

1-28-13

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.2. Business, Finance, and Audit Committee

Thursday, February 7, 2013
1920 Van Hise Hall
Madison, Wisconsin

- a. Committee Business
 - 1. Approval of the Minutes of the December 6, 2012 Meetings of the Business, Finance, and Audit Committee
 - 2. Report on Quarterly Gifts, Grants, and Contracts (2nd Quarter)
- b. University of Wisconsin Medical Foundation: Notice of Intent to Purchase an Interest in Chartwell Wisconsin Enterprises, LLC
- c. 2012 Annual Financial Report and Auditor's Opinion
 - 1. Strategies to Address HRS Overpayments and Other Internal Control Findings
 - 2. Financial Highlights
 - 3. State Auditor's Opinion
- d. Operations Review and Audit
 - 1. Review and Approval of the 2013 Audit Plan
[Resolution I.2.d.1.]
 - 2. Quarterly Status Update
- e. 2012 Annual Trust Funds Report
- f. UW System Travel Program: Review and Approval of Regent Policy Document on University Travel Policies
[Resolution I.2.f.]
- g. UW System Information Technology Report as Required by Wis. Stats. 13.58(5)(b)(3)
 - 1. UW Strategic Plans for Major Information Technology Projects
 - 2. Project Status Report for Major Information Technology Projects

h. Report of the Senior Vice President

1. Status of Network Services Procurement
2. Update on 2013-15 Biennial Budget
3. Status on Implementation of Audit Recommendations Related to the
Reporting of Crimes Against Children

QUARTERLY REPORT OF GIFTS, GRANTS, AND CONTRACTS JULY 1, 2012 THROUGH DECEMBER 31, 2012

EXECUTIVE SUMMARY

BACKGROUND

Prior to 1993, the Board of Regents had been presented a detailed listing of all gift, grant, and contract awards received in the previous month. This reporting protocol was deemed overly labor intensive and information presented was easily misinterpreted. Very few gifts are given directly to the University; the vast majority of gift items listed in these reports represented a pass-through of funds raised by UW Foundations. In addition, reported grant and contract awards frequently span several years, making the monthly figures reported somewhat misleading to the uninformed reader.

In February 1993, the Board adopted a plan for summary reporting on a monthly basis, delegating to the UW System Vice President for Finance acceptance of contracts with for-profit entities where the consideration involved was less than \$200,000. Contracts in excess of \$200,000 were required to come to the Board prior to execution. This \$200,000 threshold was increased to \$500,000 at the Board's September 4, 1997 meeting.

At this same September 4, 1997 meeting, it was noted that, while the monthly summary reporting from UW institutions will continue, the Vice President for Finance will present the information to the Board on a quarterly, rather than monthly, basis. These quarterly summary reports have been presented to the Business, Finance, and Audit Committee since that time and have generally been accompanied by a brief explanation of significant changes.

REQUESTED ACTION

No action is required; this item is for information only.

DISCUSSION

Attached is a summary report of gifts, grants, and contracts awarded to University of Wisconsin System institutions in the six-month period July 1, 2012 through December 31, 2012. Total gifts, grants, and contracts for the period were approximately \$774 million; this is a decrease of \$96.5 million from the same period in the prior year. Federal awards decreased \$82.6 million while non-federal awards decreased by \$13.9 million.

RELATED REGENT POLICIES

Regent Resolution Number 7548, dated September 4, 1997

UNIVERSITY OF WISCONSIN SYSTEM
GIFTS, GRANTS AND CONTRACTS AWARDED
QUARTERLY REPORT & PRIOR-YEAR COMPARISON
FISCAL YEAR 2012-2013 (2nd Quarter)

FISCAL YEAR 2012-2013	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
Total	54,368,704	41,622,874	7,330,204	60,976,236	9,719,372	499,786,571	100,326,038	774,130,000
Federal	30,591,641	27,117,192	0	7,509,432	0	319,308,529	91,880,461	476,407,255
Nonfederal	23,777,063	14,505,680	7,330,204	53,466,805	9,719,372	180,478,043	8,445,577	297,722,745
FISCAL YEAR 2011-2012								
Total	76,577,397	35,949,894	2,212,766	60,090,683	31,006,275	553,720,488	111,075,024	870,632,526
Federal	52,434,583	23,169,522	0	9,351,246	915,523	369,658,182	103,446,760	558,975,817
Nonfederal	24,142,814	12,780,371	2,212,766	50,739,437	30,090,752	184,062,306	7,628,263	311,656,709
INCREASE(DECREASE)								
Total	(22,208,692)	5,672,980	5,117,438	885,553	(21,286,903)	(53,933,916)	(10,748,986)	(96,502,527)
Federal	(21,842,942)	3,947,670	0	(1,841,815)	(915,523)	(50,349,653)	(11,566,300)	(82,568,562)
Nonfederal	(365,751)	1,725,310	5,117,438	2,727,368	(20,371,380)	(3,584,263)	817,315	(13,933,963)

UNIVERSITY OF WISCONSIN SYSTEM
 GIFTS, GRANTS AND CONTRACTS AWARDED - BY INSTITUTION
 QUARTERLY REPORT & PRIOR-YEAR COMPARISON
 FISCAL YEAR 2012-2013 (2nd Quarter)

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2012-2013								
Madison	21,075,588	26,684,183	7,315,827	50,623,241	9,674,002	469,226,933	22,186,325	606,786,100
Milwaukee	5,222,675	3,753,096	13,200	2,933,623	0	17,091,139	19,246,154	48,259,887
Eau Claire	139,145	1,587,786	0	0	0	424,874	7,551,504	9,703,309
Green Bay	39,241	1,769,880	0	246,950	0	284,826	28,752	2,369,650
La Crosse	628,396	104,629	0	1,111,499	0	1,628,841	5,516,257	8,989,622
Oshkosh	944,079	6,103,664	0	0	0	1,800,210	7,464,102	16,312,055
Parkside	687,814	727,149	0	26,340	8,430	100,982	2,060	1,552,774
Platteville	253,118	(16,171)	0	4,750	0	5,850,080	741,602	6,833,379
River Falls	419,160	2,353	1,177	1,196,052	511	298,052	371,177	2,288,482
Stevens Point	2,591,549	170,045	0	889,982	0	1,405,098	8,932,049	13,988,723
Stout	1,755,122	128,747	0	1,865,486	0	24,222	6,878,254	10,651,831
Superior	106,800	0	0	782,443	0	195,139	2,498,615	3,582,997
Whitewater	1,900,811	31,396	0	641,883	36,428	177,734	7,880,283	10,668,535
Colleges	7,200	553,207	0	644,957	0	232,699	11,028,903	12,466,966
Extension	18,598,007	0	0	0	0	0	0	18,598,007
System-Wide	0	22,910	0	9,030	0	1,045,742	0	1,077,682
Totals	54,368,704	41,622,874	7,330,204	60,976,236	9,719,372	499,786,571	100,326,038	774,130,000
Madison	19,507,033	14,428,593	0	1,112,716	0	294,925,970	15,367,915	345,342,226
Milwaukee	3,081,233	3,165,916	0	1,652,323	0	14,089,415	19,179,647	41,168,534
Eau Claire	111,649	1,299,353	0	0	0	272,520	7,549,567	9,233,089
Green Bay	35,502	1,321,145	0	45	0	248,386	20,827	1,625,905
La Crosse	366,128	103,879	0	1,006,981	0	403,646	5,466,257	7,346,891
Oshkosh	845,968	5,562,274	0	0	0	1,482,960	7,464,102	15,355,304
Parkside	686,989	581,474	0	0	0	0	0	1,268,463
Platteville	183,307	0	0	0	0	5,695,356	741,602	6,620,265
River Falls	415,264	0	0	895,480	0	260,961	336,677	1,908,382
Stevens Point	112,638	0	0	423,915	0	509,595	8,834,370	9,880,518
Stout	1,355,753	93,442	0	1,053,478	0	0	6,557,115	9,059,788
Superior	106,800	0	0	762,340	0	0	2,498,615	3,367,755
Whitewater	1,898,356	0	0	317,530	0	155,228	7,212,430	9,583,544
Colleges	5,700	553,207	0	284,624	0	218,750	10,651,337	11,713,618
Extension	1,879,322	0	0	0	0	0	0	1,879,322
System-Wide	0	7,910	0	0	0	1,045,742	0	1,053,652
Federal Totals	30,591,641	27,117,192	0	7,509,432	0	319,308,529	91,880,461	476,407,255
Madison	1,568,556	12,255,590	7,315,827	49,510,525	9,674,002	174,300,963	6,818,411	261,443,874
Milwaukee	2,141,441	587,180	13,200	1,281,300	0	3,001,724	66,507	7,091,353
Eau Claire	27,496	288,433	0	0	0	152,354	1,937	470,220
Green Bay	3,739	448,735	0	246,905	0	36,440	7,925	743,745
La Crosse	262,268	750	0	104,518	0	1,225,195	50,000	1,642,731
Oshkosh	98,111	541,390	0	0	0	317,250	0	956,751
Parkside	825	145,675	0	26,340	8,430	100,982	2,060	284,311
Platteville	69,811	(16,171)	0	4,750	0	154,724	0	213,114
River Falls	3,896	2,353	1,177	300,572	511	37,091	34,500	380,100
Stevens Point	2,478,911	170,045	0	466,067	0	895,503	97,679	4,108,205
Stout	399,369	35,305	0	812,008	0	24,222	321,139	1,592,044
Superior	0	0	0	20,103	0	195,139	0	215,242
Whitewater	2,455	31,396	0	324,353	36,428	22,506	667,853	1,084,991
Colleges	1,500	0	0	360,333	0	13,949	377,566	753,348
Extension	16,718,685	0	0	0	0	0	0	16,718,685
System-Wide	0	15,000	0	9,030	0	0	0	24,030
Nonfederal Totals	23,777,063	14,505,681	7,330,204	53,466,804	9,719,372	180,478,042	8,445,577	297,722,745

UNIVERSITY OF WISCONSIN SYSTEM
 GIFTS, GRANTS AND CONTRACTS AWARDED - BY INSTITUTION
 QUARTERLY REPORT & PRIOR-YEAR COMPARISON
 FISCAL YEAR 2012-2013 (2nd Quarter)

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2011-2012								
Madison	22,986,799	21,903,281	2,173,533	47,305,192	30,948,423	528,103,799	17,588,878	671,009,905
Milwaukee	6,223,909	4,476,371	28,311	4,065,089	0	16,567,218	20,708,656	52,069,552
Eau Claire	1,295,084	1,976,357	0	0	0	496,370	12,581,560	16,349,371
Green Bay	3,600	280,640	4,159	103,211	0	363,429	5,616,553	6,371,591
La Crosse	196,371	111,094	0	1,075,057	0	518,441	5,463,465	7,364,428
Oshkosh	1,130,420	5,409,485	0	0	0	2,522,096	7,873,329	16,935,330
Parkside	91,662	137,011	0	17,495	0	432,936	200,400	879,504
Platteville	294,094	0	0	366,105	0	820,054	4,416,970	5,897,223
River Falls	814,663	2,330	5,764	1,159,814	15,000	106,187	21,246	2,125,004
Stevens Point	1,543,304	400,663	0	708,020	0	1,463,140	8,216,716	12,331,843
Stout	1,319,754	150,270	0	1,593,443	0	1,110,996	6,893,048	11,067,511
Superior	30,469	0	0	798,260	0	1,032,100	2,558,647	4,419,476
Whitewater	2,535,495	58,428	0	1,363,103	42,852	78,919	7,489,467	11,568,264
Colleges	2,525	6,500	1,000	1,424,341	0	336	11,446,090	12,880,792
Extension	38,109,249	0	0	0	0	0	0	38,109,249
System-Wide	0	1,037,463	0	111,553	0	104,468	0	1,253,483
Totals	76,577,397	35,949,894	2,212,766	60,090,683	31,006,275	553,720,488	111,075,024	870,632,526
Madison	21,481,700	10,804,639	0	1,452,618	915,523	348,543,244	11,468,059	394,665,783
Milwaukee	4,246,252	3,590,227	0	1,396,787	0	13,930,022	20,643,555	43,806,843
Eau Claire	744,002	1,941,283	0	0	0	484,670	12,579,731	15,749,686
Green Bay	2,000	113,615	0	235	0	158,221	5,455,545	5,729,616
La Crosse	11,700	103,794	0	968,161	0	232,219	5,168,303	6,484,177
Oshkosh	858,318	5,338,019	0	0	0	2,415,460	7,873,329	16,485,126
Parkside	0	0	0	0	0	289,203	0	289,203
Platteville	279,915	0	0	366,105	0	635,054	4,416,970	5,698,044
River Falls	547,544	0	0	878,173	0	99,947	0	1,525,664
Stevens Point	19,092	110,540	0	401,568	0	773,011	8,216,716	9,520,927
Stout	1,183,479	102,632	0	1,073,463	0	1,075,482	6,618,634	10,053,690
Superior	30,469	0	0	752,615	0	932,275	2,558,647	4,274,006
Whitewater	2,479,556	27,310	0	853,787	0	35,256	7,489,192	10,885,101
Colleges	0	0	0	1,207,735	0	336	10,958,079	12,166,151
Extension	20,550,555	0	0	0	0	0	0	20,550,555
System-Wide	0	1,037,463	0	0	0	53,782	0	1,091,245
Federal Totals	52,434,583	23,169,522	0	9,351,246	915,523	369,658,182	103,446,760	558,975,817
Madison	1,505,099	11,098,642	2,173,533	45,852,575	30,032,900	179,560,555	6,120,819	276,344,122
Milwaukee	1,977,657	886,144	28,311	2,668,302	0	2,637,196	65,101	8,262,709
Eau Claire	551,082	35,074	0	0	0	11,700	1,829	599,685
Green Bay	1,600	167,025	4,159	102,976	0	205,208	161,008	641,975
La Crosse	184,671	7,300	0	106,896	0	286,222	295,162	880,251
Oshkosh	272,102	71,466	0	0	0	106,636	0	450,204
Parkside	91,662	137,011	0	17,495	0	143,733	200,400	590,301
Platteville	14,179	0	0	0	0	185,000	0	199,179
River Falls	267,119	2,330	5,764	281,641	15,000	6,240	21,246	599,340
Stevens Point	1,524,212	290,123	0	306,452	0	690,129	0	2,810,916
Stout	136,275	47,638	0	519,980	0	35,514	274,414	1,013,820
Superior	0	0	0	45,645	0	99,825	0	145,470
Whitewater	55,938	31,118	0	509,316	42,852	43,663	275	683,163
Colleges	2,525	6,500	1,000	216,605	0	0	488,011	714,641
Extension	17,558,693	0	0	0	0	0	0	17,558,693
System-Wide	0	0	0	111,553	0	50,686	0	162,238
Nonfederal Totals	24,142,814	12,780,371	2,212,766	50,739,437	30,090,752	184,062,306	7,628,263	311,656,709

UNIVERSITY OF WISCONSIN SYSTEM
GIFTS, GRANTS AND CONTRACTS AWARDED - BY INSTITUTION
QUARTERLY REPORT & PRIOR-YEAR COMPARISON
FISCAL YEAR 2012-2013 (2nd Quarter)

