
Geological Survey	15.RD	-	835,199	835,199
Other	15.RD	-	177,657	177,657
U.S. Fish and Wildlife Service	15.RD	109,591	60,997	170,588
Department of Transportation:				
Federal Highway Administration	20.RD	-	448,733	448,733
Other	20.RD	3,851,971	1,464,913	5,316,884
Research and Innovative Technology Administration	20.RD	32,838	-	32,838
Research and Special Programs Administration	20.RD	134,024	-	134,024
Department of Veterans Affairs:				
Other	64.RD	-	569,610	569,610

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Environmental Protection Agency:				
Office of Administration	66.RD	\$ 90,313	\$ 12,392	\$ 102,705
Office of Air and Radiation	66.RD	19,358	-	19,358
Office of Enforcement and Compliance Assurance	66.RD	27,452	-	27,452
Office of Prevention, Pesticides, and Toxic Substances	66.RD	-	36,832	36,832
Office of Research and Development	66.RD	223,996	374,293	598,289
Office of Water	66.RD	309,580	135,230	444,810
Other	66.RD	81,222	-	81,222
Institute of Museum and Library Services:				
Institute of Museum and Library Services	45.RD	43,815	-	43,815
National Aeronautics and Space Administration:				
Other	43.RD	2,235,091	5,298,138	7,533,229
Space Telescope Science Institute	43.RD	232,813	68,206	301,019
National Foundation on the Arts and the Humanities:				
National Foundation for the Humanities	45.RD	-	34,872	34,872
National Science Foundation:				
National Science Foundation	47.RD	3,687,417	54,253,493	57,940,910
Other	47.RD	69,828	3,623	73,451
Social Security Administration:				
Other	96.RD	20	-	20
United States Agency for International Development:				
Other	98.RD	993,257	46,081	1,039,338
United States Agency for International Development	98.RD	95,292	470,052	565,344
United States Institute of Peace:				
United States Institute of Peace	91.RD	-	20,836	20,836
Total Research and Development		49,425,990	359,819,531	409,245,521
Student Financial Aid				
Department of Defense:				
Undi CFDA-Department of Defense	12.UXX	-	(8,207)	(8,207)
Department of Education:				
Federal Direct Loan Advances	84.268	-	298,545,960	298,545,960
Federal Work-Study Program	84.033	-	3,267,942	3,267,942
Pell Grant Program	84.063	-	24,040,981	24,040,981
Supplemental Educational Opportunity Grants	84.007	-	3,454,981	3,454,981
ACG	84.375	-	1,477,706	1,477,706
SMART	84.376	-	1,531,234	1,531,234

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**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Department of Health and Human Services:				
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	\$ -	\$ 2,161,163	\$ 2,161,163
Department of Veterans Affairs:				
Unid CFDA-Department of Veterans Affairs	64.UXX	-	4,781	4,781
National Science Foundation:				
Unid CFDA-National Science Foundation	47.UXX	-	148,850	148,850
Total Student Financial Aid		-	334,625,391	334,625,391
CCDF Cluster				
Department of Health and Human Services:				
Child Care and Development Block Grant	93.575	271,360	-	271,360
Total CCDF Cluster		271,360	-	271,360
Child Nutrition Cluster				
Department of Agriculture:				
Summer Food Service Program for Children	10.559	10,091	-	10,091
Total Child Nutrition Cluster		10,091	-	10,091
Food Stamp Cluster				
Department of Agriculture:				
State Administrative Matching Grants for Food Stamp Program	10.561	5,867,737	-	5,867,737
Total Food Stamp Cluster		5,867,737	-	5,867,737
Highway Planning and Construction Cluster				
Department of Transportation:				
Highway Planning and Construction	20.205	5,108	-	5,108
Total Highway Planning and Construction Cluster		5,108	-	5,108
Homeland Security Cluster				
Department of Homeland Security:				
Homeland Security Grant Program	97.067	2,283	-	2,283
Total Homeland Security Cluster		2,283	-	2,283
Medicaid Cluster				
Department of Health and Human Services:				
Medical Assistance Program	93.778	57,244	-	57,244
Total Medicaid Cluster		57,244	-	57,244

