

OREGON HEALTH & SCIENCE UNIVERSITY

OMB Circular A-133

EIN No. 93-1176109

Supplementary Financial Report

Year Ended June 30, 2003

(With Independent Auditors' Report Thereon)

OREGON HEALTH & SCIENCE UNIVERSITY

OMB Circular A-133

EIN No. 93-1176109

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Year ended June 30, 2003

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KPMG LLP

Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
Oregon Health & Science University:

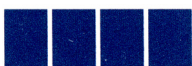
We have audited the accompanying statements of financial position of Oregon Health & Science University (OHSU), an Oregon public corporation and a component unit of the State of Oregon, as of June 30, 2003 and 2002, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of OHSU's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oregon Health & Science University as of June 30, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 5, 2003 on our consideration of OHSU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 7 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



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

KPMG LLP

September 5, 2003



KPMG LLP

Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

**Independent Auditors' Report on Compliance
and Internal Controls**

The Board of Directors,
Oregon Health & Science University:

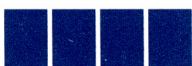
We have audited the financial statements of Oregon Health & Science University (the University) as of and for the year ended June 30, 2003, and have issued our report thereon dated September 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



This report is intended solely for the information and use of the board of directors, the University's management, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

September 5, 2003



KPMG LLP

Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

**Independent Auditors' Report on Compliance
With Requirements Applicable to Each Major Program
and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

The Board of Directors,
Oregon Health & Science University:

Compliance

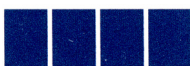
We have audited the compliance of Oregon Health & Science University (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, the University's management, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 20, 2004

Oregon Health & Science University Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the University's financial activities and should be read in conjunction with the financial statements and related footnote disclosures. This discussion has been prepared by management and is designed to focus on current activities, resulting change and current known facts.

Financial Highlights

Despite the challenges posed by a weakened economy and stock market, decreases in state appropriations, and overall increases in the cost of administering healthcare, the University's financial performance as of June 30, 2003 remained stable as compared to the previous year. This was in part due to internal budget reductions and the reallocation of resources based on mission critical needs. Several highlights include:

- Recipient of phase one (\$93.6 million) of \$200,000,000 from the Oregon Opportunity Act which authorized the State of Oregon to issue general obligation bonds to be used for qualifying capital and non-capital expenditures under the Oregon Opportunity Program. The proceeds will help fund the construction of a 260,000 square foot Biomedical Research Building on OHSU's Marquam Hill.
- Issued \$250,000,000 million in bonds in December 2002 in order to help expand OHSU's clinical capabilities including the addition of a new 335,000 square foot patient care facility.
- Acquired land in Portland's south Waterfront Central District. Plans for the joint development of this property include several buildings that will house expanded facilities for OHSU's educational, clinical, research and administrative functions.
- Increased research awards by approximately 16% to \$257,000,000 over the previous year.

Statements of Financial Position

The Statements of Financial Position include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector organizations. Net assets – the difference between assets and liabilities – are one way to measure the financial health of the University.

Summary of Financial Position
June 30, 2003 and 2002
(Dollars in thousands)

	2003	2002
Assets:		
Current assets	\$ 232,407	\$ 265,464
Capital assets	681,673	663,352
Other non-current assets	838,669	513,172
Total assets	\$ 1,752,749	\$ 1,441,988
Liabilities:		
Current liabilities	\$ 221,918	\$ 197,892
Non-current liabilities	638,046	397,239
Total liabilities	859,964	595,131
Net assets:		
Invested in capital assets, net of related debt	319,843	307,918
Restricted, expendable	166,853	173,770
Restricted, non-expendable	94,284	87,091
Unrestricted	311,805	278,078
Total net assets	892,785	846,857
Total liabilities and net assets	\$ 1,752,749	\$ 1,441,988

Assets

Total assets increased by \$310.8 million during the current year. The large increases occurred in the areas of capital assets and non-current assets.

Capital assets overall have increased by \$18.3 million, net of accumulated depreciation. This increase includes the purchase of land and development costs for the River Campus Project of \$8.5 million and new building construction of the Bio-medical Research Building for \$7.1 million. The Hospital invested \$6.6 million in new building construction for the Patient Care Facility. The remainder of the increase is due to routine capital purchases within the Hospital and University and routine capital improvements to buildings.