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
INCREASE (DECREASE)								
Madison	(1,911,210)	4,780,901	5,142,294	3,318,049	(21,274,420)	(58,876,866)	4,597,448	(64,223,805)
Milwaukee	(1,001,234)	(723,275)	(15,111)	(1,131,466)	0	523,922	(1,462,502)	(3,809,665)
Eau Claire	(1,155,939)	(388,571)	0	0	0	(71,496)	(5,030,056)	(6,646,062)
Green Bay	35,641	1,489,240	(4,159)	143,740	0	(78,603)	(5,587,801)	(4,001,942)
La Crosse	432,025	(6,465)	0	36,442	0	1,110,400	52,792	1,625,194
Oshkosh	(186,341)	694,178	0	0	0	(721,886)	(409,227)	(623,275)
Parkside	596,151	590,138	0	8,845	8,430	(331,954)	(198,340)	673,270
Platteville	(40,976)	(16,171)	0	(361,355)	0	5,030,026	(3,675,368)	936,156
River Falls	(395,503)	23	(4,587)	36,238	(14,489)	191,865	349,931	163,478
Stevens Point	1,048,246	(230,618)	0	181,962	0	(58,042)	715,333	1,656,880
Stout	435,367	(21,522)	0	272,043	0	(1,086,773)	(14,794)	(415,679)
Superior	76,331	0	0	(15,818)	0	(836,961)	(60,032)	(836,480)
Whitewater	(634,684)	(27,032)	0	(721,220)	(6,424)	98,815	390,816	(899,729)
Colleges	4,675	546,707	(1,000)	(779,383)	0	232,362	(417,187)	(413,826)
Extension	(19,511,241)	0	0	0	0	0	0	(19,511,241)
System-Wide	0	(1,014,553)	0	(102,523)	0	941,275	0	(175,801)
Totals	(22,208,692)	5,672,980	5,117,438	885,553	(21,286,903)	(53,933,916)	(10,748,986)	(96,502,527)
Madison	(1,974,668)	3,623,954	0	(339,902)	(915,523)	(53,617,274)	3,899,855	(49,323,557)
Milwaukee	(1,165,019)	(424,311)	0	255,536	0	159,393	(1,463,908)	(2,638,309)
Eau Claire	(632,353)	(641,930)	0	0	0	(212,150)	(5,030,164)	(6,516,597)
Green Bay	33,502	1,207,530	0	(190)	0	90,165	(5,434,718)	(4,103,711)
La Crosse	354,428	85	0	38,820	0	171,427	297,954	862,714
Oshkosh	(12,350)	224,255	0	0	0	(932,500)	(409,227)	(1,129,823)
Parkside	686,989	581,474	0	0	0	(289,203)	0	979,260
Platteville	(96,608)	0	0	(366,105)	0	5,060,302	(3,675,368)	922,221
River Falls	(132,280)	0	0	17,307	0	161,014	336,677	382,718
Stevens Point	93,546	(110,540)	0	22,347	0	(263,416)	617,654	359,591
Stout	172,273	(9,190)	0	(19,985)	0	(1,075,482)	(61,519)	(993,903)
Superior	76,331	0	0	9,725	0	(932,275)	(60,032)	(906,251)
Whitewater	(581,200)	(27,310)	0	(536,256)	0	119,972	(276,762)	(1,301,557)
Colleges	5,700	553,207	0	(923,111)	0	218,414	(306,742)	(452,533)
Extension	(18,671,233)	0	0	0	0	0	0	(18,671,233)
System-Wide	0	(1,029,553)	0	0	0	991,960	0	(37,593)
Federal Totals	(21,842,942)	3,947,670	0	(1,841,815)	(915,523)	(50,349,653)	(11,566,300)	(82,568,562)
Madison	63,457	1,156,947	5,142,294	3,657,951	(20,358,897)	(5,259,592)	697,592	(14,900,248)
Milwaukee	163,785	(298,964)	(15,111)	(1,387,002)	0	364,528	1,407	(1,171,356)
Eau Claire	(523,586)	253,359	0	0	0	140,654	108	(129,465)
Green Bay	2,139	281,710	(4,159)	143,930	0	(168,768)	(153,082)	101,770
La Crosse	77,597	(6,550)	0	(2,378)	0	938,973	(245,162)	762,480
Oshkosh	(173,991)	469,924	0	0	0	210,615	0	506,548
Parkside	(90,838)	8,664	0	8,845	8,430	(42,751)	(198,340)	(305,990)
Platteville	55,632	(16,171)	0	4,750	0	(30,276)	0	13,935
River Falls	(263,223)	23	(4,587)	18,931	(14,489)	30,851	13,254	(219,240)
Stevens Point	954,700	(120,078)	0	159,615	0	205,374	97,679	1,297,289
Stout	263,094	(12,332)	0	292,028	0	(11,291)	46,725	578,223
Superior	0	0	0	(25,543)	0	95,314	0	69,771
Whitewater	(53,483)	278	0	(184,964)	(6,424)	(21,157)	667,578	401,828
Colleges	(1,025)	(6,500)	(1,000)	143,728	0	13,949	(110,445)	38,707
Extension	(840,008)	0	0	0	0	0	0	(840,008)
System-Wide	0	15,000	0	(102,523)	0	(50,686)	0	(138,208)
Nonfederal Totals	(365,751)	1,725,310	5,117,438	2,727,368	(20,371,380)	(3,584,263)	817,314	(13,933,964)

**UNIVERSITY OF WISCONSIN MEDICAL FOUNDATION
NOTICE OF INTENT TO PURCHASE AN INTEREST IN
CHARTWELL WISCONSIN ENTERPRISES, LLC**

EXECUTIVE SUMMARY

BACKGROUND

In accordance with the agreement between the UW Board of Regents of the University of Wisconsin System and the University of Wisconsin Medical Foundation dated May 12, 1995, the UW Medical Foundation must provide a sixty day notice to the Board of Regents should it wish to create or invest in subsidiary business entities. Paragraph 22 of the Agreement states as follows:

“Using that portion of its aggregate professional income not committed to the State of Wisconsin, the Foundation may create or invest in such subsidiary corporations or other business entities as may be necessary or convenient to carry out the purposes of the Foundation as set forth in its Articles and Bylaws. The Foundation shall give the Board of Regents at least sixty (60) days prior notice of the creation of such interests.”

This Executive Summary is submitted to provide the sixty (60) day notice to the Board of Regents that the UWMF seeks to purchase a 50% interest in Chartwell Wisconsin Enterprises, LLC on or about April 15, 2013.

REQUESTED ACTION

This item is presented for official notification purposes only.

DISCUSSION

Chartwell Wisconsin Enterprises, LLC (“Chartwell”) is a provider of home infusion products and services to patients of the University of Wisconsin Medical Foundation, Inc. (“UWMF”) and the University of Wisconsin Hospitals and Clinics Authority (“UWHCA”). Chartwell also provides these products and services to patients referred to Chartwell by other health care providers. Since 1994, UWHCA has owned a fifty percent (50%) interest in Chartwell. The other 50% ownership interest was held by Chartwell Home Therapies LP, which was acquired by Versa Capital Management LLC (“Versa”) in 2004. In mid-2012, Versa informed UWHCA that it was selling its holdings in this business line, and wished to sell its 50% interest in Chartwell no later than October 31, 2012. UWHCA proposed to UWMF that UWMF purchase Versa’s ownership interest in Chartwell. Because the October 31, 2012 deadline did not give UWMF sufficient time to provide the required sixty-day notice to the Board of Regents (“Regents”) prior to purchase, Versa’s interest was purchased effective October 31, 2012, by University Health Care, Inc. (“UHC”), with the intent that UHC would sell the Chartwell interest to UWMF following the required

notice period. UHC is sponsored by the University of Wisconsin School of Medicine & Public Health (“UWSMPH”), UWMF, and UWHCA.

The University of Wisconsin Medical Foundation, Inc. (“UWMF”) is an Internal Revenue Code §501(c)(3) not for profit, non stock corporation organized pursuant to Chapter 181 of the Wisconsin Statutes and pursuant to the authority extended by the Regents in accordance with the Agreement between the Regents and UWMF dated May 12, 1995, marked and attached as “Exhibit A.” Pursuant to the Agreement and UWMF’s corporate bylaws (the “Bylaws”), the UWMF was and is organized to support the missions of the University of Wisconsin School of Medicine & Public Health (“UWSMPH”).

In September 2012, UWHCA informed UWMF officials that Versa, the owner of a 50% interest in Chartwell, wished to sell that interest no later than October 31, 2012. UWHCA proposed that UWMF purchase Versa’s interest, with UWHCA having the option to purchase the UWMF interest in 2015. Because UWMF could not complete such a purchase by October 31, 2012, UHC bought Versa’s interest for the sum of \$3,750,000.00, with the intent to sell the interest to UWMF at such time as UWMF was able to complete the purchase. UWMF now proposes to complete this purchase.

Home infusion therapy is a critical part of a cost-effective continuum of health care services. UWSMPH physicians from a wide range of specialties, as well as pharmacists with UWHCA and the UW School of Pharmacy, have worked closely with Chartwell to develop a service which supports the missions of the UWSMPH and is aligned with the mission and vision of UWMF. Specifically, UWMF has determined that purchase of a 50% interest in Chartwell would promote the provision of safe, effective, patient-centered, timely, and efficient health care, and would promote the efficient delivery of medical care in coordination with UWHCA.

The UWMF Board was briefed in closed session on the proposed purchase of the Chartwell interest on November 20, 2012, at which time the Board passed a resolution authorizing the purchase of the Chartwell interest. A copy of the resolution is attached as Exhibit B. UWMF will purchase the Chartwell interest from UHC for \$3,750,000.00, and will have an option to sell that interest to UWHCA during 2015, for the purchase price plus four percent (4%) annual interest, less any dividends paid to UWMF during the period of its ownership. UWHCA will have an option to purchase UWMF’s interest during the second half of 2015 on the same terms.

Attached Documentation

- Exhibit A - Agreement Between the Board of Regents of the University of Wisconsin System and the University of Wisconsin Medical Foundation, May 12, 1995
- Exhibit B - Resolution Approving the Purchase of an Interest in Chartwell Wisconsin Enterprises, LLC, November 20, 2012

RELATED REGENT POLICIES

None

**Agreement Between
the Board of Regents of the
University of Wisconsin System
and the
University of Wisconsin
Medical Foundation**

May 12, 1995

Agreement Between the Board of Regents of the University of Wisconsin System and the University of Wisconsin Medical Foundation

The Board of Regents of the University of Wisconsin System, a body corporate operating under Chapter 36, Wisconsin Statutes ("Board of Regents") and the University of Wisconsin Medical Foundation, a nonstock, non-profit charitable and educational corporation organized under Chapter 181 of the Wisconsin Statutes ("Foundation") enter into this Agreement as of May 12, 1995.

RECITALS

WHEREAS the Board of Regents is a public body corporate and politic existing under the laws of the State of Wisconsin and charged with primary responsibility for the governance of all academic institutions comprising the University of Wisconsin System, including the University of Wisconsin-Madison and its Medical School, and

WHEREAS the missions of the Medical School are to teach medicine, to engage in medical research and to provide clinical service to the community. These missions are inextricably interrelated. The teaching of medicine and the conduct of medical research require the practice of medicine. Both teaching and research require a base of patients of sufficient size and composition with which to teach students and to provide data for research. The clinical practice of medicine by the Faculty supplies both of these requirements and the fees generated from patient visits provide critical financial support for the Medical School, and

WHEREAS the Medical School currently receives approximately one-half (1/2) of its annual operating budget from the clinical fees generated by its Faculty physicians and Faculty health care specialists, and

WHEREAS for the past two (2) decades, the contributions of clinical Faculty to the Medical School have been effected through the provisions of the Clinical Practice Plan (hereinafter "CPP"), an agreement among the clinical Faculty, UW-Madison and the Board of Regents. Under the provisions of the CPP, fourteen (14) separate and relatively autonomous Departmental Practice Plans (hereinafter "DPPs") have been organized, one (1) for each clinical department of the Medical School. Consistent with the historical character of clinical practice plans throughout the United States, each of the DPPs was responsible for managing its own clinical practice as well as for supporting the interests of the Medical School, and

WHEREAS the relative autonomy of the DPPs and their somewhat divergent clinical interests have not strongly encouraged the growth of a unified administration of the clinical services offered through Medical School Faculty physicians and health care specialists, and

WHEREAS the field of health care is in the midst of rapid and radical change that renders the historic character of the CPP, together with its associated DPPs, largely problematic for the current and future needs of the Medical School. In particular, coordinated administration of both primary and specialty health care has become a market necessity - one that requires any group of affiliated physicians and health care specialists to devise a system of practice that is able to do the following: (a) market a range of primary and specialty care services to the general patient population; (b) ensure that the range of care that is offered is cost effective and well managed, such that it is competitive with the burgeoning number of highly competitive managed care organizations that exist on local, regional and national levels; and (c) successfully recruit and maintain a sufficient number of patients for the system to enable continued support of primary and specialty care practitioners, and the Medical School, and

WHEREAS the necessity of meeting these three (3) objectives is particularly critical to physicians and health care specialists who are affiliated with an academic medical center such as the Medical School. They must meet these objectives given the higher programmatic costs of the additional Faculty missions of teaching, research, and public service, and

WHEREAS the Medical School Faculty physicians and Faculty health care specialists must currently compete for patients with a number of established managed care organizations that operate in Wisconsin - particularly in the southwestern region of the state - which have already contracted with a high percentage of the available pool of health care consumers. As these managed care organizations typically affiliate with specific hospitals, they have decreased the number and frequency of patient referrals to the University of Wisconsin Hospital and Clinics ("University Hospital"), and to Medical School Faculty physicians and Faculty health care specialists. This change in the historic pattern of patient referrals has accentuated the need for University physicians and health care specialists to effect an efficient and comprehensive health care management system, and

WHEREAS the Board of Regents recognizes that, in view of the changing national and local health care markets, the continued viability of the Medical School depends, to a large extent, upon the ability of its Faculty physicians and other Faculty health care specialists to provide clinical care in a manner that is cost effective, consistent with trends toward managed care, and supportive of the special needs of an academic medical center for teaching, research, and public service, and

WHEREAS its extensive reliance upon fees generated by Faculty clinical practice requires the Medical School to have its Faculty physicians and Faculty health care specialists managing their clinical services in a centralized, cost-effective manner. The Foundation is specially conceived to meet this need and to support the Medical School through direct financial contributions. Equally important, the Foundation is expected to assist the Medical School in the achievement of the three (3) objectives of effective teaching, research, and service in the field of health care, and

WHEREAS the existing CPP is an agreement between the Board of Regents and the clinical Faculty, based on the understanding that the Faculty own their practice incomes subject to the provisions contained in the CPP agreement, and

WHEREAS the Faculty, by two-thirds (2/3) vote as required by the existing CPP, has voted to replace the existing CPP agreement with a non-profit charitable foundation assuming approval of the Internal Revenue Service and acceptance of this Agreement, and

WHEREAS the existing CPP has operated as a series of for-profit departmental practice partnerships which have not been subject to state regulation or restriction such as purchasing and personnel, except as provided by the CPP itself, and

WHEREAS the existing for-profit departmental partnerships under the CPP will be replaced by a single group practice operating as a non-profit Foundation, and

WHEREAS the Faculty has caused the creation of a nonstock, non-profit charitable and educational corporation named the University of Wisconsin Medical Foundation into which the practice income of the Faculty will be contributed and which will, by this Agreement, be recognized by the Board of Regents as the vehicle for the Faculty's coordination of medical care, collection of practice income and support of medical education and research, and

WHEREAS this Agreement defines the relationship between the Foundation and the Board of Regents, and the Medical School requires the Foundation to provide substantial funding to support medical education and research, controls physician incomes, and brings the advantages of high quality, efficient and low-cost patient care that go with group practice, and

WHEREAS the Board of Regents recognizes that, while the Foundation is constituted as an entity different in form and function from the CPP, the Foundation does not begin operating in a vacuum; rather, the Foundation will assume existing assets and liabilities, as noted elsewhere, and will operate on the basis of established understandings with respect to issues such as the Faculty ownership of clinical fees apart from that portion of fees dedicated to state interests and the inapplicability of state restriction except as assumed by this Agreement or as otherwise required by law,

THEREFORE, having resolved that the Foundation is a reasonable and necessary instrument through which these physicians and health care specialists should support their clinical care activities, the Board of Regents enters into this Agreement with the Foundation to specify the relationship between the Foundation and the Board of Regents, UW-Madison and the Medical School.

Definitions

"Faculty", when used in this Agreement, includes physician Faculty and physician academic staff with tenure, tenure track, CHS or other UW-Madison-recognized titles. By agreement of the Medical School and the Foundation, individual psychologists, optometrists and dentists having Medical School appointments may be included as participating Faculty and may be eligible to be elected and/or to vote in elections for Foundation directors.

"Faculty health care specialists" means psychologists, dentists, and other health care providers who render clinical care to patients or otherwise provide services as defined in §17, below, as a part of their Faculty or academic staff responsibilities with UW-Madison and the Medical School and are compensated by third parties for that patient care. By agreement of the Medical School and the Foundation individual psychologists, optometrists and dentists having Medical School appointments may be included as participating Faculty and may be eligible to be elected and/or to vote in elections for Foundation directors.

"Managed care" is a term of general definition that summarizes the trend in local, regional and national health care markets toward coordinated management of patient health care services, specifically a system that provides covered patients with a coordinated level of appropriate care, usually at a defined price.

Replacement of Existing Clinical Practice Plan

1. This Agreement replaces the CPP, and terminates the relationship between the Board of Regents and the CPP or the various DPPs. The existing CPP will continue to operate until December 31, 1995. The existing partnerships will continue to operate under the terms of the CPP until their dissolution, which is expected to come by year-end 1995 or the first quarter of 1996.
2. The Board of Regents understands the Foundation to be constituted in the manner outlined in its Articles of Incorporation, and to be bound to operate in the manner outlined in its Bylaws, both of which are attached to and made a part of this Agreement. Any change to the Articles requires sixty (60) days written notice to the Board of Regents and to the Chancellor or his or her designee. Any change to the Bylaws requires sixty (60) days advance notice to the Board of Regents and to the Chancellor or his or her designee. During the term of this Agreement and prior to any notice of its termination changes to the Articles and Bylaws are subject to approval by the Chancellor. Such changes shall be assumed to be approved sixty (60) days after notice is delivered. Any disapproval shall be in writing. During the term of this Agreement and prior to any notice of its termination, changes to the composition of the Board of Directors of the Foundation as provided in the Bylaws requires approval by the Board of Regents.

Service to University Interests

3. The Foundation will, in all respects, function in the interests of the Medical School.
4. The Board of Regents and the Foundation agree that, in all of their activities conducted by and through the Foundation, Medical School Faculty physicians and Faculty health care specialists are, when acting pursuant to this Agreement, acting within the scope of their employment with the State of Wisconsin.

5. The Foundation and its employees shall have access to, and use of, university facilities, equipment and personnel for education, research and service activities that support the missions of the Medical School and UW-Madison.
6. This Agreement shall not affect the roles of the Medical School Faculty physicians, Faculty health care specialists, the Dean of the Medical School, and the Medical School clinical department chairs in managing the academic programs of each clinical department (and, more generally, of the Medical School), setting academic standards for students and post-graduate trainees, or setting criteria for Faculty hiring and promotion.
7. The Medical School will retain ultimate responsibility for the quality, timeliness, and appropriateness of medical care through its Dean, Clinical Departments, Clinical Section Chiefs, and Faculty physicians and Faculty health care specialists. This responsibility may be discharged, to the extent necessary to form and operate a successful group practice that is integral to the missions of the Medical School, through the Foundation.
8. Allocation of state monies provided to the Medical School for education, research, and public service, including funds from the Foundation when provided to the Medical School as outlined later in this Agreement, remain under the direction of UW-Madison, the Dean of the Medical School, clinical department chairs, and clinical department executive committees.

Faculty Participation

9. Each Faculty physician or Faculty health care specialist who is a member of an existing departmental practice plan partnership is required to become an employee of the Foundation. All future appointments of Faculty physicians or Faculty health care specialists will require, as a condition of appointment, that the physician or specialist become an employee of the Foundation.