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Special Education Cluster (IDEA)				
Department of Education:				
Special Education – Preschool Grants	84.173	\$ 122,580	\$ -	\$ 122,580
Special Education–Grants to States	84.027	135,238	-	135,238
Total Special Education Cluster		257,818	-	257,818
TRIO Cluster				
Department of Education:				
TRIO–McNair Post-Baccalaureate Achievement	84.217	-	277,372	277,372
TRIO–Student Support Services	84.042	-	553,683	553,683
TRIO–Upward Bound	84.047	-	1,018,158	1,018,158
Total TRIO Cluster		-	1,849,213	1,849,213
WIA Cluster				
Department of Labor:				
WIA Adult Program	17.258	71,898	-	71,898
Total WIA Cluster		71,898	-	71,898
Total Clustered Programs		55,969,529	696,294,135	752,263,664

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Non-Clustered Programs				
PUBLIC SERVICE				
Corporation for National and Community Service:				
Learn and Serve America--Higher Education	94.005	\$ -	\$ 16,243	\$ 16,243
Retired and Senior Volunteer Program	94.002	-	66,880	66,880
Department of Agriculture:				
Agricultural and Rural Economic Research	10.250	-	10,000	10,000
Agricultural Research-Basic and Applied Research	10.001	-	66,197	66,197
Animal Health and Disease Research	10.207	64,365	-	64,365
Commodity Partnerships for Risk Management Education	10.457	12,421	-	12,421
Contract-Department of Agriculture	10.CXX	-	141,030	141,030
Cooperative Extension Service	10.500	385,014	13,243,984	13,628,998
Cooperative Forestry Assistance	10.664	112,009	-	112,009
Food Safety Cooperative Agreements	10.479	-	148,436	148,436
Grants for Agricultural Research, Special Research Grants	10.200	81,588	982,842	1,064,430
Grants for Agricultural Research--Competitive Research Grants	10.206	2,020	8,047	10,067
Higher Education Multicultural Scholars Program	10.220	-	29,950	29,950
Homeland Security Agricultural	10.304	-	46,875	46,875
Integrated Programs	10.303	110,486	42,049	152,535
International Training--Foreign Participant	10.962	-	26,808	26,808
Organic Agriculture Research and Extension Initiative	10.307	7,640	-	7,640
Partnership Agreements to Develop Non-Insurance Risk Management Tools for Producers (Farmers)	10.456	10,396	-	10,396
Plant and Animal Disease, Pest Control, and Animal Care	10.025	-	135,682	135,682
Small Farmer Outreach Training and Technical Assistance Program	10.443	8,756	-	8,756
State Mediation Grants	10.435	-	347,790	347,790
Sustainable Agricultural Research and Education	10.215	-	225,244	225,244
Technical Agricultural Assistance	10.960	-	38,198	38,198
Unid CFDA-Department of Agriculture	10.UXX	19,471	39,756	59,227
Urban and Community Forestry Program	10.675	-	7,371	7,371
Department of Commerce:				
Coastal Services Center	11.473	1,340	-	1,340
Coastal Zone Management Administration Awards	11.419	5,000	-	5,000
Contract-Department of Commerce	11.CXX	-	16,546	16,546
Sea Grant Support	11.417	6,550	1,090,263	1,096,813
Unid CFDA-Department of Commerce	11.UXX	-	99,196	99,196
Department of Defense:				
Air Force Defense Research Sciences Program	12.800	-	15,568	15,568
Basic and Applied Scientific Research	12.300	-	187,036	187,036
Basic Scientific Research	12.431	-	19,200	19,200
Unid CFDA-Department of Defense	12.UXX	536,626	-	536,626