The increase in other non-current assets of \$325.5 is due mainly to new trustee held funds related to OHSU's 2002 bond issue and the first half of the proceeds from the Oregon Opportunity Act. Long-term investments, which increased by \$56.1 million during this year, include both restricted investments and unrestricted operating investments and quasi-endowments.

Liabilities

Total liabilities increased by \$264.8 million during the current year, the majority of the increase from the issuance of new bonds.

Current liabilities consist mainly of the current portion of debt, including leases, accounts payable, wages payable and deferred revenue. These liabilities increased \$24.0 million during the current year. The majority of the increase is attributable to deferred revenue from Oregon Opportunity that increased \$58.0 million due to the timing of matching revenue with expenses incurred. Deferred revenue related to grant funded buildings and equipment in contrast decreased by \$38.0 million during the year.

The \$11.8 million decrease in the current portion of debt is primarily due to OHSU's payment of the line of credit during 2003. At June 30, 2003, there was no outstanding balance on this line of credit. During 2002, OHSU utilized the line of credit to finance purchases related to the Oregon Opportunity Program in

advance of receiving funding for the program. OHSU received phase one of funding for the program from the State of Oregon bond proceeds in December 2002.

Non-current liabilities increased by \$240.8 million during the year due to the issuance of \$250.0 million in insured revenue bonds in December of 2002. Proceeds of these bonds, together with certain proceeds of the State's General Obligation Oregon Opportunity Bonds, will be used to fund three major initiatives to expand OHSU's research, education and clinical capabilities.

Net Assets

Total net assets increased by approximately \$45.9 million during the year.

Unrestricted net assets and net assets invested in capital assets, net of related debt, increased by \$45.6 million. This increase is due to a net increase in capital assets of \$18.3 million due primarily to a new land acquisition and building construction. The remaining increase in net assets was primarily due to non-operating income and capital contributions and other changes in net assets during the year.

Statements of Revenues, Expenses and Changes in Net Assets

The Statements of Revenues, Expenses and Changes in Net Assets presents the operating results of the University, as well as the non-operating revenues and expenses. Activities are reported as either operating or non-operating. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. In accordance with generally accepted accounting principles, annual state appropriations are considered non-operating revenue, but in practice, are budgeted for operations.

Summary of Revenues, Expenses, and Changes in Net Assets Year ended June 30, 2003 (Dollars in thousands)

	2003	2002
Operating revenues	\$ 1,020,981	\$ 944,285
Operating expenses	1,071,865	1,000,723
Operating loss	(50,884)	(56,438)
Non-operating revenues	68,923	59,573
Capital contributions and other	27,889	4,177
Special items	—	43,494
Change in net assets	45,928	50,806
Net assets - Beginning of the year	846,857	796,051
Net assets - End of the year	\$ 892,785	\$ 846,857

Total Operating Revenue

OHSU's operating revenues increased by \$76.7 million during fiscal year 2003 due mainly to increases in patient service revenue and gifts, grants and contracts.

Net patient service revenue consists of revenue collected for clinical services provided in the OHSU Hospital, the Child Development and Rehabilitation Center and various clinics. This positive change of \$37.5 million is mainly due to Hospital patient volume increases, improved collections and rate increases.

Gifts, Grants and Contracts consist of revenue from sponsored projects, fees paid for services other than clinical services and private and corporate gifts. This category of revenue grew by \$43.8 million primarily due to an increase of approximately \$29.0 million in revenue from the Oregon Opportunity Initiative. The remainder of the increase can be attributed to sponsored research and teaching programs (grants) and gifts.

Total Operating Expenses

OHSU's operating expenses increased by \$71.1 million during fiscal year 2003 due mainly to increases in salaries, wages and benefits and depreciation.

Of the \$56.0 million increase in salaries, wages and benefits, \$26.7 million is related to the Hospital's volume and bargaining unit increases. Also, an approximate increase of \$13.0 million in salaries, wages and benefits occurred due to growth of sponsored research and teaching programs (grants). The remainder of the increase was due to increased costs, including bargaining unit increases, within the University.