Foundation Contributions to Medical Education and Research

10. The Foundation agrees to assume, as the successor operation to the CPP and the DPPs, all current assets, liabilities and commitments of the CPP which are not modified or replaced by this Agreement, and of the various DPPs. The DPPs will transfer all of their current assets to the Foundation as the Foundation begins operations and all assets upon dissolution.
11. The Board of Regents recognizes that Affiliated University Physicians (AUP) will be reorganized into a separate, private non-profit corporation. The DPPs are no longer the members of AUP. The Board of Regents is aware of a long-term contract between AUP and the DPPs which the Foundation will assume and approves the Foundation's stated intention to continue a relationship with AUP.
12. The Foundation will continue the Faculty's financial support of the Medical School through the provisions of this Agreement which replace the CPP's contribution provisions.

13. Financial support required by this Agreement to be made available to or on behalf of the Medical School becomes an asset of the University of Wisconsin System as that support becomes due. The Chancellor, the Dean and the Foundation will determine the due dates for various contributions by written agreement. Payment of the MSDF will be quarterly, beginning with the first payment on September 30, 1996. The Board of Regents has the right to bring an action for specific performance to obtain the agreed financial support if it is not transmitted by the Foundation when due in accord with this Agreement. All funds generated by Foundation activities that are not expressly dedicated in this Agreement to the Medical School constitute assets of the Foundation, consistent with the historic understanding between the Board of Regents and the CPP regarding Faculty ownership of clinical fees.
14. The Board of Regents and the Foundation further agree that, with respect to funds generated by or through the activities of the Foundation and its employees, the laws and regulations of the State of Wisconsin applicable to state funds apply only to such funds as the Foundation is obligated to transmit to the Medical School in accord with this Agreement.

Required Contributions

15. The formulae for contributions for the benefit of the Medical School are contained in Attachment A. That portion relating to contributions will remain in effect until amended. Any amendments relating to contributions require approval of the Chancellor. The University of Wisconsin Foundation will be the depository for contributions for the benefit of the Medical School.
16. The percentage [between five (5) and twenty-five per cent (25%) of gross departmental professional revenues] allocated for research and development will be determined on a yearly basis by the Foundation Departmental Committees as provided in the Foundation Bylaws. In all cases, a minimum of two-and-one-half per cent (2.5%) of departmental professional revenues fees will be deposited to special accounts at the UW Foundation and used to support departmental research as determined by the Departmental Executive Committee.

The balance of the departmental research and development funds will be held by the Foundation and provided to Faculty for research, teaching, service or administrative activities as determined by the Foundation Departmental Committees as provided in the Foundation Bylaws. When a percentage of gross revenues has been assigned to departmental research and development funds, the Foundation Departmental Committees, by majority vote, may distribute those funds to Faculty or programs within the Department. These Foundation Departmental Committees may, on a yearly basis, delegate to the Chair responsibility for assignment of these funds. Monies not encumbered or spent in a given fiscal year may be carried over to subsequent fiscal years and will be held by the Foundation in separate accounts.

Foundation Income/Included Receipts

17. Each Medical School Faculty member of the clinical departments, as a condition of his/her University employment, will be required to contractually commit certain income to the Foundation. The professional income required to be included in Foundation receipts consists of all collected fees derived from the diagnosis and treatment of patients by the Faculty member. Professional income shall also include fees for court appearances, pretrial legal consultations, all other activities associated with medical-legal services and other services related to patient care or human health. In addition, professional services includes consultation with respect to the operation, supervision and quality control in laboratories. Professional income does not include honoraria, royalties, lecture fees, military pay, or payments for editing scientific publications. Income received for consultations of a purely scientific or educational nature which do not involve, directly or indirectly, the care of specific patients or consultations involving human health is excluded from professional income. Work for charitable organizations may also be exempted by agreement of the Foundation and the Dean. All such outside activities must conform to Medical School and UW-Madison rules and regulations governing the conduct of Faculty and academic staff employees.¹ Because human health is a broad term, the Foundation Board of Directors or a designated subcommittee thereof may grant exceptions as warranted.

Faculty Income and Benefits

18. Participating Faculty incomes shall, as determined in the manner set forth in the Bylaws, be limited to amounts that reflect market forces. The Compensation Committee of the Foundation shall annually review available compensation information, and recommend compensation maxima by subspecialty to the Foundation Board of Directors, who shall then review, modify and/or adopt them as appropriate. The Foundation shall not pay any compensation in excess of an applicable maximum without the express written approval of the Dean of the Medical School.
19. The Foundation will provide fringe benefit plans, which may include deferred income, health, life and disability insurance, and retirement plans for its employees. These plans shall become the successor to each of the existing departmental plans unless the Foundation Board of Directors determines that there are legal or accounting reasons to continue the existing plans. Monies expended by the Foundation for fringe benefit plans may be treated by the Foundation as a component of the Foundation's operational costs. Fringe benefits provided by the Foundation are in addition to and are not restricted by state standards. Foundation plans and related funds are to be administered by the Foundation and are the property of the Foundation.

¹ This definition is substantially the same as that contained in the CPP except that the provision relating to medical-legal services has been supplemented to confirm the original intent and long-standing practice under the CPP, and a provision has been added to include services related to laboratory functions.

20. The initial two (2) year compensation system for Medical School Faculty physicians and Faculty health care specialists participating in the Foundation shall be as set forth in Attachment A. Following the initial two (2) years, the Foundation Board of Directors may continue or modify the initial compensation system in accordance with this Agreement. A proposed change to the terms of the Compensation Plan as set forth in Attachment A shall be presented by the Board to an annual or special physician meeting as provided in § 3.9 of the Bylaws. Changes shall not be adopted unless approved by two-thirds (2/3) of those voting in person or by proxy at such meeting. Whether a change requires presentation to the Faculty shall be reviewed by the Council of Chairs and the Council of Faculty who shall advise the Board.
21. The Foundation may compensate, as allowed by University policy, part-time Faculty and academic staff, visiting Faculty and academic staff, fellows, lecturers, and other persons having university appointments by agreement with the Dean and with any academic or clinical department that may be involved.

Subsidiary Corporations

22. Using that portion of its aggregate professional income not committed to the State of Wisconsin, the Foundation may create or invest in such subsidiary corporations or other business entities as may be necessary or convenient to carry out the purposes of the Foundation as set forth in its Articles and Bylaws. The Foundation shall give the Board of Regents at least sixty (60) days prior notice of the creation of such interests.

Audit

23. The Foundation shall annually have a financial audit prepared by a qualified independent auditor. The Foundation shall also prepare an annual operating report. Copies of the audit and the annual report shall be furnished by the Foundation to the Dean of the Medical School.

Open Records/Public Meetings

24. The Foundation hereby agrees that it will be governed in its operations by the State Open Records Law, and its Public Meetings Law.

Amendments

25. Amendments to this Agreement require consultation with the Council of Chairs and the Council of Faculty, approval of the Chancellor, approval of the Foundation Board unless adopted pursuant to §26 below and approval of the Board of Regents.

26. Medical School Faculty physicians and Faculty health care specialists participating in the Foundation may collectively petition the Foundation Board of Directors, the Dean and the Board of Regents for changes to the Articles of Incorporation and Bylaws of the Foundation, or to this Agreement. A petition of twenty per cent (20%) or more of the participating Faculty will be sufficient to trigger a vote of the entire participating Faculty on such proposed changes. The proposed change, if approved by two-thirds (2/3) of those voting in a mail ballot, will be adopted as approved and forwarded to the Board of Regents for their review under §2, above. Meetings and elections called for this purpose will be conducted under rules and procedures developed by the Dean.

Approval of Board/Removal

27. The Chancellor must approve each member of the Foundation Board of Directors elected by the Faculty and each chair selected by the Council of Chairs under the provisions of the Bylaws, prior to each such board member taking office. Such approval shall be in writing directed to the President of the Foundation following notification to the Chancellor of the election or selection of the board members. The Chancellor shall not exercise approval authority as provided by this paragraph in a way that limits options such as those outlined in §§29 and 30 of this Agreement.
28. The Chancellor may at his/her discretion remove any director elected by the Faculty or by the Council of Chairs. A notice of removal shall be forwarded by the Chancellor to the President, who shall then call on the Nominations Committee or the Council of Chairs to fill the vacancy as provided in the Bylaws. The Chancellor shall not exercise removal authority as provided by this paragraph in a way that limits options such as those outlined in §§29 and 30 of this Agreement.

Termination

29. The Board of Regents recognizes that the Foundation is entering into this Agreement on the assumption that, other than open meetings, public records (which have been assumed by contract) and restrictions on the creation of dummy building corporations (which apply to the Foundation but not to any subsidiaries thereto), and the application of state laws and regulations to Foundation financial contributions to the Medical School (state laws and regulations becoming applicable when the designated contributions become due), the Foundation may operate as a private, non-profit, tax-exempt entity, free from the restrictions or requirements that apply to state agencies. The Board of Regents further recognizes that if these assumptions prove invalid or become obsolete, the Foundation or the Board of Regents may pursue the option of terminating this Agreement. In such an event, the parties shall, during any period of notice of termination, endeavor to revise the agreement to a mutually acceptable form.
30. In the event that the Board of Regents or the Foundation, or both, determine that the benefits of this Agreement have diminished to the point that it no longer allows optimal pursuit of those objectives outlined in the Foundation Articles of Incorporation and Bylaws, the Board of Regents and the Foundation shall each have the option of terminating this Agreement, but shall first attempt to revise the Agreement into a form that is mutually acceptable.

31. Notice of termination may be given by either party to the other and such notice shall provide at least six (6) months time to final termination unless shortened by mutual agreement.
32. The Board of Directors and the Foundation agree that if this Agreement (or an amended version thereto) is terminated, the Foundation will be dissolved within six (6) months of the date of termination through the action of the Foundation Board of Directors. The six (6) month period allowed for dissolution is intended for the winding up of the affairs of the Foundation.

Other Provisions

33. Any fundraising undertaken on behalf of the University of Wisconsin Medical School and its departments, the University of Wisconsin Hospital and Clinics or the University of Wisconsin, will be coordinated with the University of Wisconsin Foundation.
34. The Board of Regents and the Foundation mutually recognize that, in keeping with the intent of this Agreement and the Articles of Incorporation and Bylaws incorporated into it by reference, the Foundation will be developing relationships and affiliations with hospitals, clinics, health care provider organizations, third-party payors and managed health care systems, and may, in addition, create subsidiary corporations or other business entities to further effect its essential purposes. As the Foundation's efforts in this regard will be enhanced by a perception of stability and predictability associated with its business character, the Board of Regents and the Foundation mutually agree that any contractual relationships developed by the Foundation with other persons or business entities, so long as they are consistent with the essential purposes of the Foundation, will not be altered, abrogated, or otherwise affected by subsequent changes to the Articles of Incorporation, the Bylaws or this Agreement unless so agreed between the Foundation and affected third parties.

Dated this 12th day of May, 1995, at Madison, Wisconsin.

Board of Regents of the University of Wisconsin System



(Title) Chancellor

University of Wisconsin Medical Foundation



(Title) PRESIDENT

**RESOLUTION OF THE BOARD OF DIRECTORS
OF
UNIVERSITY OF WISCONSIN MEDICAL FOUNDATION, INC.
APPROVING
THE PURCHASE OF AN INTEREST IN
CHARTWELL WISCONSIN ENTERPRISES, LLC**

NOVEMBER 20, 2012

BACKGROUND

The University of Wisconsin Medical Foundation, Inc. (UWMF) is committed to supporting the purposes and operations of the University of Wisconsin School of Medicine & Public Health ("UWSMPH"), as set forth in Section 2.1 of the UWMF corporate bylaws ("Bylaws"). The University of Wisconsin Hospitals and Clinics Authority ("UWHCA") presently holds a fifty-percent (50%) interest in Chartwell Wisconsin Enterprises, LLC ("Chartwell"), which provides home infusion products and services to patients served by UWMF and UWHCA as well as patients referred by other health care providers. The other 50% interest in Chartwell (the "Chartwell Interest") was held by Chartwell Home Therapies, L.P. ("CHT"), a subsidiary of Versa Capital Management LLC ("Versa"); Versa wished to sell the Chartwell Interest by October 31, 2012. University Health Care, Inc. ("UHC") purchased the Chartwell Interest from Versa effective October 31, 2012, for a purchase price of \$3,750,000.

UWMF has determined that purchase of the Chartwell Interest will promote the provision of safe, effective, patient-centered, timely, and efficient health care, as set forth in Section 2.1(a) of the Bylaws, and will promote the efficient delivery of medical care in coordination with UWHCA, as set forth in Section 2.1(f) of the Bylaws. Following the requisite sixty-day notice to the University of Wisconsin Board of Regents, UWMF wishes to purchase, and UHC is willing to sell, the Chartwell Interest at UHC's purchase price of \$3,750,000. UWMF will have an option to sell the Chartwell Interest to UWHCA during 2015, for the purchase price paid by UWMF, plus four percent (4%) annual interest accruing from the date of UWMF's purchase, less any dividends paid to UWMF during that period.

UWMF's Chief Operating Officer (Peter H. Christman), Chief Financial Officer (Robert W. Flannery), and Vice President of Operations (Steven J. Sibley) (collectively the "Authorized Officers") are of the opinion that purchasing the Chartwell Interest from UHC, on the terms approved by the UHC Board for its acquisition of the Chartwell Interest, is in the best interests of UWMF.

RESOLUTION

The Board resolves as follows:

I. Authorization to Purchase the Chartwell Interest

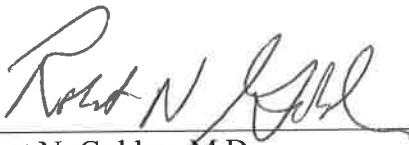
It is resolved that the Authorized Officers, and each of them acting alone, may make an offer, negotiate, approve, execute and deliver any agreements, instruments, certificates, notices and other documents in connection with the purchase of the Chartwell Interest and corresponding transactions as contemplated by this Resolution (collectively the "Closing Documents"), which Closing Documents may contain such representations, warranties, covenants and undertakings of or on behalf of UWMF and such other terms as the Authorized Officers (or any of them acting alone) executing the documents deem necessary or appropriate; and

II. Delegation

It is resolved that, in accordance with Section 12.1 of the UWMF Bylaws, UWMF and its officers shall take all steps necessary to effectuate any transaction contemplated by this Resolution.

IN WITNESS WHEREOF, the undersigned Robert N. Golden, M.D., Chairman of the Board of UWMF, acknowledges the foregoing Resolution of the Board as of the date first above written.

Acknowledged and Agreed to this 20th day of November, 2012.

By: 
Robert N. Golden, M.D.
Chairman of the Board of Directors of
University of Wisconsin Medical Foundation, Inc.

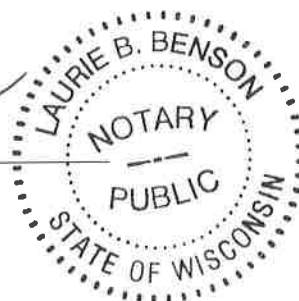
State of Wisconsin)
County of Dane)

Signed and sworn to before me on this 20th day of November, 2012, by Robert N. Golden, M.D.

Witnessed:



Laurie B. Benson
Notary Commission Expires July 6, 2013
2014 LBB



UW SYSTEM 2012 ANNUAL FINANCIAL REPORT AND AUDITOR'S OPINION

EXECUTIVE SUMMARY

BACKGROUND

The UW System publishes an Annual Financial Report that includes financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The statements are audited by the Legislative Audit Bureau, and also appear, in a somewhat modified format, in the State of Wisconsin's Comprehensive Annual Financial Report (CAFR).

REQUESTED ACTION

This report is submitted for information only.

DISCUSSION AND RECOMMENDATIONS

The UW System's Annual Financial Report for fiscal year 2011-2012 includes an unqualified audit opinion from the Legislative Audit Bureau, a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. The accompanying Notes to the Financial Statements are an integral part of the financial statements, including both disclosures required by GAAP and explanations intended to aid the reader in understanding the statements. In addition, the Annual Financial Report includes a "Management Discussion and Analysis" (MD&A) section that is intended to provide an objective and easily readable analysis of the UW System's financial activities. The UW System's Annual Financial Report may be found at <http://www.uwsa.edu/fadmin/finrep/afr.htm>.

Preceding the MD&A, financial statements, and notes are several graphs showing ten-year trend data. Charts 1 and 2 show the amount of revenue derived, in nominal and inflation-adjusted dollars, respectively, from state appropriations, from tuition and fees, and from all other sources. As depicted in these charts, total tuition and fees exceeded state appropriations for the first time in FY10 and again in FY11 and FY12. From FY11 to FY12, state support decreased by \$173.2 million (16.8%), while tuition and fee revenue increased by nearly \$30.2 million (2.8%), with enrollments continuing at a near-record high of more than 181,000 students. Grants and contracts from all sources decreased by \$12.7 million (1.0%) and gifts increased by \$35.3 million (16.6%). State appropriations comprise less than one-fifth of the total revenue (17.5%). Chart 3 shows the growth in university controlled endowments over the past ten years.

Finally, FY12 total expenses from all funding sources increased by \$25.9 million (0.6%), compared to the prior year's increase of \$131.4 million (3.0%).

Along with the unqualified audit opinion on the financial statements and notes, the Legislative Audit Bureau also reviewed internal controls and reported deficiencies in three areas: security over the UW System's Human Resource System, overpayments of health insurance premiums and retirement contributions, and financial reporting errors. The UW System agrees with the Audit Bureau's recommendation in each area and is in the process of taking corrective actions.

RELATED REGENT POLICIES

None

February 7, 2013

Agenda Item I.2.c.