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Department of Education:				
After School Learning Centers	84.287	\$ 384,972	\$ -	\$ 384,972
Arts in Education	84.351	93,401	-	93,401
Charter Schools	84.282	-	316,314	316,314
Child Care Access Means Parents in School	84.335	-	127,015	127,015
Comprehensive Regional Assistance Centers	84.283	30,842	-	30,842
Contract-Department of Education	84.CXX	42,977	487,144	530,121
Cooperative Education Exchange Program	84.304	93,067	-	93,067
Fund for the Improvement of Education	84.215	53,038	-	53,038
Fund for the Improvement of Postsecondary Education	84.116	53,093	72,196	125,289
Higher Education--Institutional Aid	84.031	141,076	-	141,076
Improving Teacher Quality State Grants	84.367	352,358	-	352,358
Mathematics and Science Partnerships	84.366	76,515	-	76,515
Minority Science and Engineering Improvement	84.120	59,294	-	59,294
National Institute On Disability and Rehabilitation Research	84.133	-	791,828	791,828
National Institute on Student Achievement, Curriculum, and Assessment	84.305	-	44,220	44,220
National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program	84.015	-	595,509	595,509
Reading First State Grants	84.357	347,796	-	347,796
Rehabilitation Services--Basic Support	84.126	208,780	-	208,780
Rehabilitation Training--Continuing Education	84.264	(25)	-	(25)
Safe and Drug-free Schools and Communities--National Program	84.184	214,745	122,696	337,441
Special Education Technical Assistance on State Data Collection	84.373	30,344	315,207	345,551
Special Education--Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	13,466	64,132	77,598
Special Education--State Program Improvement Grants for Children with Disabilities	84.323	82,073	-	82,073
Special Education--Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	12,186	2,955,528	2,967,714
Special Education--Technology and Media Services for Individuals with Disabilities	84.327	-	179,504	179,504
Unid CFDA-Department of Education	84.UXX	163,394	-	163,394
Vocational Education--Basic Grants to States	84.048	43,365	-	43,365
Vocational Education--National Centers for Career and Technical Education	84.051	30,061	555,619	585,680
Voluntary Public School Choice	84.361	32,309	-	32,309

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Department of Energy:				
Conservation Research and Development	81.086	\$ 91,941	\$ -	\$ 91,941
Contract-Department of Energy-Battelle-Pacific Northwest National Laboratory	81.C02	281,255	-	281,255
Contract-Department of Energy-Fermi National Accelerator Laboratory	81.C06	41,269	-	41,269
Contract-Department of Energy-Lawrence Berkley National Laboratory	81.C08	30,000	-	30,000
Renewable Energy Research and Development	81.087	-	168,426	168,426
State Energy Program	81.041	52,572	-	52,572
Unid CFDA-Department of Energy	81.UXX	-	4,450	4,450
Department of Health and Human Services:				
Allergy, Immunology and Transplantation Research	93.855	-	18,000	18,000
Basic/Core Area Health Education Centers	93.824	-	722,394	722,394
Block Grants for Community Mental Health Services	93.958	(1,370)	-	(1,370)
Block Grants for Prevention and Treatment of Substance Abuse	93.959	321,413	-	321,413
Blood Diseases and Resources Research	93.839	38,452	-	38,452
Cancer Cause and Prevention Research	93.393	-	9,780	9,780
Cancer Control	93.399	390	-	390
Cancer Treatment Research	93.395	13,212	-	13,212
Cardiovascular Diseases Research	93.837	593	-	593
Centers for Disease Control—Investigations and Technical Assistance	93.283	8,524	553,402	561,926
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	57,804	-	57,804
Child Abuse and Neglect Discretionary Activities	93.670	87,596	-	87,596
Child Welfare Services Training Grants	93.648	-	104,120	104,120
Clinical Research	93.333	-	143,551	143,551
Clinical Research Related to Neurological Disorders	93.853	-	6,788	6,788
Contract-Department of Health and Human Services	93.CXX	66,303	192,552	258,855
Contract-Department of Health and Human Services- Agency for Health Care Policy and Research	93.C03	42,372	1,000	43,372
Contract-Department of Health and Human Services- Centers for Disease Control	93.C05	47,711	233,368	281,079
Contract-Department of Health and Human Services- Centers for Disease Control-NIOSH	93.C06	-	4,000	4,000
Contract-Department of Health and Human Services- Centers for Medicare and Medicaid Services	93.C07	514,923	1,101,554	1,616,477
Contract-Department of Health and Human Services- Food and Drug Administration	93.C08	-	22,743	22,743
Contract-Department of Health and Human Services- Health Resources and Services Administration	93.C09	19,995	26,438	46,433
Contract-Department of Health and Human Services- National Institutes of Health	93.C11	86,405	852	87,257
Contract-Department of Health and Human Services- Substance Abuse and Mental Health Services Administration	93.C12	6,013	-	6,013
Development and Coordination of Rural Health Services	93.223	-	1,002,283	1,002,283