Non-operating Revenues and Expenses

Non-operating revenues and expenses primarily include investment income, including changes in fair value of investments and appropriations from the State of Oregon. This category of revenue and expense increased by \$9.3 million during the year mainly due to increases in investment income.

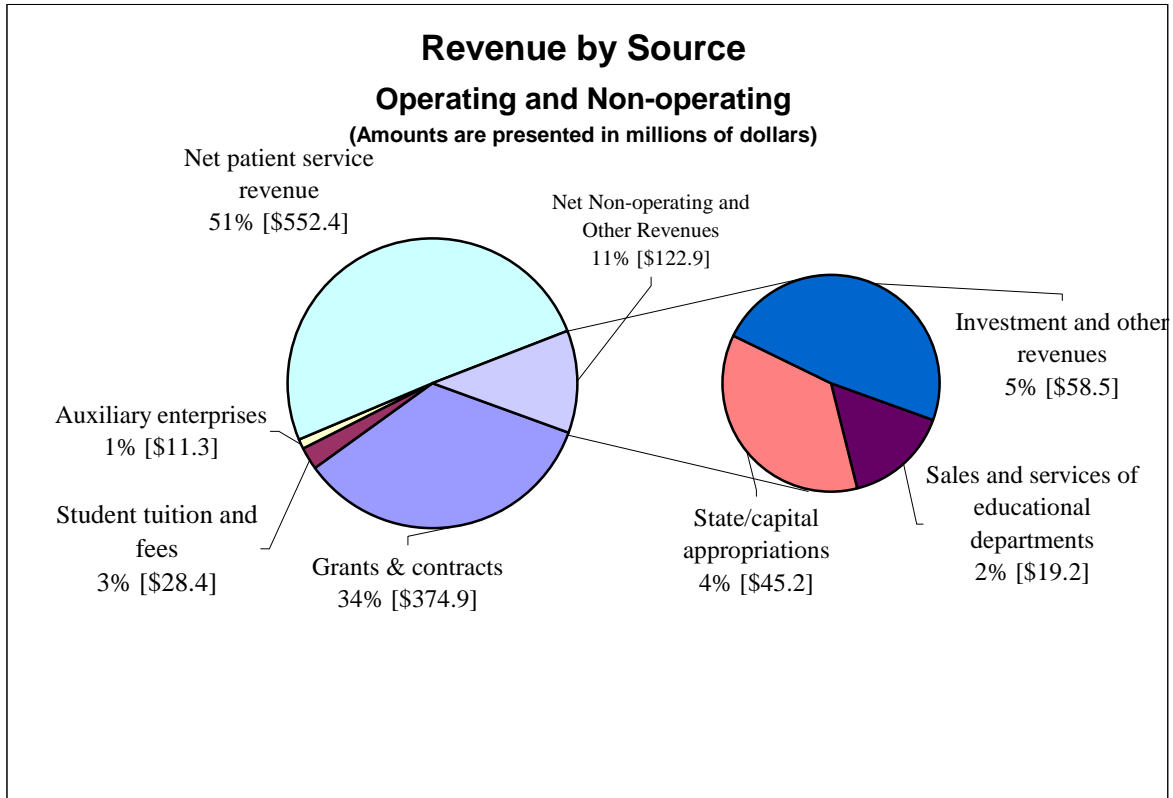
The increase of \$15.3 million in investment income, including changes in the fair market value of investments, is due to the increase in unrealized market gains.

Appropriations from the State of Oregon decreased by \$5.7 million due to overall decline in State support.

Capital Contributions

Capital contributions consist of contributions to loan principal, donated equipment and other additions.