2012 ANNUAL FINANCIAL REPORT AND AUDITOR'S OPINION

The complete report can be viewed at <http://www.uwsa.edu/fadmin/finrep/afr.htm>

Operations Review and Audit
Calendar Year 2013 Audit Plan

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the Calendar Year 2013 Audit Plan.

PROPOSED 2013 AUDIT PLAN TOPICS OFFICE OF OPERATIONS REVIEW AND AUDIT

EXECUTIVE SUMMARY

BACKGROUND

The Office of Operations Review and Audit provides objective review and analysis services in order to add value to, protect, and strengthen the University of Wisconsin System. Annually, the Office develops a risk-based audit plan to determine internal audit activity priorities, consistent with the organization's goals.

REQUESTED ACTION

Approval of Resolution I.2.e.1.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the Calendar Year 2013 Operations Review and Audit Plan.

DISCUSSION

The enclosed *2013 Audit Plan* highlights proposed topics to be audited during calendar year 2013. This plan has been adjusted from the plan presented in December 2012 by proposing one project deferral in favor of two audits related to benefits.

Additionally, it should be noted that this audit plan is aggressive based upon existing office resources, and assumes full staffing within the Office of Operations Review and Audit. Additionally, it does not include reserves for unplanned projects, such as investigations. During the year should significant modifications to the 2013 audit plan be deemed necessary for any reasons, the Director of the Office of Operations Review and Audit will notify the Chair and Internal Audit Liaison of the Business, Finance, and Audit Committee of the Board of Regents as soon as practical.

RELATED REGENT POLICIES

None.

PROPOSED 2013 AUDIT PLAN

February 7, 2013

Proposed Engagement Topics

Title and Audit Type	Objectives
1) Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) Compliance (Compliance)	<ul style="list-style-type: none"> • Consideration of the existence, adequacy, and communication of Clery Act policies. • Proper identification of campus security authorities. • Sufficiency of training provided to campus security authorities. • Internal controls related to the collection of crime statistics, issuance of timely warnings, and preparation of the annual safety report.
2) Physical Security and Access to Facilities Used in Camps and Programs for Children (Operational)	<ul style="list-style-type: none"> • Identification of facilities used in camps and programs for children. • Policies related to requesting, granting, removing, and reviewing access to facilities. • Existence of mechanisms used to restrict and/or monitor access. • Existence of detective controls to identify inappropriate access to facilities, and other procedures to monitor physical access. • Access verification procedures.
3) IT Backup and Data Recovery Procedures (IT)	<ul style="list-style-type: none"> • Consideration of the existence and adequacy of backup and data recovery procedures. • Evaluation of procedures to address failed backups. • Verification of ability to successfully restore data. • Evaluation of location and adequacy of off-site storage facility.
4) Payroll Accounting – Gross to Net Calculation (Financial)*	<ul style="list-style-type: none"> • Internal control assessment of the gross-to-net payroll calculation, with particular focus and attention provided to large payroll liability accounts.

* Collaborative project involving UW System Administration and UW-Madison internal audit personnel.

Proposed Engagement Topic Objectives, Continued

Title	Objectives
5) Travel Regulations (Compliance)	<ul style="list-style-type: none"> • Assessment of compliance with provisions of Financial Administration Policy F36, <i>UW System Travel Regulations</i>, by key administrators and other financial personnel with oversight of travel, including: <ul style="list-style-type: none"> ○ existence and effectiveness of supervisor's approval; ○ review by travel preauditor; ○ allowability of expenses; ○ compliance with material provisions of Policy F36; and ○ confirmation that expenses was not reimbursed on more than one occasion.
6) Faculty and Staff Dual Employment or Overloads (Compliance)	<ul style="list-style-type: none"> • Accuracy of coding of payments within HRS (Human Resources System). • Adequacy and timing of approval of overload payments. • Compliance with statutory or System policies regarding overload and summer pay limits, including consideration as to whether payments were made within a reasonable timeframe of performing the work. • Sufficiency of documentation supporting overload payments made, including consideration as to whether payments were for tasks that meet the definition of overloads.
7) Placement Rates Data (Operational)	<ul style="list-style-type: none"> • Identification of published placement rate data. • Determination and evaluation of source data used for calculating placement rates, methodology used, and whether calculations are reasonable and accurate.

Proposed Engagement Topic Objectives, Continued

Title	Objectives
8) Continuous Auditing Topic – Payroll Audit for Unclassified and Classified Employees (Financial/Fraud)	<ul style="list-style-type: none"> • Systematic identification of conditions or trends that warrant further review or investigation related to unclassified and classified employees. Examples of items to be systematically identified include social security numbers assigned to multiple individuals, invalid social security numbers, payments made to terminated employees, and other unusual trends.
9) Continuous Auditing Process – Search for “Ghost” Student or Limited Term Employees (Financial/Fraud)*	<ul style="list-style-type: none"> • Systemwide risk-based, automated identification of “ghost” or “fictitious” employees using scenario-based auditing techniques. • Determination and evaluation of whether systematically-identified individuals represent actual employees.
10) Continuous Auditing Process – Review of Purchasing Card Expenditures (Financial/Fraud)*	<ul style="list-style-type: none"> • Systemwide risk-based identification of purchasing card expenditures that may not be allowable using automated techniques. • Determination and evaluation of whether systematically-identified expenses are allowable.
11) Benefit Eligibility (Financial)	<ul style="list-style-type: none"> • Systemwide assessment as to determine whether employees’ benefits are properly coded within the Human Resources System.
12) COBRA – Continuation of Health Coverage (Compliance)	<ul style="list-style-type: none"> • Assessment of compliance with COBRA requirements. • Evaluation of internal controls to monitor compliance with COBRA requirements.

* Collaborative project involving UW System Administration and UW-Madison internal audit personnel.

Proposed Deferral of Engagement Topic Presented in December 2012

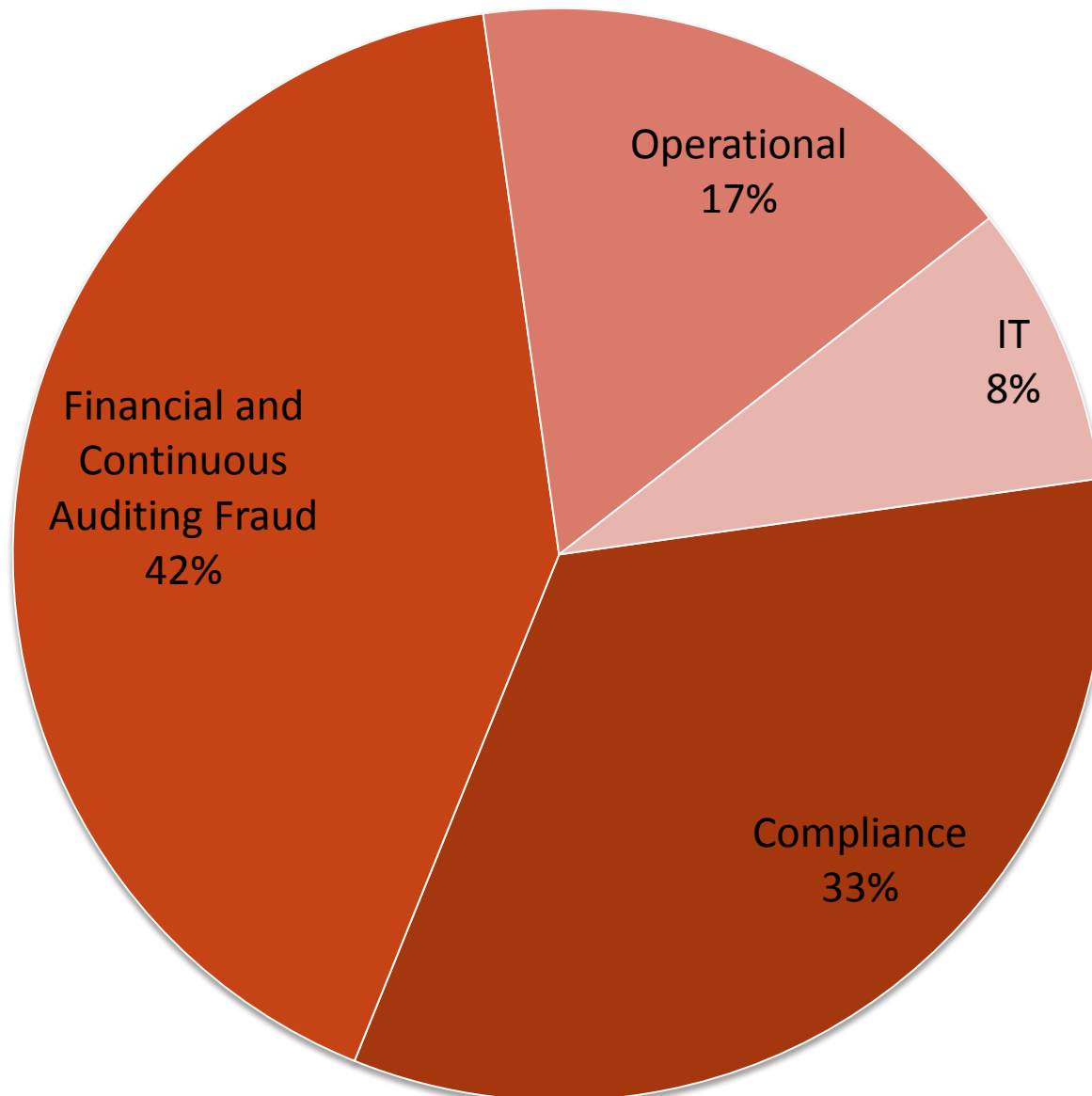
Title, Audit Type, and Reason for Proposed Deferral	Objectives
1) NCAA Division III Athletics (Financial): Proposed deferral to allow for financial or compliance audits of certain benefit areas.	<ul style="list-style-type: none">• Review of the significant policies and procedures applicable to the athletics program.• Compliance with select aspects of NCAA Bylaw Article 15 related to financial aid (subsections 15.01, <i>General Principles</i>, 15.4.1(a), <i>Consistent Financial Aid Package</i>, and Bylaw Article 15.4.5, <i>Athletics Staff Involvement</i>).• Adequacy of internal controls and compliance with policies related to various categories of athletics' revenues and expenses.

Proposed Coverage, by Institution

TITLE	M S N	M I L	E A U	G B Y	L A C	O S H	P K S	P L T	R V F	S T P	S T O	S U P	W T W	C O L	E X T	S Y S
1) Clery Act Compliance	◆	◆														
2) Physical Access to Facilities	◆	◆											◆			
3) IT Backup and Disaster Recovery Procedures		◆				◆	◆	◆	◆		◆	◆				◆
4) Payroll Accounting – Gross to Net Calculation	◆															◆
5) Travel Regulations	◆		◆	◆	◆					◆		◆		◆	◆	◆
6) Dual Employment or Overloads	◆		◆	◆	◆					◆		◆		◆	◆	◆
7) Placement Rates Data	◆	◆		◆												
8) Continuous Auditing Topic – Payroll Audit for Unclassified and Classified Employees	◆	◆	◆		◆		◆		◆	◆	◆		◆	◆	◆	
9) Continuous Auditing Topic – Search for “Ghost” Student or Limited Term Employees	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
10) Continuous Auditing Topic – Review of Purchasing Card Expenditures	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
11) Benefit Eligibility	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
12) COBRA – Continuation of Health Coverage	◆	◆											◆			
TOTAL, BY INSTITUTION	11	9	6	6	6	4	5	4	5	6	5	6	6	6	6	7

Note: Coverage may not equate to an institution-specific report in all cases. For example, procedures for continuous auditing topics are driven based upon systematic identification of risk factors.

Proposed Audit Coverage, by Audit Type



Staffing of the Office of Operations Review and Audit

- ❑ Six full-time professionals, and one vacant position
 - ❑ Director, Assistant Director, and four staff auditors
 - ❑ One vacant position
 - ❑ Staff certifications include three Certified Public Accountants and one individual with a Certification in Risk Management Assurance

OFFICE OF OPERATIONS REVIEW AND AUDIT STATUS UPDATE

EXECUTIVE SUMMARY

BACKGROUND

The Office of Operations Review and Audit provides objective review and analysis services in order to add value to, protect, and strengthen the University of Wisconsin System.

REQUESTED ACTION

None.

DISCUSSION

The enclosed report provides an overview of activities of the Office of Operations Review and Audit since December 6, 2012. Specifically, this report provides information on the following:

- (1) 2012 major project activity;
- (2) 2012 highlights;
- (3) 2013 major project activity;
- (4) other significant projects; and
- (5) an update on Legislative Audit Bureau projects in the UW System.

RELATED REGENT POLICIES

None.

STATUS UPDATE OF THE OFFICE OF OPERATIONS REVIEW AND AUDIT

February 7, 2013

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Snapshot – 2012 Major Project Activity

Title	#	Status
NCAA Division III Athletics – Eau Claire	2011-10	Report Date – July 17, 2012
Undergraduate Academic Advising (System)	2011-12	Report Date – August 3, 2012
UW Policies Related to the Reporting of Crimes Against Children (System)	2012-01	Report Date – May 29, 2012
NCAA Division III Athletics – Stevens Point	2012-02	Report Date – August 3, 2012
Compliance with UW System Travel Regulations		
• Parkside	2012-03	Report Date – November 20, 2012
• River Falls	2012-05	Report Date – November 27, 2012
• Stout	2012-07	Report Date – November 20, 2012
• Milwaukee	2012-09	Expected – February/March 2013
• Whitewater	2012-11	Expected – February/March 2013
• Oshkosh	2012-13	Expected – February/March 2013
• Systemwide Management Letter	2012-21	Report Date – November 20, 2012
• Platteville	2012-25	Expected – February 2013
Compliance with §16.417 Wis. Stats. Related to Dual Employment		
• Parkside	2012-04	Active
• River Falls	2012-06	Report Date – December 11, 2012
• Stout	2012-08	Report Date – January 18, 2012
• Milwaukee	2012-10	Active
• Whitewater	2012-12	Expected – February/March 2013 ¹
• Oshkosh	2012-14	Active

¹ Expected issuance date has been revised since December 2012 communication. This may occur when other projects require higher priority attention by staff of the Office of Operations Review and Audit, or when institutional personnel request additional time to review and/or respond to an audit. None of the identified schedule modifications are a result of lack of cooperation from institutional personnel, or potential scope limitations.

Snapshot – 2012 Major Project Activity, Continued

Title	#	Status
International Admissions		
• Madison	2012-15	Active
• Milwaukee	2012-16	Report Date – December 5, 2012
• La Crosse	2012-17	Report Date – January 14, 2013
• Parkside	2012-18	Report Date – November 28, 2012
• Whitewater	2012-19	Report Date – December 5, 2012
Employee Payroll Information		
• Superior	2012-20	Expected – February 2013 ¹
• Platteville	2012-22	Report Date – December 12, 2012
• System Administration	2012-23	Report Date – February 1, 2013
• Green Bay	2012-24	Expected – February/March 2013

¹ Expected issuance date has been revised since December 2012 communication. This may occur when other projects require higher priority attention by staff of the Office of Operations Review and Audit, or when institutional personnel request additional time to review and/or respond to an audit. None of the identified schedule modifications are a result of lack of cooperation from institutional personnel, or potential scope limitations.

Calendar Year 2012 Highlights

- ❑ Filled two open positions with CPAs with public accounting experience, adding to an office with three experienced auditors with extensive knowledge of the UW System.
- ❑ Implemented IDEA data analytic software, which will assist in continuous auditing procedures.
- ❑ Implemented AutoAudit tool, which provides an automated platform for electronic workpapers and audit management.
- ❑ Developed , reviewed with the Board, and implemented an audit rating methodology and revised report structure.
- ❑ Began obtaining management's response to all audit recommendations.
- ❑ Changed focus from program reviews to financial and compliance audits.
- ❑ Increased the number of reports produced (7 reports issued during 2011 compared to 16 during calendar year 2012, with 11 additional reports expected to be issued in early 2013 for projects commenced in 2012).

Snapshot – 2013 Major Project Activity

Title	#	Status
Compliance with §16.417 Wis. Stats. Related to Dual Employment		
• Platteville	2013-01	Active
• Superior	2013-02	Active
• La Crosse	2013-03	Active
Employee Payroll Information		
• Eau Claire	2013-04	Active
• Oshkosh	2013-05	Active
• Stevens Point	2013-06	Active
Placement Rates		
• Green Bay	2013-07	Active
• Milwaukee	2013-08	Active

Other Significant Projects

- ❑ Liaison to the Legislative Audit Bureau on program evaluations issued in December 2012, and review of internal control matters reported by the Legislative Audit Bureau in connection with the 2012 financial statement audit.
- ❑ Defining requirements of independent service provider to provide a comprehensive risk assessment of the people, processes, technology, and policies associated with the Human Resources System.
- ❑ Development of continuous auditing tests using the IDEA data analytic tools.
- ❑ Evaluation of approaches to more effectively assess and audit IT risks.
- ❑ Institutional support for investigations and other matters.
- ❑ Participation in Enterprise Risk Management (ERM) Committee activity.

Legislative Audit Bureau Projects Underway

- Annual compliance audit of federal grants and expenditures, including student financial aid, for fiscal year 2011-12.
- Program evaluation entitled University of Wisconsin System Oversight and Management of Payroll and Benefit Processing and the Human Resource System, as approved on January 22, 2013 by the Joint Legislative Audit Committee.



UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

ANNUAL REPORT 2012

To the UW System Board of Regents, Donors and Friends, UW Campuses and Departments

The University of Wisconsin System Trust Funds are composed mostly of gifts, grants, and bequests from individuals and corporations. Although active fundraising is primarily the purview of individual campus foundations, the University also benefits from the generosity of alumni and friends who have gifted directly to one of the UW institutions rather than through an affiliated foundation.