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Developmental Disabilities Basic Support and Advocacy Grants	93.630	\$ 208,523	\$ -	\$ 208,523
Diabetes, Endocrinology and Metabolism Research	93.847	40,014	-	40,014
Emergency Medical Services for Children	93.127	-	41,565	41,565
Family Violence Prevention and Services/Grants for Battered Women's Shelter--Discretionary Grants	93.592	-	360,419	360,419
Grants for Residency Training in General Internal Medicine and/or General Pediatrics	93.884	-	146,302	146,302
Health Services Research and Development Grants	93.226	44,870	1,263	46,133
Healthy Start Initiative	93.926	89,764	-	89,764
HIV Prevention Activities--Health Department Based	93.940	24,536	-	24,536
HIV Prevention Activities--Non-governmental Organization Base	93.939	253	-	253
Improving, Enhancing, and Evaluating Outcomes of Comprehensive Heart Health Care Programs for High-Risk Women	93.012	-	72,454	72,454
Maternal and Child Health Federal Consolidated Programs	93.110	-	242,638	242,638
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	53,375	-	53,375
Medical Library Assistance	93.879	8,422	-	8,422
Mental Health Clinical and AIDS Service Related Training Grants	93.244	-	723,760	723,760
Mental Health Research Grants	93.242	-	1,746	1,746
National AIDS Education and Training Centers	93.145	215,571	-	215,571
Occupational Safety and Health Research Grants	93.262	-	1,901	1,901
Pharmacological, Physiology, and Biological Chemistry Research	93.859	-	3,000	3,000
Rural Telemedicine Grants	93.211	147,024	40,519	187,543
State Planning Grant Health Care Access for the Uninsured	93.256	7,240	-	7,240
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	-	324,385	324,385
Temporary Assistance for Needy Families	93.558	126,873	-	126,873
Unid CFDA-Department of Health and Human Services	93.UXX	798,689	-	798,689
Unid CFDA-Department of Health and Human Services-NIH	93.U01	4,549	-	4,549
Unid CFDA-Department of Health and Human Services- Other PHS	93.U02	84,364	60,344	144,708
University Centers for Excellence in Developmental Disabilities Education, Research, and Services	93.632	-	456,344	456,344
Department of Homeland Security:				
Contract-Department of Homeland Security	97.CXX	-	3,378,086	3,378,086
Public Assistance Grants	97.036	42,655	-	42,655
Research Projects	97.002	-	96,894	96,894

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Department of Housing and Urban Development:				
Community Development Work-Study Program	14.512	\$ -	\$ 25,725	\$ 25,725
Community Outreach Partnership Center Program	14.511	-	88,320	88,320
Undi CFDA-Department of Housing and Urban Development	14.UXX	24,003	-	24,003
Department of Justice:				
Byrne Formula Grant Program	16.579	24,206	-	24,206
Crime Victim Assistance	16.575	100,629	-	100,629
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault and Stalking on Campus	16.525	-	214,333	214,333
Justice Research, Development, and Evaluation Project Grants	16.560	25,641	-	25,641
Rural Domestic Violence, Dating Violence, Sexual Assault and Stalking Assistance Program	16.589	-	272,749	272,749
Technical Assistance and Training Initiative	16.526	-	43,865	43,865
Undi CFDA-Department of Justice	16.UXX	60,454	418,232	478,686
Department of Labor:				
Contract-Department of Labor	17.CXX	30,733	-	30,733
Undi CFDA-Department of Labor	17.UXX	17,853	-	17,853
Department of State:				
College and University Partnerships Program	19.405-DNU	-	-	-
Contract-Department of State	19.CXX	30	-	30
Educational Partnerships Program	19.424-DNU	-	375	375
Undi CFDA-Department of State	19.UXX	133,116	2,000	135,116
Department of the Interior:				
Contract-Department of the Interior	15.CXX	-	70,944	70,944
Geological Survey--Research and Data Acquisition	15.808	-	17,294	17,294
Undi CFDA-Department of the Interior	15.UXX	17,738	1,932	19,670
Department of the Treasury:				
Low-Income Taxpayer Clinics	21.008	-	98,242	98,242
Undi CFDA-Department of the Treasury	21.UXX	-	14,850	14,850
Department of Transportation:				
Contract-Department of Transportation	20.CXX	344,472	257,017	601,489
Highway Research and Development Program	20.200	-	127,231	127,231
Undi CFDA-Department of Transportation	20.UXX	3,773	(13,434)	(9,661)
Department of Veterans Affairs:				
Contract-Department of Veterans Affairs	64.CXX	-	274,680	274,680
Undi CFDA-Department of Veterans Affairs	64.UXX	-	75,568	75,568