Revenue by Source - Operating and Non-operating
Year ended June 30, 2003



Operating Expenses (by functional classification)
(Dollars in thousands)

	2003	2002
Instruction, Research and Public Service	\$ 277,012	\$ 265,687
Clinical Activity	529,172	513,411
Auxiliaries	7,637	7,229
Service Centers	6,697	6,859
Student Services	34,011	30,928
Academic Support	37,646	22,728
Institutional Support	34,608	47,385
Operations and Maintenance	47,835	29,842
Direct Foundation Expenditures	22,425	16,596
Depreciation	74,795	60,027
Other	27	31
	\$ 1,071,865	\$ 1,000,723

Statement of Cash Flows

The Statements of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and non-capital financing and investing activities, information about cash receipts and cash payments during the year. This statement also helps users assess the University's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Summary of Cash Flows – Direct method Years ended June 30, 2003 and 2002 (Dollars in thousands)

	<u>2003</u>	<u>2002</u>
Cash provided by:		
Operating activities	\$ 66,605	\$ 34,649
Non-capital financing activities	45,154	50,824
Capital and related financing activities	121,683	(103,706)
Investing activities	<u>(242,682)</u>	<u>(1,206)</u>
Net decrease in cash and cash equivalents	(9,240)	(19,439)
Cash and cash equivalents - Beginning of the year	<u>39,902</u>	<u>59,341</u>
Cash and cash equivalents - End of the year	<u>\$ 30,662</u>	<u>\$ 39,902</u>

The Statement of Cash Flows is comprised of four parts:

Operating Activities – This section reflects operating cash flows and the net cash provided by the operating activities of the institution.

Non-capital Financing Activities – This section shows the cash received and spent for non-operating, non-investing, and non-capital financing purposes.

Capital and Related Financing Activities – This section reflects the cash used for the acquisition and construction of capital and related items.

Investing Activities – This section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities.

OREGON HEALTH & SCIENCE UNIVERSITY

Statements of Financial Position

June 30, 2003 and 2002

Assets	<u>2003</u>	<u>2002</u>
Current assets:		
Cash and cash equivalents	\$ 30,662,000	39,902,000
Short-term investments	31,597,000	60,368,000
Funds held by trustee, current portion	7,899,000	7,239,000
Patient accounts receivable, net of allowance of \$88,779,000 in 2003 and \$69,902,000 in 2002	89,187,000	70,335,000
Student receivables	20,786,000	24,604,000
Interest receivable	2,331,000	2,953,000
Pledges and estates receivable, current portion	13,447,000	13,363,000
Other receivables, net	22,944,000	33,188,000
Due from contractual agencies	—	2,575,000
Inventories, at cost	7,981,000	7,440,000
Prepaid expenses	5,573,000	3,497,000
Total current assets	<u>232,407,000</u>	<u>265,464,000</u>
Noncurrent assets:		
Capital assets:		
Land	15,364,000	8,289,000
Buildings and other improvements	724,574,000	689,667,000
Equipment	367,043,000	395,238,000
Construction in progress	29,977,000	23,988,000
Accumulated depreciation	(455,285,000)	(453,830,000)
Total capital assets	<u>681,673,000</u>	<u>663,352,000</u>
Funds held by trustee, less current portion	<u>303,642,000</u>	<u>39,008,000</u>
Long-term investments, less current amount:		
Long-term investments, restricted	235,873,000	194,893,000
Long-term investments, unrestricted	272,432,000	257,351,000
Total long-term investment, less current portion	<u>508,305,000</u>	<u>452,244,000</u>
Deferred financing costs, net	10,258,000	4,986,000
Other long-term assets	—	867,000
Pledges and estates receivables, less current portion	<u>16,464,000</u>	<u>16,067,000</u>
Total noncurrent assets	<u>1,520,342,000</u>	<u>1,176,524,000</u>
Total assets	\$ <u>1,752,749,000</u>	\$ <u>1,441,988,000</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of debt	\$ 10,145,000	21,982,000
Current portion of capital leases	528,000	487,000
Accounts payable and accrued expenses	53,592,000	55,720,000
Drafts payable	16,115,000	11,004,000
Construction and retainage payable	239,000	328,000
Accrued salaries, wages, and benefits	29,947,000	24,966,000
Compensated absences payable	29,765,000	26,741,000
Due to contractual agencies	2,540,000	—
Annuity payment liability	6,226,000	4,664,000
Deferred revenue	72,821,000	52,000,000
Total current liabilities	<u>221,918,000</u>	<u>197,892,000</u>
Noncurrent liabilities:		
Liability for self-funded insurance programs	22,640,000	23,936,000
Long-term debt, bonds – less current portion	610,702,000	368,076,000
Long-term capital leases – less current portion	4,704,000	5,227,000
Total noncurrent liabilities	<u>638,046,000</u>	<u>397,239,000</u>
Total liabilities	<u>859,964,000</u>	<u>595,131,000</u>
Net assets:		
Invested in capital assets, net of related debt	319,843,000	307,918,000
Restricted, expendable	166,853,000	173,770,000
Restricted, nonexpendable	94,284,000	87,091,000
Unrestricted	311,805,000	278,078,000
Total net assets	<u>892,785,000</u>	<u>846,857,000</u>
Total liabilities and net assets	\$ <u>1,752,749,000</u>	\$ <u>1,441,988,000</u>