For the fiscal year ended June 30, 2012, UW System Trust Funds received \$6.8 million in gifts, down from the \$11.7 million received in the prior year. Disbursements from Trust Funds to benefiting UW institutions totaled \$14.5 million, compared to \$17.1 million in the fiscal year ended June 30, 2011. Consistent with donor designations, disbursements have predominately gone toward research, student aid, extension and public service, and instruction.

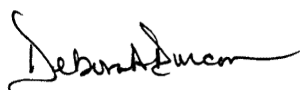
Investment returns added only \$1.5 million to total net asset value for the fiscal year, compared to nearly \$65 million for the prior period, while disbursements and expenses exceeded contributions for the fiscal year by approximately \$9.3 million. The result was a decrease in net assets of \$7.9 million. As of June 30, 2012, Trust Funds' net assets totaled \$456.3 million, compared to \$464.2 million at the end of the prior fiscal year.

Following the prior two fiscal years when most “risky” assets rebounded strongly from the lows experienced in the aftermath of the 2007-2008 financial crises, investment returns for growth-oriented assets for the fiscal year ended June 30, 2012 were less than stellar. The primary culprit was the burgeoning debt crisis in the euro-zone, and equity markets there and in the emerging markets stumbled heavily. Whereas U.S. large-cap equities returned +5.4% for the fiscal year, non-U.S. developed and emerging market equities *lost* 13.4% and 16.0%, respectively. Fixed income assets, on the other hand, benefited from falling interest rates and the “flight to safety” by many investors. U.S. Treasuries returned +5.2%, while broad market, investment-grade bonds overall returned +7.5%. “Cash,” the ostensibly safest of asset classes, continued to provide an essentially 0% nominal return, equating to a negative real return and loss of purchasing power. Regarding more non-traditional or “alternative” investments, results were mixed. For example, hedge funds overall *lost* 3.9%, commodities overall *lost* 14.3% and private commercial real estate returned +12%. The overall result was that many more equity-oriented and more diversified, less traditional portfolios struggled to post a positive return for the fiscal year. Portfolios with more of a traditional intermediate to longer-term fixed income orientation generally performed relatively well for the period.

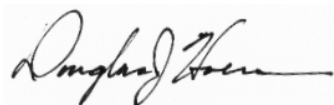
For the 2012 fiscal year, the widely-diversified *Long Term Fund* (used primarily for endowments) *lost* 0.8%. The *Intermediate Term Fund*, which is invested largely in intermediate-maturity bonds, but with some equity exposure, returned +3.0% for the fiscal year. The short-term, money market-like *Income Fund* returned +0.1%.

The Annual Report that follows includes detailed information on the various investment funds; contributions, disbursements, and expenses; and statements of financial position and cash activities.

To the donors, families and friends of all our contributors, we extend our deep gratitude.



Deborah A. Durcan
Vice President for Finance & Trust Officer
University of Wisconsin System



Douglas J. Hoerr, CFA
Director & Assistant Trust Officer
University of Wisconsin System

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OVERVIEW

The invested Trust Funds of the University of Wisconsin System (UW Trust Funds) consist predominately of gifts from individuals via wills or trusts, as well as outright gifts from living donors, corporations (including matching gift programs), and external foundations and trusts. Such bequests and gifts come to the Board of Regents of the University of Wisconsin System (the Board) whenever the donor and documentation name the beneficiary as either the Board of Regents, directly, or any UW System institution, without specifically identifying a UW-related foundation. (UW-related foundations are independent entities with separate governing boards.) These gifts or donations originate as either, 1) “true endowments,” where the donor has in essence restricted the use of “principal” and may or may not have imposed additional restrictions as to purpose (in accounting parlance, “restricted – nonexpendable” gifts), or 2) “quasi-endowments,” where the donor has placed no restriction on use of principal and may or may not have imposed restrictions as to purpose (in accounting parlance, either “restricted – expendable” or fully “unrestricted” gifts).

Recognizing that assets invested with UW Trust Funds may have distinctly different investment time horizons, three separate investment pools (or funds) have been created. To accommodate endowed assets (where the “principal” is to be preserved into perpetuity) and other long-term investments, the *Long Term Fund* has been created. To accommodate fully expendable assets that may have a shorter or immediate investment time horizon, the *Intermediate Term Fund* and *Income Fund* have been created (collectively, the Funds). Each of these Funds are accounted for on a unitized basis, similar to a mutual fund, where investors buy and sell Fund units representing proportional shares of the Funds’ underlying investments. The investment objectives for each of the Funds are inherently different and are discussed separately below.

Long Term Fund

Used primarily for investing endowed assets, the principal investment objective of the *Long Term Fund* is to achieve, net of administrative and investment expenses, significant and attainable “real returns,” that is, nominal returns net of expenses, over and above the rate of inflation. By distributing a significant real return stream, disbursements for current expenditure will grow with the rate of inflation so as to maintain their purchasing power and support level into perpetuity. Assets invested in the *Long Term Fund* receive an annual “spending rate” distribution of a set percentage (currently four percent) of the average market value over the prior twelve quarters (three years). The spending rate percentage is reviewed annually by Trust Funds and the Business, Finance, and Audit Committee of the Board of Regents.

Intermediate Term Fund

The primary objective of the *Intermediate Term Fund* is to provide competitive investment returns consistent with very moderate levels of volatility (ideally, equal to or lower than that expected from an intermediate, investment-grade bond portfolio) and low probability of loss of “principal.” Furthermore, the Fund seeks to maximize its expected return for any given targeted level of volatility.

Income Fund

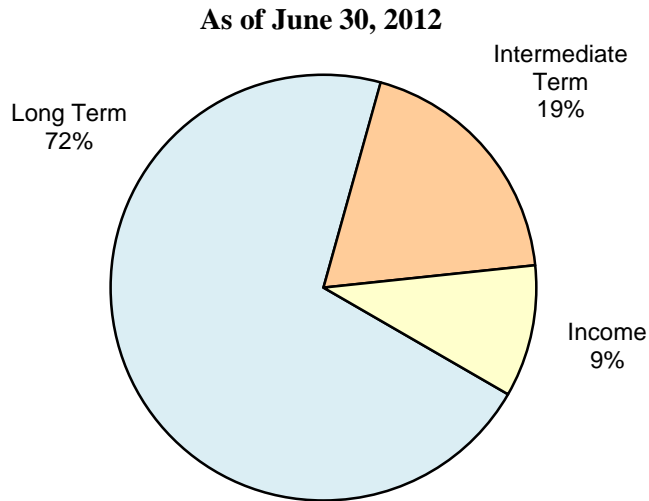
The *Income Fund* receives spending and interest income distributions from the other Funds. All Trust Funds spending is conducted through the *Income Fund*. The primary objective of the *Income Fund* is to provide competitive investment returns consistent with the need for preservation of “principal” and immediate liquidity. Expected risk and return for the Fund is also expected to be similar to high-quality “money market” funds. By statute, this Fund must reside with the State as part of its agency-commingled State Investment Fund, which is managed by the State of Wisconsin Investment Board.

INVESTMENT FUND DATA: TOTAL ASSETS
As of Fiscal Years Ended June 30

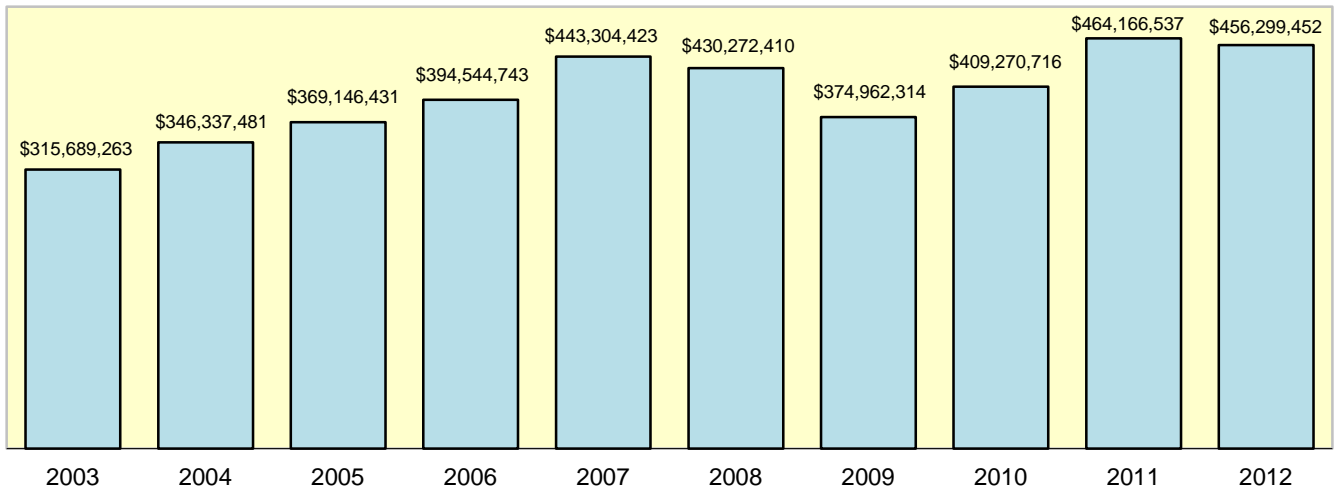
The tables and graphs below provide summary data on the invested assets of the UW System Trust Funds.

MARKET VALUES AND PERCENTS BY FUND

Investment Fund	Market Values (\$millions)	
	2012	2011
Long Term Fund	\$ 327.1	\$ 341.7
Intermediate Term Fund	85.8	84.5
Income Fund	43.4	38.0
TOTAL	\$ 456.3	\$ 464.2



TOTAL NET ASSETS

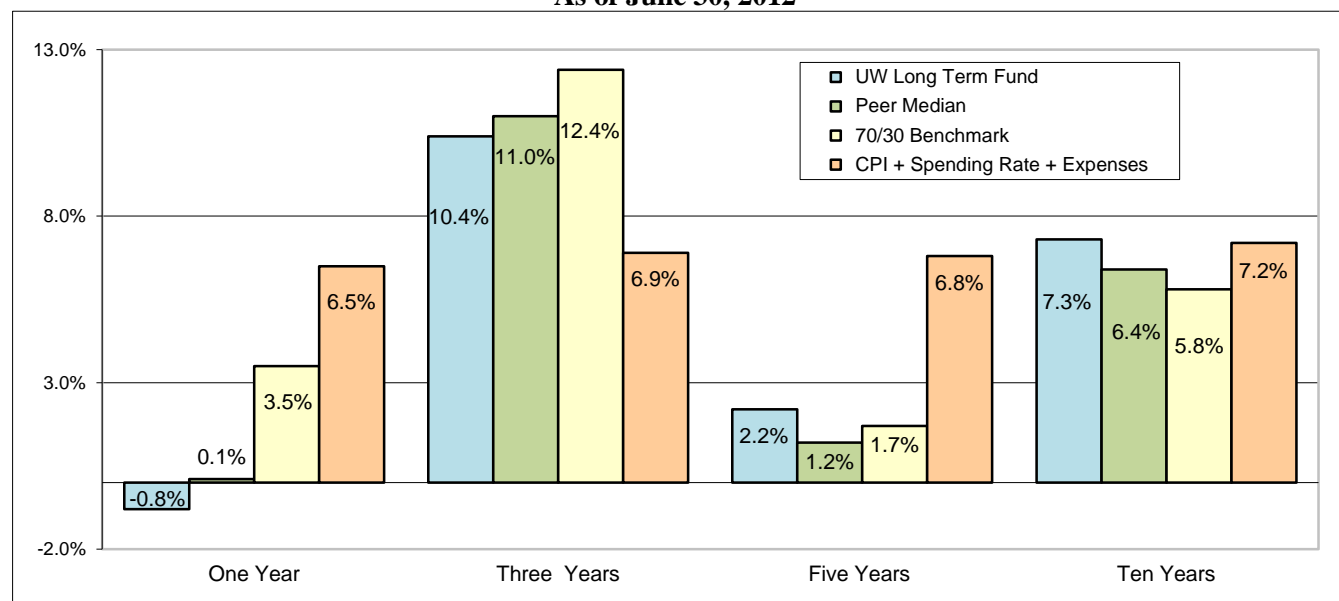


INVESTMENT FUND DATA: LONG TERM FUND

As of Fiscal Years Ended June 30

The following chart depicts the investment performance of the *Long Term Fund* for the most recent fiscal year as well as over longer periods. For comparative purposes, the performance of the following benchmarks are also shown: a more “traditional” and passive portfolio consisting of 70 percent global equities and 30 percent bonds; and a “target” or “hurdle” rate consisting of the inflation rate, plus the spending distribution rate, plus expenses.

INVESTMENT PERFORMANCE As of June 30, 2012



Note: The “70/30 benchmark” represents a more “traditional” asset allocation of 70% stocks/30% bonds, comprised of 55% S&P 500, 15% MSCI EAFE (unhedged), and 30% Lehman Aggregate Bond indexes. The annual spending rate is currently 4.0%, expenses are assumed to average 0.80% per year, and the change in the Consumer Price Index (CPI) is used as the inflation indicator. Peer data is from the Russell BNY Mellon Analytical Services trust universe database based on the “Foundations and Endowments < \$1 Billion” classification.

The annual “spending rate” distribution for the *Long Term Fund* has remained at four percent since June 30, 2005. The ten-year history of the spending rate and dollar distributions is given in the table below.

TEN-YEAR HISTORY OF SPENDING RATES AND DISTRIBUTIONS

Fiscal Year	Spending Rate	Distribution
2003	4.9% ¹	\$ 12,466,702
2004	4.5%	10,902,801
2005	4.4% ²	10,836,217
2006	4.0%	10,704,542
2007	4.0%	11,636,132
2008	4.0%	12,683,559
2009	4.0%	12,809,947
2010	4.0%	12,414,177
2011	4.0%	11,992,394
2012	4.0%	12,183,564
TEN YEAR TOTAL		\$ 118,630,035

¹ This reflects a 5.0% annual rate for the first three quarters and a 4.5% rate for the fourth quarter.

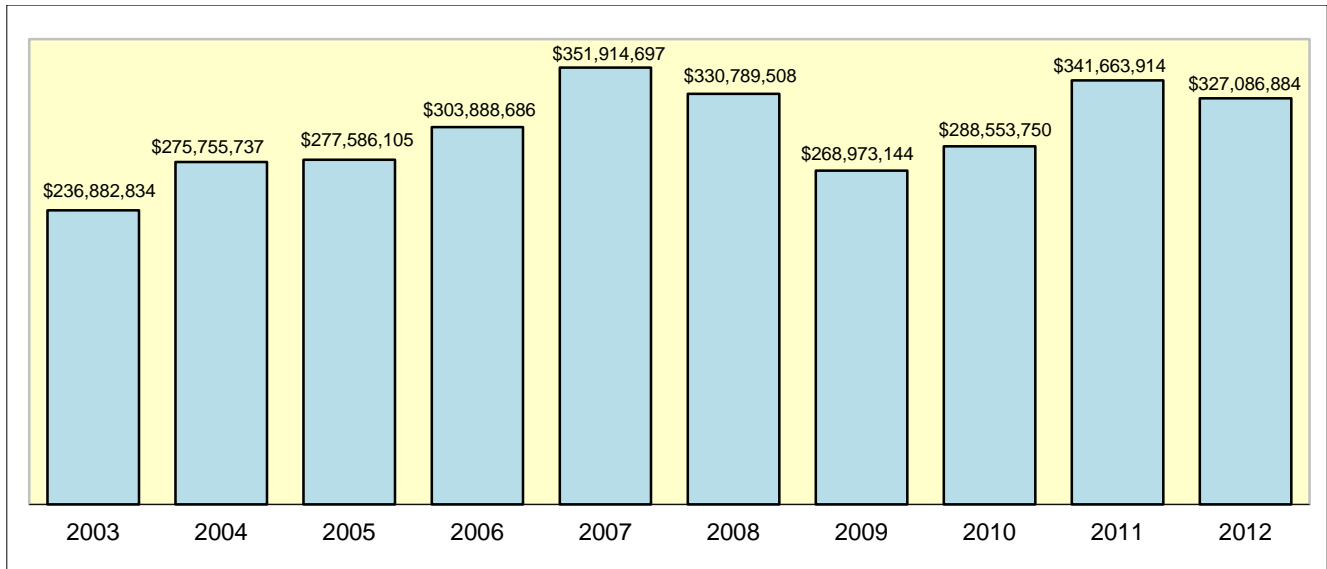
² This reflects a 4.5% annual rate for the first three quarters and a 4.0% rate for the fourth quarter.

INVESTMENT FUND DATA: LONG TERM FUND

As of Fiscal Years Ended June 30

Contributing to the overall change in the *Long Term Fund's* net assets are the following: new gifts, plus investment returns, less spending distributions and expenses. The following chart depicts the historical change in net assets of the Fund.

LONG TERM FUND NET ASSETS



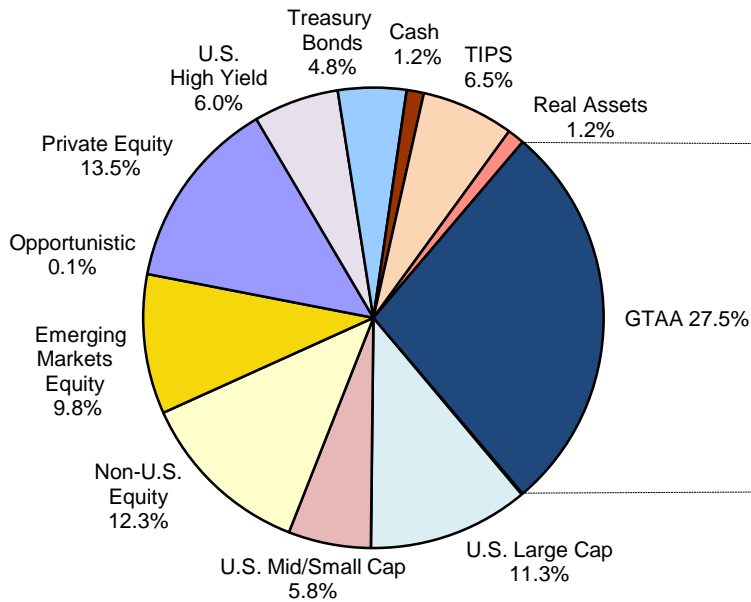
The graphs and charts that follow, present information on the Fund's asset allocation, investment managers, and investment positions.