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Environmental Protection Agency:				
Congressionally Mandated Projects	66.202	\$ 4,707	\$ -	\$ 4,707
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	7,334	-	7,334
Contract-Environmental Protection Agency	66.CXX	-	3,283	3,283
Great Lakes Program	66.469	1,588	52,294	53,882
Nonpoint Source Implementation	66.460	127,795	-	127,795
Office of Research and Development Consolidated Research/Training/Fellowships	66.511	-	106,821	106,821
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	-	85,863	85,863
Federal Council on the Arts and the Humanities:				
Unid CFDA-Federal Council on the Arts and the Humanities	45.U04	408	-	408
Institute of Museum and Library Services:				
Institute of Museum and Library Services	45.301	-	62,810	62,810
State Library Program	45.310	1,317,642	-	1,317,642
National Aeronautics and Space Administration:				
Aerospace Education Services Program	43.001	-	458,070	458,070
Contract-National Aeronautics and Space Administration	43.CXX	-	2,324	2,324
Contract-National Aeronautics and Space Administration- Space Telescope Science Institute	43.C02	692	-	692
Unid CFDA-National Aeronautics and Space Administration- Space Telescope Science Institute	43.U01	9,949	-	9,949
National Foundation for the Arts:				
Promotion of the Arts-Grants to Organizations and Individuals	45.024	-	30,000	30,000
Promotion of the Arts--Partnership Agreements	45.025	2,700	-	2,700
National Foundation for the Humanities:				
Promotion of the Humanities--Division of Preservation and Access	45.149	-	4,472	4,472
Promotion of the Humanities--Public Programs	45.164	-	31,534	31,534
National Science Foundation:				
Biological Sciences	47.074	-	284,498	284,498
Computer and Information Science and Engineering	47.070	-	990	990
Contract-National Science Foundation	47.CXX	-	48,248	48,248
Education and Human Resources	47.076	40,466	1,635,916	1,676,382
Engineering Grants	47.041	801,038	182,209	983,247
Geosciences	47.050	86,912	144,994	231,906
International Science and Engineering (OISE)	47.079	-	30,777	30,777
Mathematical and Physical Sciences	47.049	26,546	21,970	48,516
Social, Behavioral, and Economic Sciences	47.075	-	35,100	35,100
Unid CFDA-National Science Foundation	47.UXX	181,715	739,039	920,754

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
National Transportation Safety Board:				
Contract-National Transportation Safety Board	07.CXX	\$ -	\$ 75,176	\$ 75,176
Peace Corps:				
Unid CFDA-Peace Corps	08.UXX	-	303	303
Small Business Administration:				
Business Development Assistance to Small Business	59.005	201,221	-	201,221
Unid CFDA-Small Business Administration	59.UXX	103,786	-	103,786
United States Agency for International Development:				
Contract-United States Agency for International Development	98.CXX	24,315	-	24,315
Unid CFDA-United States Agency for International Development	98.UXX	93,958	-	93,958
Vietnam Education Foundation:				
Unid CFDA-Vietnam Education Foundation	09.UXX	-	98,811	98,811
Total Public Service		11,442,324	40,070,849	51,513,173
Operations and Maintenance				
Department of Justice:				
Unid CFDA-Department of Justice	16.UXX	-	232,848	232,848
Total Operations and Maintenance		-	232,848	232,848
Instruction				
Department of Agriculture:				
Commodity Partnerships for Risk Management Education	10.457	12,792	-	12,792
Cooperative Extension Service	10.500	16,919	-	16,919
Cooperative Forestry Research	10.202	-	358,903	358,903
Food and Agricultural Sciences National Needs Graduate Fellowship Grants	10.210	-	102,414	102,414
Grants for Agricultural Research--Competitive Research Grants	10.206	-	192,298	192,298
Higher Education Challenge Grants	10.217	-	86,527	86,527
Integrated Programs	10.303	-	13,365	13,365
International Training--Foreign Participant	10.962	2,722	-	2,722
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	-	3,734,510	3,734,510
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	-	33,034	33,034
Department of Commerce:				
Sea Grant Support	11.417	-	25,369	25,369
Department of Defense:				
Military Medical Research and Development	12.420	-	90,361	90,361
Unid CFDA-Department of Defense	12.UXX	-	22,872	22,872