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2003 and 2002

	2003	2002
Operating revenue:		
Patient service revenue, net of provision for bad debts of \$18,994,000 in 2003 and \$15,966,000 in 2002	\$ 552,450,000	514,947,000
Student tuition and fees, net	28,377,000	25,236,000
Sales and services of educational departments	19,206,000	18,531,000
Auxiliary enterprises	11,293,000	10,092,000
Other revenue	34,777,000	44,455,000
Gifts, grants, and contracts	374,878,000	331,024,000
Total operating revenues	1,020,981,000	944,285,000
Operating expenses:		
Salaries, wages, and benefits	621,822,000	565,871,000
Services, supplies, and other	357,735,000	357,772,000
Depreciation and amortization	74,795,000	60,027,000
Interest	17,513,000	17,053,000
Total operating expenses	1,071,865,000	1,000,723,000
Operating loss	(50,884,000)	(56,438,000)
Nonoperating revenues (expenses):		
Investment income	6,347,000	9,899,000
Net unrealized change in fair value of instruments	18,750,000	(134,000)
State appropriations	45,154,000	50,824,000
Other	(1,328,000)	(1,016,000)
Total nonoperating revenues	68,923,000	59,573,000
Net income before capital contributions	18,039,000	3,135,000
Capital contributions and other:		
Other additions	26,417,000	—
Contribution to loan principal	627,000	818,000
Donated equipment	845,000	3,359,000
Total capital contributions and other	27,889,000	4,177,000
Change in net assets before special items	45,928,000	7,312,000
Special items:		
Net assets assumed through merger with OGI	—	43,494,000
Total change in net assets	45,928,000	50,806,000
Net assets – beginning of year	846,857,000	796,051,000
Net assets – ending of year	\$ 892,785,000	846,857,000

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Receipts for patient services	\$ 538,713,000	513,059,000
Receipts from students	32,195,000	20,402,000
Receipts of gifts, grants, and contracts	374,397,000	327,063,000
Receipts from sales and services of educational departments	19,206,000	18,531,000
Receipts from auxiliary services	11,293,000	10,092,000
Other receipts	60,514,000	55,906,000
Payments to employees for services	(613,817,000)	(561,588,000)
Payments to suppliers	(355,896,000)	(348,816,000)
Net cash provided by operating activities	66,605,000	34,649,000
Cash flows from noncapital financing activities:		
State appropriations	45,154,000	50,824,000
Net cash provided by noncapital financing activities	45,154,000	50,824,000
Cash flows from capital and related financing activities:		
(Repayments) borrowings on line of credit, net	(9,800,000)	9,800,000
Borrowings of debt	250,000,000	—
Principal payments on debt	(11,636,000)	(11,212,000)
Interest payments on debt and line of credit	(15,288,000)	(12,526,000)
Acquisition of capital assets	(92,827,000)	(96,285,000)
Payments on capital leases	(482,000)	(519,000)
Capital contributions	1,716,000	7,036,000
Net cash used in capital and related financing activities	121,683,000	(103,706,000)
Cash flows from investing activities:		
Purchases of investments	(896,211,000)	(238,567,000)
Proceeds from sales and maturities of investments	603,627,000	229,490,000
Interest on investments and cash balances	49,902,000	7,871,000
Net cash used in investing activities	(242,682,000)	(1,206,000)
Net decrease in cash and cash equivalents	(9,240,000)	(19,439,000)
Cash and cash equivalents, beginning of year	39,902,000	59,341,000
Cash and cash equivalents, end of year	\$ 30,662,000	39,902,000