INVESTMENT FUND DATA: LONG TERM FUND

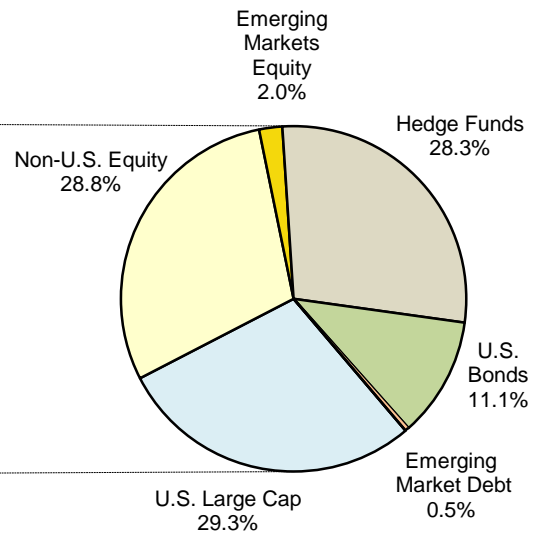
As of Fiscal Year Ended June 30, 2012

ASSET/STRATEGY ALLOCATIONS

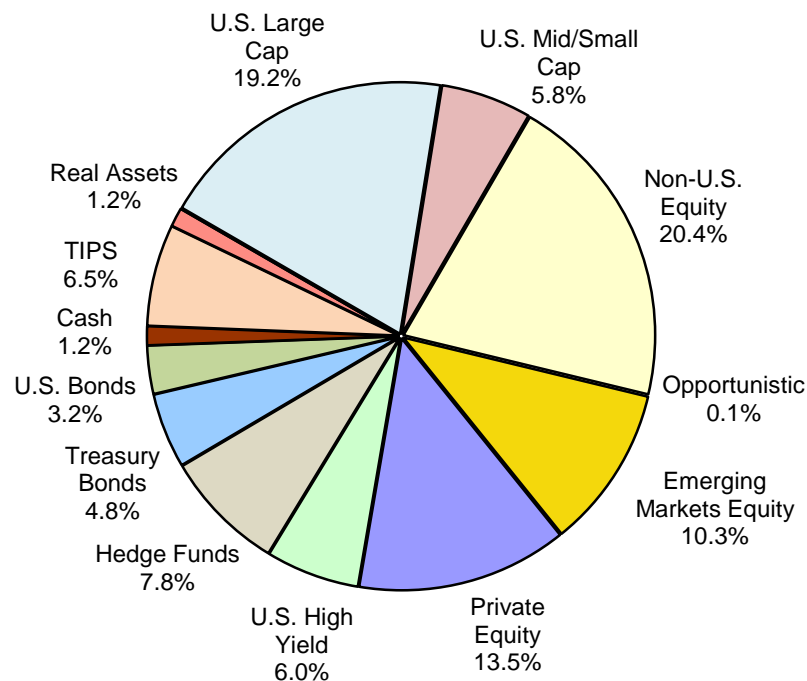
Total Portfolio Asset/Strategy Allocation



Global Tactical Asset Allocation



Total Effective Portfolio Asset Allocation



INVESTMENT FUND DATA: LONG TERM FUND

As of Fiscal Years Ended June 30

ALLOCATION BY INVESTMENT MANAGER AND ASSET CLASS/STRATEGY

	2012		2011	
	Market Value	% of Fund	Market Value	% of Fund
Global Tactical Asset Allocation				
GMO Real Global Balanced Strategy	\$90,065,664	27.5%	\$89,142,409	26.1%
U.S. Equities - Large Cap				
UBS Global Asset Management	36,843,139	11.3%	37,663,695	11.0%
U.S. Equities – Mid/Small Cap				
300 North Capital	4,783,348	1.4%	8,816,547	2.6%
Russell 2000 ETF	7,334,172	2.2%	7,624,224	2.2%
Russell Mid-Cap ETF	7,315,777	2.2%	7,592,132	2.2%
		5.8%		7.0%
Non-U.S. Developed Market Equities				
UBS Global Asset Management	40,075,383	12.3%	42,550,278	12.5%
Emerging Market Equities				
GMO Emerging Markets Fund	32,011,386	9.8%	35,496,497	10.4%
U.S. High Yield Fixed Income				
Seix Advisors High Yield Fund	19,737,903	6.0%	20,370,659	6.0%
Private Equity/Venture Capital				
Adams Street Partners	22,957,975	7.0%	22,432,475	6.6%
JP Morgan Investment Management	21,178,997	6.5%	18,138,589	5.3%
		13.5%		11.9%
U.S. Investment-Grade Fixed Income				
Applied Security Analysis Program	36,829,762	11.3%	40,721,856	11.9%
U.S. Cash and Cash Equivalents				
BNY Mellon Common Trust Fund	3,855,403	1.2%	5,422,204	1.6%
Real Assets				
GMO Forestry Fund	3,876,000	1.2%	2,172,000	0.6%
Opportunistic				
GMO Emerging Illiquid Fund	221,975	0.1%	3,520,349	1.0%
TOTALS	\$ 327,086,884	100.0%	\$ 341,663,914	100.0%

INVESTMENT FUND DATA: LONG TERM FUND**As of Fiscal Year Ended June 30, 2012****SUMMARY OF INVESTMENT POSITIONS****Public Equities – 55.9% of Fund**

<u>Top Ten Country Positions</u>	<u>% of Equities</u>
Unites States	44.5%
United Kingdom	6.8%
Japan	5.9%
Brazil	4.3%
Germany	3.8%
China	3.7%
Russia	3.5%
Korea	2.5%
Switzerland	2.5%
Canada	2.3%
TOTAL	79.8%

<u>Top Ten Sector Positions</u>	<u>% of Equities</u>
Financials	19.7%
Energy	11.6%
Information Technology	11.3%
Industrials	11.1%
Consumer Discretionary	10.0%
Health Care	8.7%
Consumer Staples	8.1%
Materials	7.9%
Telecommunications	7.2%
Utilities	3.8%
TOTAL	99.4%

<u>Top Ten Holdings</u>	<u>% of Equities</u>
Apple Inc.	1.5%
China Mobile	1.1%
Nestle	1.0%
Novartis	1.0%
HSBC Holdings	0.9%
Imperial Tobacco	0.9%
Vale SA	0.9%
BP	0.8%
Philip Morris	0.8%
Vodafone	0.8%
TOTAL	9.7%

Fixed Income – 20.4% of Fund

<u>Top Country Positions</u>	<u>% of Fixed Income</u>
Unites States	99.3%
Non-U.S.	0.7%
TOTAL	100.0%

<u>Top Sector Positions</u>	<u>% of Fixed Income</u>
U.S. TIPS	34.5%
Corporate Bonds	31.2%
Cash and Cash Equivalents	31.1%
U.S. Government	1.6%
Asset Backed Securities	1.4%
TOTAL	99.8%

<u>Top Ten Non-Govt Holdings</u>	<u>% of Fixed Income</u>
Inmet Mining Corp	0.6%
Ally Financial	0.6%
Sears	0.4%
American International Group	0.4%
Kinetics/KCI	0.4%
Wind Acquisition	0.4%
Clear Channel Worldwide	0.4%
CHC Helicopter	0.3%
Chesapeake Energy Corp	0.3%
Diamonds Resorts Corp	0.3%
TOTAL	4.1%

<u>Average Portfolio Maturity</u>	5.6 Years
<u>Average Portfolio Duration</u>	4.6 Years
<u>Average Portfolio Quality</u>	AA-

Cash – 1.2% of Fund

BNY Mellon Common Trust Investment Fund	100.0%
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<p align="center">INVESTMENT FUND DATA: LONG TERM FUND As of Fiscal Year Ended June 30, 2012</p>

SUMMARY OF INVESTMENT POSITIONS

Hedge Funds – 7.8% of Fund

<u>Hedge Fund Classifications</u>	<u>% of Hedge Funds</u>
Market Neutral/Absolute Return	100.0%

<u>Number of Fund Holdings</u>	9
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<u>Top Five Funds</u>	<u>% of Hedge Funds</u>
GMO Completion	20.8%
GMO Mean Reversion	17.3%
GMO Systematic Global Macro	16.6%
GMO Total Equities	12.7%
<u>GMO Fixed Income Hedge</u>	<u>11.3%</u>
<u>TOTAL</u>	<u>78.7%</u>

Opportunistic – 0.1% of Fund

<u>Investment</u>	<u>% of Opportunistic</u>
GMO Emerging Illiquid Fund, L.P.	100%

Real Assets – 1.2% of Fund

<u>Investment</u>	<u>% of Real Assets</u>
GMO Forestry Fund 9, L.P.	100%

Private Equity – 13.5% of Fund

<u>U.S./Non-U.S. Positions</u>	<u>% of Private Equity</u>
U.S.	75.0%
Non-U.S.	25.0%
<u>TOTAL</u>	<u>100.0%</u>

<u>Types of Partnerships</u>	<u>% of Private Equity</u>
Buyouts	45.5%
Venture Capital	35.1%
Special Situations	11.9%
<u>Debt/Restructuring</u>	<u>7.5%</u>
<u>TOTAL</u>	<u>100.0%</u>

<u>Investment Program Inception</u>	2002
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<u>Number of Vintage Years</u>	11
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<u>Number of Partnerships¹</u>	
Adams Street Partners	403
JP Morgan	290

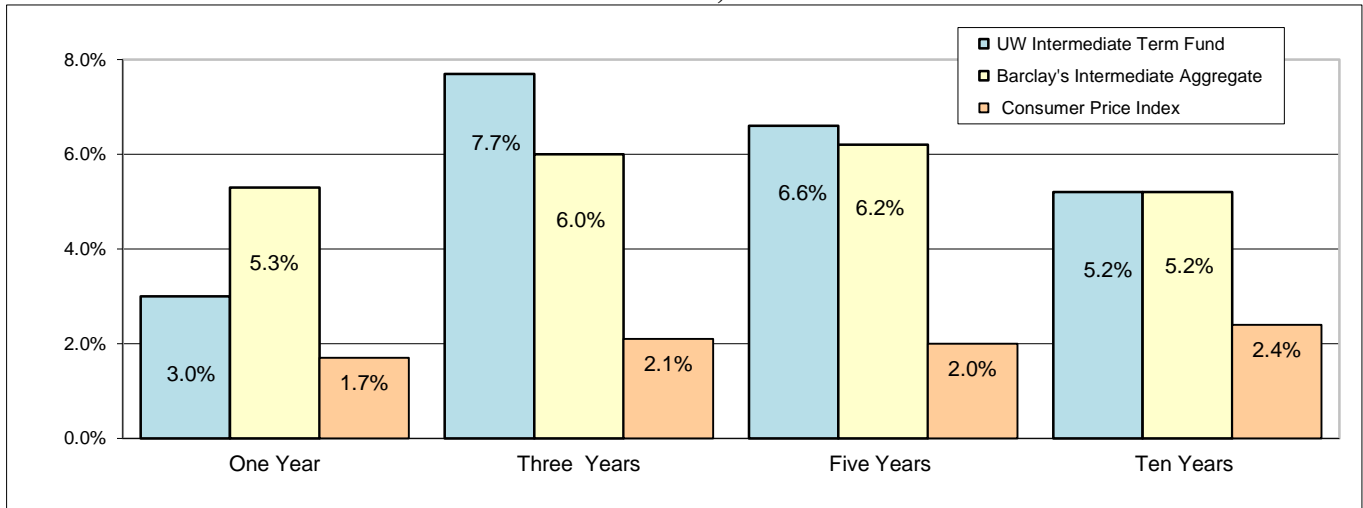
<u>Number of Underlying Companies¹</u>	
Adams Street Partners	8,263
JP Morgan	2,788

¹ Some underlying portfolio companies may be represented in both Adams Street and JP Morgan portfolios, such that there may be some double-counting.

INVESTMENT FUND DATA: INTERMEDIATE TERM FUND
As of Fiscal Years Ended June 30

The following chart depicts the investment performance of the *Intermediate Term Fund* for the most recent fiscal year as well as over longer periods. Also shown is the performance of a passive, benchmark index – the Barclay’s Intermediate Aggregate Bond Index.

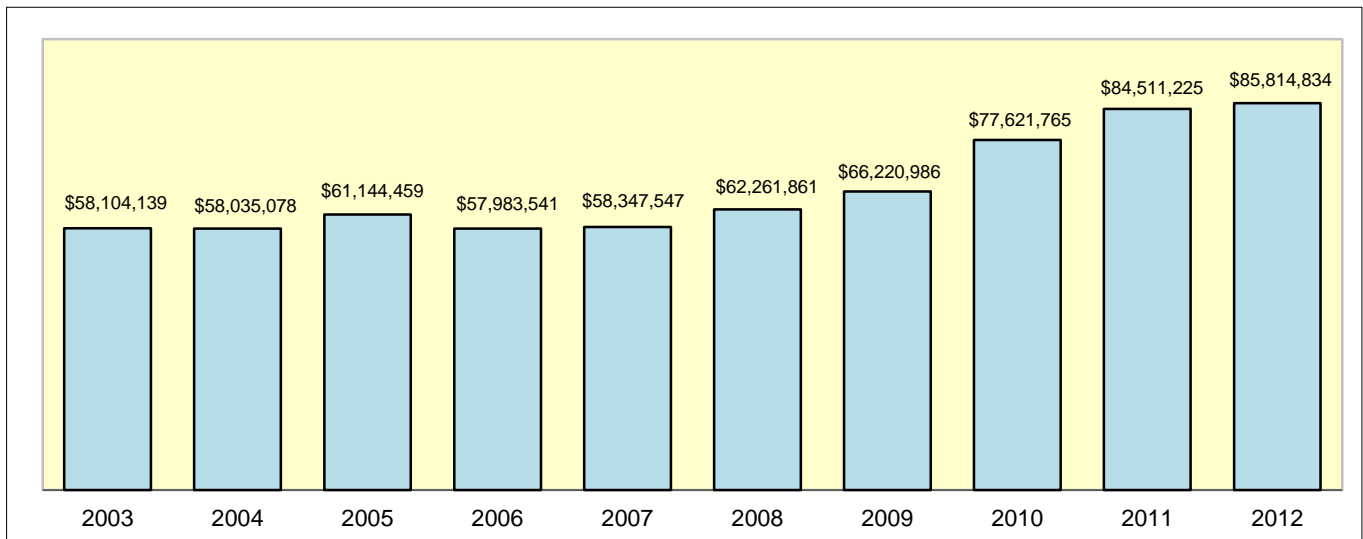
INVESTMENT PERFORMANCE
As of June 30, 2012



Note: The Barclay’s Intermediate Aggregate benchmark, consisting of 100% investment-grade bonds, represents a more “traditional” asset allocation for a portfolio with an intermediate investment “duration.” The Consumer Price Index (CPI) figures represent the annual, or annualized, change in the index.

Contributing to the overall change in the *Intermediate Term Fund*’s assets are the following: new gifts, plus investment returns, less interest income distributions, expenses, and expenditures of principal. The following chart depicts the historical change in net assets of the Fund.

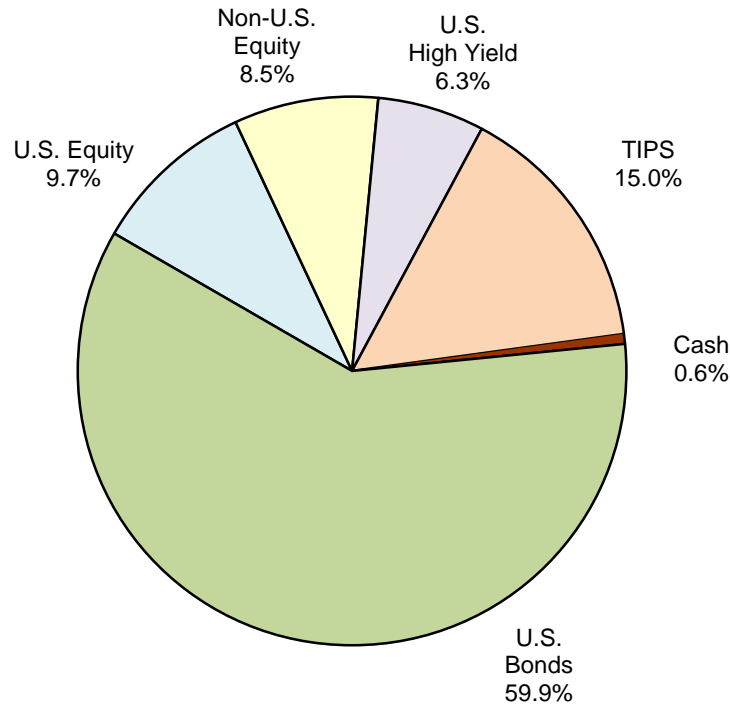
INTERMEDIATE TERM FUND NET ASSETS



The graphs and charts that follow present information on the Fund’s asset allocation, investment managers, and investment positions.