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Department of Education:				
Bilingual Education--Professional Development	84.195-DNU	\$ -	\$ 97,403	\$ 97,403
Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	84.333	-	330,995	330,995
Fund for the Improvement of Postsecondary Education	84.116	-	93,444	93,444
Graduate Assistance in Areas of National Need	84.200	-	199,401	199,401
Improving Teacher Quality State Grants	84.367	38,261	-	38,261
International Research and Studies	84.017	-	81,028	81,028
Language Resource Centers	84.229	-	331,064	331,064
National Institute on Student Achievement, Curriculum, and Assessment	84.305	-	398,275	398,275
National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program	84.015	-	648,646	648,646
National Writing Project	84.928	42,940	-	42,940
Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	-	226,774	226,774
Unid CFDA-Department of Education	84.UXX	-	100,349	100,349
Vocational Education--Basic Grants to States	84.048	50,000	-	50,000
Department of Health and Human Services:				
Advanced Education Nursing Grant Program	93.247	-	126,030	126,030
Aging Research	93.866	-	52,411	52,411
Alcohol Research Career Development Awards for Scientists and Clinicians	93.271	-	65,708	65,708
Allergy, Immunology and Transplantation Research	93.855	-	328,787	328,787
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	-	484,045	484,045
Biological Response to Environmental Health Hazards	93.113	212,153	(10)	212,143
Biomedical Imaging Research	93.286	-	28,845	28,845
Bioterrorism Training and Curriculum Development Program	93.996	-	968,232	968,232
Blood Diseases and Resources Research	93.839	-	320,763	320,763
Cancer Research Manpower	93.398	-	357,044	357,044
Cardiovascular Diseases Research	93.837	-	623,853	623,853
Centers for Disease Control--Investigations and Technical Assistance	93.283	-	961,370	961,370
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	-	616,748	616,748
Centers of Excellence	93.157	-	49,525	49,525
Child Welfare Services Training Grants	93.648	-	90,660	90,660
Clinical Research Related to Neurological Disorders	93.853	-	257,764	257,764
Comparative Medicine	93.306-DNU	-	191,291	191,291
Diabetes, Endocrinology and Metabolism Research	93.847	-	763,149	763,149
Digestive Diseases and Nutrition Research	93.848	-	14,026	14,026
Drug Abuse National Research Service Awards for Research Training	93.278-DNU	-	511,015	511,015
Drug Abuse Research Programs	93.279	-	875,434	875,434
Foster Care--Title IV-E	93.658	1,917,439	-	1,917,439

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Geriatric Education Centers	93.969	\$ -	\$ 175,129	\$ 175,129
Grants for Residency Training in General Internal Medicine and/or General Pediatrics	93.884	-	644,258	644,258
Health Careers Opportunity Program	93.822	-	48,463	48,463
Health Professions Recruitment Program for Indians	93.970	-	220,328	220,328
Innovations in Applied Public Health Research	93.061	-	1,109,582	1,109,582
Kidney Diseases, Urology and Hematology Research	93.849	-	182,086	182,086
Lung Diseases Research	93.838	-	487,252	487,252
Maternal and Child Health Federal Consolidated Programs	93.110	-	1,482,502	1,482,502
Medical Library Assistance	93.879	-	427,681	427,681
Mental Health Research Grants	93.242	-	26,827	26,827
Mental Health National Research Service Awards for Research Training	93.282	-	745,246	745,246
Microbiology and Infectious Diseases Research	93.856	-	417,943	417,943
National Research Service Awards—Health Services Research Training	93.225	-	239,214	239,214
Nurse Anesthetist Traineeships	93.124	-	2,415	2,415
Nursing Research	93.361	-	46,913	46,913
Nursing—Special Projects	93.359	-	4,839	4,839
Occupational Safety and Health Research Grants	93.262	-	1,251,116	1,251,116
Occupational Safety and Health—Training Grants	93.263-DNU	-	53,373	53,373
Oral Diseases and Disorders Research	93.121	-	823,798	823,798
Pharmacological, Physiology, and Biological Chemistry Research	93.859	-	1,591,517	1,591,517
Professional Nurse Traineeships	93.358	-	78,903	78,903
Public Health Traineeships	93.964	-	55,396	55,396
Public Health Training Centers Grant Program	93.249	-	316,542	316,542
Research and Training in Complementary and Alternative Medicine	93.213	2,305	-	2,305
Research Centers in Minority Institutions	93.389	-	8,967	8,967
Research for Mothers and Children	93.865	-	600,060	600,060
Vision Research	93.867	-	279,554	279,554
Department of Homeland Security:				
Homeland Security-related Science, Technology, Engineering and Mathematics (HS STEM) Career Development Program	97.104	-	108	108
Department of Justice:				
Criminal Justice Research and Development-Graduate Research	16.562	-	(1,412)	(1,412)
Department of State:				
Contract-Department of State	19.CXX	355,457	-	355,457
Undi CFDA-Department of State	19.UXX	11,517	-	11,517
Department of the Interior:				
Assistance to State Water Resources Research Institutes	15.805	-	130,190	130,190
Department of Veterans Affairs:				
Contract-Department of Veterans Affairs	64.CXX	-	66,993	66,993

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

Federal Agency	CFDA#	Passthrough Expenditures	Direct Expenditures	Total Expenditures
Environmental Protection Agency:				
Science To Achieve Results (STAR) Fellowship Program	66.514	\$ -	\$ 106,802	\$ 106,802
National Aeronautics and Space Administration:				
Aerospace Education Services Program	43.001	-	95,063	95,063
Unid CFDA-National Aeronautics and Space Administration	43.UXX	-	53,820	53,820
National Science Foundation:				
Biological Sciences	47.074	-	935	935
Education and Human Resources	47.076	-	1,839,956	1,839,956
Engineering Grants	47.041	-	403,743	403,743
Geosciences	47.050	-	128,303	128,303
Mathematical and Physical Sciences	47.049	-	92,063	92,063
Unid CFDA-National Science Foundation	47.UXX	2,686	-	2,686
United States Agency for International Development:				
Contract-United States Agency for International Development	98.CXX	14,971	-	14,971
Unid CFDA-United States Agency for International Development	98.UXX	46,248	-	46,248
Total Instructional		2,726,410	29,090,190	31,816,600
Total Non-Clustered		14,168,734	69,393,887	83,562,621
Total Expenditures		\$ 70,138,263	\$ 765,688,022	\$ 835,826,285

The accompanying notes are an integral part of this schedule.

**UNIVERSITY OF MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008**

NOTE A SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the University of Minnesota (the University) and is prepared on the cash basis of accounting. The information presented in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget 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 University's consolidated financial statements.

Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the schedule of expenditures of federal awards. The University is also the subrecipient of federal funds, which have been subject to testing and are reported as expenditures and have been listed as subcontracts on the schedule of expenditures of federal awards.

NOTE B INDIRECT COST RATES

The University utilized indirect cost rates that have been negotiated with and approved by its cognizant agent, the U.S. Department of Health and Human Services, and are effective for the period of July 1, 2007 through June 30, 2011.

NOTE C CFDA NUMBERS

Some of the programs, grants, and/or other awards included in the Schedule of Expenditures of Federal Awards are contracts which do not report CFDA numbers. The expenditure amounts related to these programs, grants, and/or other awards have been reported, generally, at an agency level.

NOTE D PERKINS LOAN PROGRAM

Outstanding balance of Perkins loans administered by the University of Minnesota at June 30, 2008 and loans advanced during the year were as follows:

	<u>Loan Balance</u>	<u>Loans Advanced</u>
Federal Perkins Loan Program (CFDA #84.038)	\$ 43,884,322	\$ 7,380,297

NOTE E NEGATIVE EXPENDITURE AMOUNTS

Within the Schedule of Expenditures of Federal Awards there are negative amounts which represent a true up of the grant awards received versus the expenditure incurred. The negative amounts also remove the need for any reconciliations necessary for the federal agencies.