<p align="center">INVESTMENT FUND DATA: INTERMEDIATE TERM FUND</p> <p align="center">As of Fiscal Years Ended June 30</p>

ASSET/STRATEGY ALLOCATIONS



ALLOCATION BY INVESTMENT MANAGER AND ASSET CLASS

	2012		2011	
	Market Value	% of Fund	Market Value	% of Fund
U.S. Equities – Large Cap				
S&P 500 ETF	\$ 8,320,417	9.7%	\$ 6,997,602	8.3%
Non-U.S. Developed Market Equities				
MSCI EAFE ETF	7,286,066	8.5%	6,714,631	8.0%
U.S. High Yield Fixed Income				
Seix Advisors High Yield Fund	5,397,239	6.3%	4,671,354	5.5%
U.S. Investment-Grade Fixed Income				
Reams Asset Management	40,577,162	47.3%	41,624,481	49.2%
Barclays 0-5 Year TIPS ETF	12,894,781	15.0%	12,912,440	15.3%
Applied Security Analysis Program	10,833,161	12.6%	10,766,283	12.7%
		<u>74.9%</u>		<u>77.2%</u>
U.S. Cash and Cash Equivalents				
BNY Mellon Common Trust Fund	506,008	0.6%	824,434	1.0%
TOTALS	\$ 85,814,834	100.0%	\$ 84,511,225	100.0%

INVESTMENT FUND DATA: INTERMEDIATE TERM FUND

As of Fiscal Year Ended June 30, 2012

Public Equities – 18.2% of Fund

<u>Top Ten Country Positions</u>	<u>% of Equities</u>
Unites States	53.3%
United Kingdom	10.7%
Japan	10.1%
France	4.0%
Switzerland	4.0%
Australia	4.0 %
Germany	3.7%
Sweden	1.4%
Spain	1.3%
TOTAL	92.5%

<u>Top Ten Sector Positions</u>	<u>% of Equities</u>
Financials	18.1%
Information Technology	12.6%
Consumer Staples	11.5%
Industrials	11.4%
Health Care	11.1%
Consumer Discretionary	10.7%
Energy	9.6%
Materials	6.2%
Telecommunications	4.3%
Utilities	4.0%
TOTAL	99.5%

<u>Top Ten Holdings</u>	<u>% of Equities</u>
Apple Inc.	2.1%
Exxon Mobil	1.5%
Nestle SA	1.1%
Microsoft	0.9%
AT&T	0.8%
Chevron	0.8%
IBM	0.8%
General Electric	0.8%
Johnson & Johnson	0.7%
Wells Fargo	0.7%
TOTAL	10.2%

Fixed Income – 81.2% of Fund

<u>Top Country Positions</u>	<u>% of Fixed Income</u>
Unites States	100.0%

<u>Top Sector Positions</u>	<u>% of Fixed Income</u>
Corporate Bonds	46.5%
U.S. TIPS	18.4%
U.S. Government Mortgages	12.7%
U.S. Government	9.6%
Commercial Mortgage Backed	8.4%
Money Market	2.7%
Asset Backed Securities	1.7%
TOTAL	100.0%

Number of Non-Government Holdings 482

<u>Top Ten Non-Govt Holdings</u>	<u>% of Fund</u>
JP Morgan Chase	1.7%
Goldman Sachs	1.6%
Citigroup	1.4%
Morgan Stanley	1.4%
Bank of America	1.1%
Time Warner	1.1%
Metropolitan Life Insurance	1.0%
General Electric	1.0%
Simon Property Group	1.0%
Hartford Financial	0.9%
TOTAL	12.2%

Average Portfolio Maturity 4.2 Years

Average Portfolio Duration 3.3 Years

Average Portfolio Quality AA

Cash – 0.6% of Fund

BNY Mellon Common Trust Investment Fund
100.0%

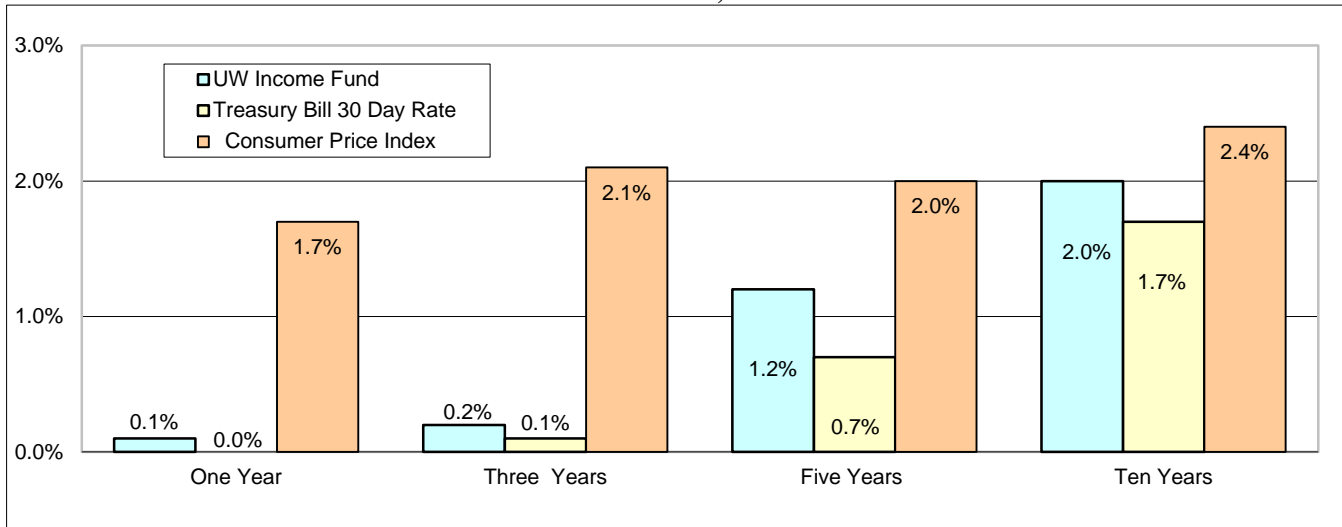
INVESTMENT FUND DATA: INCOME FUND

As of Fiscal Years Ended June 30

The following chart depicts the investment performance of the *Income Fund* for the most recent fiscal year as well as over longer periods. Also shown, for comparative purposes, is the performance of 30-day Treasury Bills.

INVESTMENT PERFORMANCE

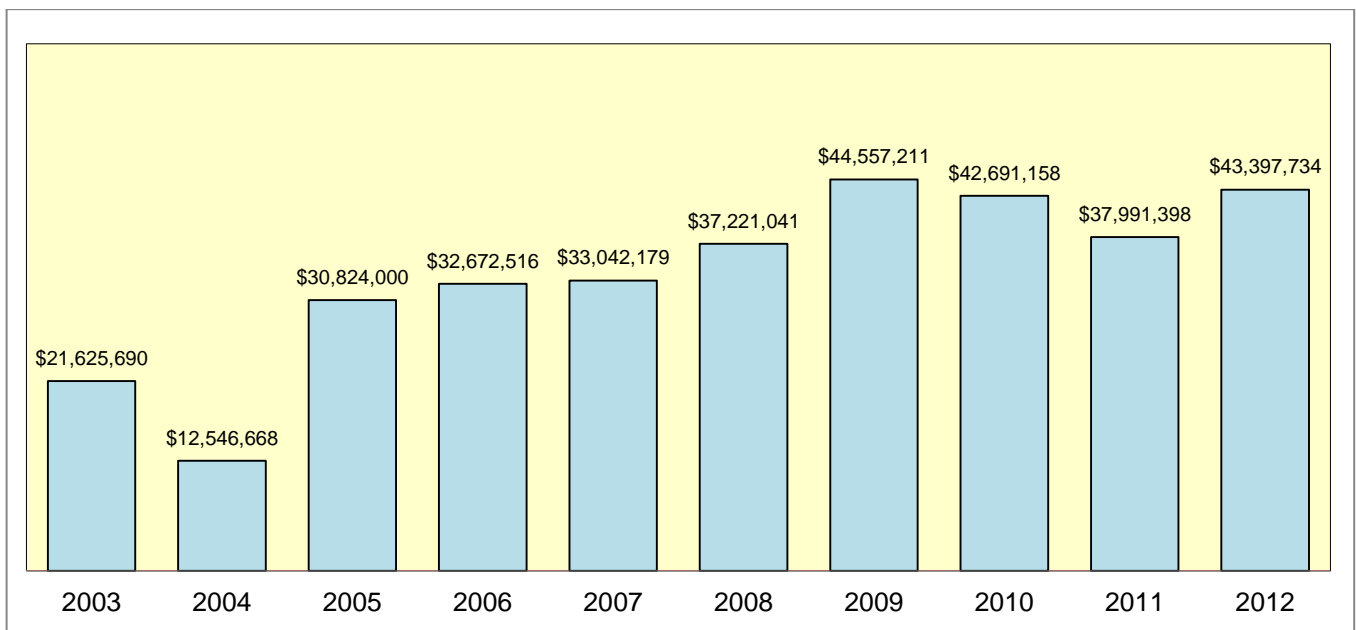
As of June 30, 2012



Note: The 30-day Treasury Bill rate is used as the benchmark for this short-term, money market-like Fund. The Consumer Price Index (CPI) figures represent the annual, or annualized, change in the index.

Contributing to the overall change in the *Income Fund's* net assets are the following: interest income and spending rate distributions received from the *Intermediate* and *Long Term Funds*, plus interest earnings, less expenses and expenditures. The following chart depicts the historical change in net assets of the Fund.

INCOME FUND NET ASSETS



<p align="center">GIFTS, DISBURSEMENTS AND BALANCES For Fiscal Years Ended June 30</p>

2012 GIFTS BY TYPE OF GIFT

Gift Type	Total Gifts	Number of Gifts
Bequests	\$ 4,561,717	121
General Gifts	2,194,533	394
Matching Gifts	215	3
TOTAL	\$ 6,756,465	518

Note: General Gifts are generally gifts received from individual living donors, corporations, or foundations. Bequests are generally gifts made through a will or other form of legal trust. Matching Gifts are generally those made by employers or other organizations to match the gifts made by individuals.

2012 GIFTS BY ENDOWMENT CATEGORY

Endowment Category	Total Gifts	Percentage
Quasi Endowment	\$ 5,085,180	75.2%
Designated Endowment	1,393,063	20.6%
True Endowment	278,222	4.2%
TOTAL	\$ 6,756,465	100.0%

Note: Quasi Endowments are those where the donor has not restricted use of principal. True Endowments are those gifts where the donor has in essence restricted the use of principal. Designated Endowments are those where the donor has not restricted principal, but the benefiting institution or Board of Regents have elected to do so.

2012 GIFTS BY USAGE DESIGNATION

Usage Designation	Total Gifts	Percentage
Miscellaneous	\$ 3,547,715	52.5%
Public Service	2,013,757	29.8%
Research	735,826	10.9%
Student Aid	459,167	6.8%
TOTAL	\$ 6,756,465	100.0%

Note: The Miscellaneous designation generally indicates that the gift could be used for a purpose not falling strictly within one of the other classifications, for purposes falling within multiple classifications, or for fully discretionary purposes.

<p align="center">GIFTS, DISBURSEMENTS AND BALANCES For Fiscal Years Ended June 30</p>

2012 GIFTS BY CAMPUS AND COLLEGE

Campus	Total Gifts	Number of Gifts
Madison		
College of Letters and Science	\$ 1,695,275	189
College of Engineering	1,344,173	19
General Education Administration	1,012,163	8
School of Medicine and Public Health	886,281	47
School of Education	281,097	39
College of Nursing	232,424	17
College of Agriculture & Life Sciences	63,701	11
General Services	31,542	7
Law School	16,000	1
Officer Education	1,230	7
Graduate School	19	1
Madison Subtotal	\$ 5,563,905	346
Extension	2,183,970	45
Superior	121,891	4
Milwaukee	8,745	8
Green Bay	2,675	6
Parkside	1,100	5
Colleges	200	2
System Administration	(1,126,021)	102
TOTAL	\$ 6,756,465	518

Note: The categories of General Education Administration and General Services reflect gifts that are administered by campus administrative units not tied to a specific college or department. These primarily involve student scholarship and loan funds. The gift amount for System Administration is also impacted by timing differences between when new gifts are deposited into the System pending account, and when they are transferred out to individual permanent accounts.

TEN-YEAR HISTORY OF TOTAL GIFTS

Fiscal Year	Total Gifts	As Percent of Prior Year Principal Market Value
2003	\$ 10,789,314	3.6%
2004	12,805,149	4.3%
2005	8,640,969	2.6%
2006	8,059,469	2.3%
2007	16,478,500	4.5%
2008	11,617,369	3.2%
2009	13,891,569	3.5%
2010	6,640,429	2.0%
2011	11,749,776	3.0%
2012	6,756,465	1.6%
TEN YEAR TOTAL	\$ 107,429,009	AVERAGE 3.1%

<p align="center">GIFTS, DISBURSEMENTS AND BALANCES For Fiscal Years Ended June 30</p>

2012 DISBURSEMENTS BY DESIGNATION

Designation	Total Disbursements	Percentage
Research	\$ 6,590,048	45.9%
Student Aid	3,267,964	22.8%
Extension & Public Service	1,794,704	12.5%
Instruction	1,120,088	7.8%
Academic Support	772,245	5.4%
Institutional Support	680,524	4.0%
Student Services	219,406	1.5%
Auxiliary Services	16,993	0.1%
Library	600	0.0%
TOTAL	\$ 14,462,572	100.0%

TEN-YEAR HISTORY OF TOTAL DISBURSEMENTS

Fiscal Year	Total Disbursements	As Percent of Prior Year Principal Market Value
2003	\$ 17,014,555	5.7%
2004	21,771,311	7.4%
2005	20,412,504	6.1%
2006	22,382,067	6.5%
2007	24,980,366	6.5%
2008	20,348,667	5.6%
2009	17,446,575	4.4%
2010	16,863,697	5.0%
2011	17,054,576	5.1%
2012	14,462,572	3.4%
TOTAL	\$ 192,736,890	AVERAGE 5.6%

<p align="center">GIFTS, DISBURSEMENTS AND BALANCES As of Fiscal Year Ended June 30</p>
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2012 TOTAL BALANCES BY CATEGORY

Category	Principal Market Value	Percentage	Number of Accounts
True Endowment	\$ 175,132,995	41.9%	583
Quasi Endowment	150,260,143	36.0%	940
Designated Endowment	92,499,495	22.1%	137
Term Endowment	128,581	0.0%	1
TOTAL	\$ 418,021,214	100.0%	1,661

Note: The total market value shown in the table above and the two that follow reflect only what is classified as "principal" by the Trust Funds accounting system. Therefore, it does not equal the total Trust Funds market value shown elsewhere in this report, which includes "income." Essentially, total principal market value consists of the market values of the *Long Term* and *Intermediate Term Funds*, plus that portion of the *Income Fund* designated as "principal," which is generally monies awaiting investment in the other Funds.

2012 TOTAL BALANCES BY USAGE DESIGNATION

Usage Designation	Principal Market Value	Percentage	Number of Accounts
Miscellaneous	\$ 177,759,346	42.5%	627
Student Aid	121,893,722	29.2%	670
Research	80,709,865	19.3%	243
Public Service	13,680,765	3.3%	28
Library	13,522,893	3.2%	51
Instruction	9,021,474	2.2%	31
Physical Plant	1,215,515	0.3%	7
Auxiliary Services	185,539	0.0%	2
General Operations	32,095	0.0%	2
TOTAL	\$ 418,021,214	100.0%	1,661

Note: The Miscellaneous designation generally indicates that the gift could be used for a purpose not falling strictly within one of the other classifications, for purposes falling within multiple classifications, or for fully discretionary purposes.

GIFTS, DISBURSEMENTS AND BALANCES
As of Fiscal Year Ended June 30

2012 TOTAL BALANCES BY CAMPUS AND COLLEGE

Campus	Principal Market Value	Percentage	Number of Accounts
Madison			
School of Medicine and Public Health	\$ 71,771,384	17.2%	360
College of Ag & Life Sciences	55,836,202	13.4%	171
College of Letters & Sciences	54,298,562	13.0%	381
General	45,246,471	10.8%	4
General Services	25,081,394	6.0%	77
Graduate School	18,109,205	4.3%	32
General Education Administration	17,299,886	4.1%	19
Business Services	16,184,937	3.9%	24
College of Engineering	10,323,271	2.5%	64
School of Education	6,698,311	1.6%	53
General Library	6,154,134	1.5%	16
School of Business	5,943,525	1.4%	23
School of Nursing	5,697,658	1.4%	30
School of Human Ecology	3,988,747	1.0%	27
Division of International Studies	3,895,043	0.9%	4
School of Pharmacy	3,482,513	0.8%	23
Academic Services	2,962,831	0.7%	9
Law School	2,335,668	0.6%	30
Other	2,102,445	0.5%	13
School of Veterinary Medicine	1,077,950	0.3%	8
University Housing	976,294	0.2%	3
Intercollegiate Athletics	965,714	0.2%	8
Officer Education (ROTC)	61,345	0.0%	3
Madison Subtotal	\$ 360,473,490	86.2%	1,382
System Administration	19,088,529	4.6%	45
Extension	14,696,550	3.5%	32
Milwaukee	9,449,766	2.3%	92
Platteville	3,619,570	0.9%	6
Superior	2,575,002	0.6%	15
La Crosse	2,551,399	0.6%	8
Parkside	1,221,273	0.3%	21
Colleges	1,142,098	0.3%	14
Stout	756,830	0.2%	10
Oshkosh	754,987	0.2%	6
Eau Claire	634,097	0.2%	5
Whitewater	494,697	0.1%	13
Green Bay	357,024	0.1%	4
Stevens Point	140,705	0.0%	4
River Falls	45,197	0.0%	4
TOTAL	\$ 418,021,214	100.0%	1,661

Note: The categories of General, General Education Administration, General Services, Business Services, and Academic Services reflect gifts that are administered by campus administrative units not tied to a specific college or department. These primarily involve student scholarship and loan funds. The System Administration market value is also impacted by timing differences between when new gifts are deposited into the System pending account, and when they are transferred out to individual permanent accounts.