**UNIVERSITY OF MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008**

NOTE F RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE UNIVERSITY'S CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The following schedule is a reconciliation of total expenditures as shown on the Schedule of Expenditures of Federal Awards to the general ledger accounts included in the operating expenses reported on the consolidated statement of revenue, expenses, and changes in net assets for the year ended June 30, 2008, which is included as part of the University's consolidated financial statements:

Expenditures per A-133	\$ 835,826,285
Less federal pass-through of Federal Direct Loan Program (CFDA #84.268) and Health Professions Student Loan Program (CFDA #93.342) not included on the consolidated financial statements	\$ (300,707,123)
Less expenditures not included on the consolidated statement of revenues, expenses, and changes in net assets (equipment, buildings, and structures)	(98,041,922)
Less matching grant and contract transfers on the consolidated statement of revenues, expenses and changes in net assets	(2,800,816)
Less difference of prior-year overdrafts added back and current-year overdrafts subtracted out	1,366,228
Less federal pass-through grants not on the consolidated statement of revenues, expenses, and changes in net assets	<u>(66,118,647)</u>
Subtotal A-133 expenses in federal fund class	(466,302,279)
Plus cash to accrual basis adjusting journal entries (year-end close)	<u>1,411,082</u>
Expenditures of federal program dollars included in consolidated operating expenses	370,935,088
Expenditures of non-federal dollars included in consolidated operating expenses	<u>2,405,135,912</u>
Total operating expenses as shown on the consolidated statement of revenues, expenses, and changes in net assets for the year ended June 30, 2008	<u><u>\$ 2,776,071,000</u></u>
Total operating expenses	\$ 2,741,099,000
Interest on capital asset-related debt	32,586,000
Other nonoperating revenues (expenses), net	<u>2,386,000</u>
Total operating expenses as shown on the consolidated statement of revenues, expenses, and changes in net assets for the year ended June 30, 2008	<u><u>\$ 2,776,071,000</u></u>

**UNIVERSITY OF MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of the University of Minnesota.
2. One significant deficiency was identified, but was not considered to be a material weakness. This was disclosed during the audit of the consolidated financial statements of the University of Minnesota.
3. No instances of material noncompliance were disclosed during the audit of the consolidated financial statements of the University of Minnesota.
4. No significant deficiencies or material weaknesses were identified during the audit of the major federal award programs for the University of Minnesota.
5. The auditors' report on compliance for the major federal award programs for the University of Minnesota expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the University of Minnesota were disclosed during the audit.
7. The programs tested as major programs include:

<u>Program</u>	<u>CFDA #</u>
Research and Development Cluster *	Various
Student Financial Aid Cluster	Various
Contract-Department of Homeland Security	97.CXX
Education and Human Resources	47.076
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203
Contract-Department of Health and Human Services-Centers for Medicare and Medicaid Services	93.C07
National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program	84.015

* This program has various and unidentified CFDA numbers.

8. The threshold for distinguishing type A programs was \$3,000,000, and the threshold for distinguishing type B programs was \$300,000.
9. The University of Minnesota was determined to be a low risk auditee.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

08-1

Condition

Total assets reported on the University's consolidated financial statements were understated due to the following items:

- University management identified that approximately 5,400 acres of land donated to the University since approximately 1900 has been recorded at a value of one dollar per donated parcel.
- A certain holding of one thinly traded equity investment (out of a portfolio of approximately 120 such holdings) was recorded at March 31, 2008 values. It is a well-known circumstance that thinly traded equities are challenging to value on a current basis due to the time lag involved in obtaining current fair values.

Criteria

These land parcels are part of the Permanent University Land and Fund (PUF). Under Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the value of these parcels of land should have been restated to "fair value" at the date the land parcels were donated to the University.

The investment holding should have been recorded at fair value as of June 30, 2008.

Effect

As a result, land and beginning net assets were understated by \$2.9 million. Also, investments and investment income were understated by approximately \$1.3 million out of a total portfolio of thinly traded equities of approximately \$815.5 million.

Recommendation

We recommend that the University Controller's Office continue to work closely with the University's Real Estate Office to ensure that donated land is appropriately recorded at fair value at the date of donation.

We also recommend the University's Office of Investments and Banking to obtain fair values as of June 30, 2008, for purposes of reporting investment values in the University's consolidated financial statements.

University Response

The University agrees with the recommendations. The Controller's Office will continue to work closely with the Real Estate Office to ensure that donated land is appropriately recorded at fair market value at the date of donation. The University's Office of Investments and Banking works diligently to obtain the most current fair market values for all investments and recognizes the importance of these valuations. The Office of Investments and Banking will continue to work with our outside investment managers and partners to obtain the most current valuations.

**UNIVERSITY OF MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2008**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

CURRENT YEAR

None.

PRIOR YEAR

None.