FINANCIAL STATEMENTS As of Fiscal Years Ended June 30
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STATEMENTS OF FINANCIAL POSITION

	2012	2011
	Total Principal and Income Market Value	Total Principal and Income Market Value
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 66,914,208	\$ 70,645,031
Accounts Receivable, Net	1,948,345	943,783
Prepaid Expenses	0	310
Total Current Assets	\$ 68,862,553	\$ 71,589,124
Investments		
U.S. Government & Agency Obligations	38,579,944	42,698,724
Corporate Bonds	27,912,163	23,829,917
Mortgage & Asset Backed Securities	3,700,856	4,597,486
Common Stocks	40,623,830	44,568,243
GMO Strategic Opportunities Fund	64,530,347	64,711,016
UBS Int'l Relationship Fund	40,075,383	42,550,278
GMO Emerging Markets Fund III	32,011,386	35,496,497
GMO Emerging Illiquid Fund	221,975	3,520,349
iShares Russell Midcap Index	7,315,777	7,592,132
iShares S&P 500 Index	8,320,417	6,997,602
iShares MSCI EAFE Index	7,286,066	6,714,631
iShares Barclays 0-5 Year TIPS Index	12,894,781	12,912,440
iShares Russell 2000 Index	7,334,172	7,624,224
Seix High Yield Fund	25,135,142	25,042,014
Limited Partnerships	73,548,289	67,174,457
Total Investments	\$ 389,490,528	\$ 396,030,010
TOTAL ASSETS	\$ 458,353,081	\$ 467,619,134
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable and Accrued Liabilities	1,380,440	2,811,075
Compensated Absences	673,183	641,522
Total Liabilities	\$ 2,053,629	\$ 3,452,597
Net Assets		
Restricted:		
Expendable	198,694,026	200,325,665
Nonexpendable	154,999,375	155,641,629
Other	15,504,972	17,628,374
Student Loans	12,506,550	13,175,938
Unrestricted:	74,594,529	66,447,812
Total Net Assets	\$ 456,299,452	\$ 464,166,537
TOTAL LIABILITIES & NET ASSETS	\$ 458,353,081	\$ 467,619,134

Note: Restricted net assets are subject to externally-imposed stipulations. Restricted – Nonexpendable net assets are subject to an externally-imposed stipulation that they be maintained permanently (generally, these equate to the *Long Term Fund*'s "historic dollar value," or original gift principal, of all True Endowments). Restricted – Expendable net assets are subject to externally-imposed stipulations as to usage or purpose, but are otherwise fully expendable (generally, these equate to the market values of all such Designated and Quasi Endowments, plus the *Intermediate Term* and *Income Fund* market values of all True Endowments, and the excess/deficit of the market value over/under the "historic dollar value" for the *Long Term Fund* holdings of True Endowments). Unrestricted net assets are not subject to externally-imposed stipulations of any kind and are fully expendable (generally, these would equate to the market values of all such Designated and Quasi Endowments, plus the *Intermediate Term* and *Income Fund* market values of all True Endowments.)

FINANCIAL STATEMENTS As of Fiscal Years Ended June 30
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STATEMENTS OF CASH ACTIVITIES AND INVESTMENT GAINS

<u>RECEIPTS/GAINS</u>	2012	2011
Contributions	\$6,756,465	\$11,749,776
Net Investment Income, Realized/Unrealized Gains	1,527,767	64,911,506
Total Contributions, Investment Gains/Losses	\$ 8,284,232	\$ 76,661,282
Transfers In:		
From Other UW Funds	3,503,132	2,077,049
Student Loans	410,070	783,450
Total Transfers In	\$ 3,913,202	\$ 2,860,499
TOTAL RECEIPTS/GAINS	\$ 12,197,434	\$ 79,521,781
<u>DISBURSEMENTS</u>		
Distributions to UW Institutions:		
Research	6,590,048	8,109,221
Student Aid and Services	4,183,988	5,080,253
Extension and Public Service	1,794,704	1,798,318
Instruction	1,120,087	1,358,767
Academic Support	772,245	678,486
Other	1,500	29,531
Total Distributions to UW Institutions	\$ 14,462,572	\$ 17,054,576
Transfers Out:		
To Other UW Funds	3,146,762	5,536,390
Student Loans	819,751	423,365
Total Transfers Out	\$ 3,966,513	\$ 5,959,755
Expenses:		
Investment Management and Custody	1,196,109	1,166,958
General Administrative	439,325	444,671
Total Expenses	\$ 1,635,434	\$ 1,611,629
TOTAL DISBURSEMENTS	\$ 20,064,519	\$ 24,625,960
<u>EXCESS OF RECEIPTS/GAINS OVER DISBURSEMENTS</u>	(7,867,085)	54,895,821
Net Assets - Beginning of Period	464,166,537	409,270,716
Net Assets - End of Period	\$ 456,299,452	\$ 464,166,537

Note: Transfers to/from Other UW Funds consist primarily of transfers to/from sponsored gift and grant appropriations where the sponsor requires the funds be invested (or endowed) to benefit the stipulated programs/projects.

<p align="center">SUPPLEMENTARY DATA For Fiscal Years Ended June 30</p>
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INVESTMENT MANAGEMENT AND OTHER RELATED FEES

	2012	2011
Intermediate Term Fund		
Reams Asset Management	\$ 81,066	\$ 78,292
Applied Security Analysis Program ¹	0	0
Long Term Fund		
GMO	584,553	544,579
UBS Global Asset Management	486,715	452,771
300 North Capital	31,064	83,958
Legal Fees	5,500	0
Total Investment Management Fees²	\$ 1,188,898	\$ 1,159,600

¹ Applied Security Analysis Program is the UW-Madison Business School's applied investment management program for graduate students. Trust Funds pay no management fees to the program.

² The fees listed in the above chart are only those separately billed to UW Trust Funds. Trust Funds also invested through various commingled fund providers: GMO Emerging Markets Fund III, GMO Emerging Illiquid Fund, GMO Real Return Global Balanced Fund, GMO Forestry Fund, Adams Street Partners Private Equity Funds, JP Morgan Private Equity Funds, Seix Advisors High Yield Fund, iShares Russell 2000 Index Fund, iShares Russell Midcap Index Fund, iShares Barclays TIPS Index Fund, iShares S&P 500 Index Fund, and iShares MSCI EAFE Index Fund. Fees for these funds are taken directly out of fund assets rather than separately billed. Estimated investment management expenses for these various providers for 2012 were as follows: \$337,245; \$12,857; \$296,819; \$30,204; \$341,376; \$294,506; \$140,132; \$2,755; \$2,538; \$25,902; \$5,484; and \$24,858, respectively.

Investment management expenses (including estimated fees through commingled funds) as a percent of total average Trust Fund assets (*Long Term* plus *Intermediate Term Funds*) were 0.65% and 0.67% for fiscal years 2012 and 2011, respectively. Fees as a percent of assets by separate Fund were 0.76% and 0.20% for the *Long Term Fund* and *Intermediate Term Fund*, respectively, for fiscal year ended 2012, versus 0.80% and 0.20%, respectively, for fiscal year ended 2011.

CUSTODY FEES

	2012	2011
BNY Mellon Trust	\$ 7,211	\$ 7,358

Trust Funds' custodial services are provided through a custodial agreement with BNY Mellon Trust. This agreement was negotiated by the State of Wisconsin Investment Board (SWIB), which also employs BNY Mellon. Fees are billed to SWIB and charged back to Trust Funds. Custodial expenses as a percent of average Trust Fund assets were 0.002% and 0.002% for fiscal years 2012 and 2011, respectively. While commingled fund shares are recorded and custodied at BNY Mellon, the actual securities held by these funds are custodied elsewhere.

<p align="center">SUPPLEMENTARY DATA For Fiscal Years Ended June 30</p>
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ADMINISTRATIVE EXPENSES

	2012	2011
Staff and Staff Support		
Salaries	\$ 244,731	\$ 236,933
Fringe Benefits	141,984	154,747
Travel and Training Expenses	5,290	11,858
Other Expenses	3,013	1,869
Telecommunications/Telephone Service	1,528	1,545
Publications	2,124	1,120
Office Supplies/Equipment	435	234
Computer Hardware/Software	3,199	0
Professional Services		
Trust Accounting System (SunGard)	35,668	34,896
Information Services Support	1,353	1,469
Total Administrative Expenses	\$ 439,325	\$ 444,671

Total administrative expenses as a percent of average total Trust Fund assets (*Long Term*, *Intermediate Term* and *Income Funds*) were 0.10% and 0.11% for fiscal years 2012 and 2011, respectively.

**UW SYSTEM TRUST FUNDS:
TRUSTEES AND STAFF**

Business, Finance, and Audit Committee of the Board of Regents of the UW System
As of June 30, 2012

Michael Falbo (Chair)
Mark Bradley (Vice Chair)
Gerald Whitburn
Charles Pruitt

UW System Administration

Senior Management

Kevin P. Reilly, President
Michael L. Morgan, Senior Vice President for Administration and Fiscal Affairs
Deborah A. Durcan, Vice President for Finance and Trust Officer
Tomas L. Stafford, General Counsel and Assistant Trust Officer

Office of Trust Funds Staff

Douglas J. Hoerr, Director and Assistant Trust Officer
Thomas R. Reinders, Senior Investment Portfolio Analyst
Lori J. Keil, Senior Accountant
Jamies L. Erbs, Financial Specialist III

UW System Travel Program
Regent Policy Document on University Travel Policies

BUSINESS, FINANCE, AND AUDIT COMMITTEE

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the Regent Policy Document on University Travel Policies.

UW SYSTEM TRAVEL PROGRAM REGENT POLICY DOCUMENT ON UNIVERSITY TRAVEL POLICIES

EXECUTIVE SUMMARY

BACKGROUND

The 2011-13 biennial budget (2011 Wisconsin Act 32) created Wis. Stat. s. 36.11(56), authorizing the Board of Regents to establish travel policies for System employees and a schedule for the reimbursement of System employees for travel expenses. The statutes provide this authority effective July 1, 2013. Until then, the UW System is required to follow state travel regulations, as identified in state statutes, state compensation plans, and Department of Administration policies. The establishment of a university travel program separate from the state program presents an opportunity to establish policies and procedures that meet the unique needs of higher education.

At the December 2012 Board of Regents' meeting, the Business Finance and Audit Committee received an update on the progress of the new travel program and also reviewed and discussed the attached draft Regent Policy Document, which would provide the general framework for the UW System managed travel program.

REQUESTED ACTION

Approval of Resolution I.2.f.

DISCUSSION

Travel impacts many individuals, and travel costs were incurred by approximately 30,000 UW System employees and more than 12,000 guests, such as recruitment candidates and speakers, in fiscal year 2011-12. Travel can be funded by a variety of funding sources including, but not limited to, state funds, federal grants, and student segregated fees. In addition, there are currently numerous allowable payment mechanisms, such as invoices sent directly to the UW System, institutional-liability procurement cards, and personal-liability corporate cards. In fiscal year 2011-12, there were nearly 84,000 travel reimbursement requests processed.

Attached for Board of Regents approval is the draft Regent Policy Document on University Travel Policies. Consistent with this proposed Regent Policy Document, the overall goals of the UW System managed travel program will include containing costs, developing a rate structure in accordance with IRS requirements, leveraging volume to negotiate pricing discounts and enhanced services, streamlining administrative processes, and ensuring accountability to the

public. To accomplish these objectives, all UW System institutions will be required to adhere to system-wide travel policies for university-paid travel, regardless of funding source, as necessitated by IRS and federal grant regulations.

System-wide policies for individual aspects of travel will be developed by the newly created travel governance committees, which are comprised of UW vice chancellors, controllers, travel managers, and others, and will be vetted with all institutions. Any cost savings resulting from the managed travel program will accrue to the individual institutions.

RELATED REGENT POLICIES AND APPLICABLE LAWS

Wis. Stats. s. 36.11(56)

REGENT POLICY DOCUMENT
XX-YY UNIVERSITY TRAVEL POLICIES

Scope

This policy addresses the authority of the Board of Regents as it relates to university travel policies created under Wis. Stat. s. 36.11.(56).

Purpose

The purpose of this policy is to provide guidance to all UW System institutions regarding the implementation of the Board of Regents' statutory authority and resulting responsibility to establish travel policies for all university-paid business travel and a schedule for the payment or reimbursement of travel-related expenses incurred in the course of university business.

Policy Statement

Under Wis. Stat. s. 36.09 (1) the Board of Regents is vested with the primary responsibility for the governance of the University of Wisconsin System. In discharging this responsibility, it is the Board's policy to comply with Internal Revenue Service (IRS) Regulations regarding the provision and payment or reimbursement of business-related travel and to ensure IRS "accountable plan" rules are met for employer-paid business travel. As required by IRS and federal grant regulations, all travel paid or reimbursed from university-administered funds must be in compliance with university travel policies, regardless of the funding source (i.e., federal grants and contracts, auxiliary operations, general operating funds, and restricted funds).

The Board of Regents seeks to strike a balance among various elements of university travel including: meeting the needs, comfort, and security of individual travelers; consolidating volume to leverage supplier discounts; increasing services to travelers; obtaining technical and administrative efficiencies; achieving overall cost containment; and ensuring accountability to the public.

In order to achieve these objectives, it is the policy of the Board of Regents that the University of Wisconsin System administers a managed travel program. The UW System travel program encompasses all aspects of University travel, including policy development, processes, planning, data management, communication, and preferred supplier services and contracts. After appropriate institutional input, training, and communication, institutions are expected to ensure compliance by faculty and staff with all aspects of the systemwide travel program in order to realize the potential savings and efficiencies achievable under the program.

The UW System travel program will include policies covering, but not limited to, the following:

- A. Airfare
- B. Meals
- C. Lodging
- D. Transportation (including mileage reimbursement rates, vehicle rental, and other ground transportation)

- E. Incidentals
- F. Hospitality and UW Sponsored Events
- G. Relocation

Oversight, Roles, and Responsibilities

The Board of Regents delegates to the President of the UW System the authority to implement and maintain a managed travel program for all university-paid travel. Each UW System institution shall consistently apply the travel policy and related processes.

The institution travel manager or travel management staff at each UW System institution must: (1) ensure compliance with systemwide travel policies and processes; (2) provide travel-related training and assistance to UW System institution employees; and (3) collaborate with the systemwide travel governance committees to develop and maintain consistent policies, processes, and communications about the UW System travel program.

UW System employees are responsible and accountable for following all travel policies and IRS requirements for the timely and accurate reporting of all travel expenditures, including advances and pre-paid expenses.

Related Regent Policies and Applicable Laws

Wis. Stats. s. 36.11(56)

History

This policy was adopted on (date).

**UW SYSTEM INFORMATION TECHNOLOGY REPORT
UW STRATEGIC PLANS
FOR MAJOR INFORMATION TECHNOLOGY PROJECTS

EXECUTIVE SUMMARY**

BACKGROUND

As prescribed in 2007 Wisconsin Act 20, the Board of Regents is required to create a reporting format for the University of Wisconsin System and each of the University of Wisconsin institutions' "strategic information technology plans." The strategic plans are to be provided to the Board by March 1 of each year.

The statute also requires the Board to create specific and detailed policies on all "large" IT projects [defined as costing over \$1 million] or projects defined as vital to the functions of the System or the institution. These policies were approved [Resolution I.2.e.5.] at the Board of Regents April 2008 meeting, and were submitted to the Joint Committee on Information Policy and Technology.

The statute further requires the Board of Regents to provide to the Joint Committee on Information Policy and Technology on March 1 and September 1 of each year a specific and detailed "progress" report on all large and high-risk projects.

REQUESTED ACTION

This report is for information only.

DISCUSSION AND RECOMMENDATIONS

The first institutional IT plans were submitted in 2008. All institutions completed IT strategic plans for 2009, 2010, 2011, and 2012. Some plans are multi-year and do not change materially from year to year. Most plans follow a format which contains a Part A, Information Technology & University Strategic Objectives, with nine key items: 1) plan development; 2) plan principles; 3) plan outcome measurements; 4) plan relationship to the university's strategic objectives; 5) plan format; 6) critical plan objectives with implementation plans; 7) timeline; 8) description of plan governance; and 9) major themes of the plan. Some campus plans embed these key items within the plan narrative without specifically highlighting them. Each strategic IT Plan also

includes a Part B, Projects for FY 2013-14. The institutional strategic IT plans may be found at: <http://www.uwsa.edu/olit/cio/ITplans/>

RELATED REGENT POLICIES

None

UW SYSTEM INFORMATION TECHNOLOGY REPORT PROJECT STATUS REPORT FOR MAJOR INFORMATION TECHNOLOGY PROJECTS

EXECUTIVE SUMMARY

BACKGROUND

2007 Wisconsin Act 20 requires the Board of Regents to provide in March and September of each year a specific and detailed progress report on all large (defined as costing over \$1 million) and high-risk IT projects to the Joint Committee on Information Policy and Technology. The Board policy on the format of these reports was approved in April 2008 [Resolution I.2.e.5.]. There are no major projects in this report.

REQUESTED ACTION

This report is for information only.

DISCUSSION AND RECOMMENDATIONS

The two most recent UW System two major information technology projects were the Oracle/PeopleSoft Human Resources System and UW-Platteville's Pioneer Administration Software System (PASS). Both of these projects were completed as of the September 2012 report. The UW System has no large IT implementation projects in progress.

RELATED REGENT POLICIES

Regent Policy Document 25-2: Guide to Plan and Implement Management Information Systems.