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

Statements of Cash Flows, Continued

Years ended June 30, 2003 and 2002

	2003	2002
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (50,844,000)	(56,438,000)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	74,795,000	60,027,000
Provision for bad debts	18,994,000	15,966,000
Interest expense reported as operating expense	17,513,000	17,053,000
Net changes in assets and liabilities, net of effects of transaction with the Oregon Graduate Institute (in 2002):		
Patient accounts receivable	(37,846,000)	(20,766,000)
Student receivables	3,818,000	(4,834,000)
Interest receivables	622,000	158,000
Pledges receivable	(481,000)	(3,961,000)
Other receivables and other assets	11,111,000	6,739,000
Due from contractual agencies	2,575,000	3,271,000
Inventories	(541,000)	(441,000)
Prepaid expenses	(2,076,000)	(185,000)
Deferred charges	(5,561,000)	(159,000)
Accounts payable and accrued expenses	(2,128,000)	6,442,000
Drafts payable	5,111,000	2,566,000
Construction retainage payable	(89,000)	(182,000)
Accrued salaries, wages, and benefits	4,981,000	2,538,000
Annuity payment liability	1,562,000	228,000
Deferred revenue	20,821,000	(4,712,000)
Liability for self-funded insurance programs	(1,296,000)	9,066,000
Due to contractual agencies	2,540,000	—
Compensated absences payable	3,024,000	2,273,000
Net cash provided by operating activities	\$ 66,605,000	34,649,000

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

As the only academic health center in the State of Oregon (the State), Oregon Health & Science University (OHSU) is dedicated to the education and training of health care professionals, biomedical research, patient care, and public service. In addition to the School of Medicine, School of Nursing, School of Dentistry and School of Science and Engineering, OHSU is comprised of several research units, including the Vollum Institute for Advanced Biomedical Research, Center for Research on Occupational and Environment Toxicology, Biomedical Information Communication Center, Oregon National Primate Center, School of Science and Engineering, Neurological Sciences Institute, Vaccine and Gene Therapy Institute, and several clinical units, including University Hospital (the Hospital), and Child Development and Rehabilitation Center. Doernbecher Children's Hospital is a unit of the Hospital serving the pediatric community. In addition to teaching, research, and clinical activities, OHSU operates an insurance captive, OPS Ltd., which is included in the accompanying financial statements.

Pursuant to an act of the Oregon legislature (the 1995 Act), on July 1, 1995, OHSU was restructured from one of eight component units of the Oregon University System (OUS) to an independent public corporation. OHSU remains a component unit of the State.

The majority of the real property that constitutes OHSU's campus is owned by the State. Pursuant to the 1995 Act, the State retained title of such real property and carries its value in their financial statements. OHSU was granted exclusive care, custody, and control of such real property. OHSU has entered into a 99-year lease with the State relating to this real property whereby the State has leased to OHSU all of the State's leaseable interests in the property. OHSU's care, custody, and control of the real property may be altered in the future by an amendment by the Legislative Assembly to the 1995 Act. The State may terminate the lease if, prior to such termination, the State causes the defeasance or discharge of all then-outstanding obligations of OHSU to the State.

Oregon Health & Science University Foundation (OHSU Foundation) (formerly Oregon Health Sciences Foundation) and Doernbecher Children's Hospital Foundation (together the Foundations) are separately incorporated nonprofit OHSU foundations affiliated with OHSU. The primary purpose of the Foundations is to raise money for OHSU research, scientific, charitable, and educational purposes and to promote support for Doernbecher Children's Hospital. Consequently, the financial position and the results of operations of the Foundations are included in the accompanying financial statements. Transactions between OHSU and the Foundations have been eliminated.

On July 1, 2001, OHSU entered into an agreement with Oregon Graduate Institute (OGI), under which all assets of OGI were assigned and conveyed to OHSU and OHSU Foundation. The net assets assumed on July 1, 2001 related to OGI were approximately \$43,494,000, and have been recorded in special items as net assets assumed through merger with OGI on the statement of revenues, expenses, and changes in net assets. As a result of this merger, OHSU received \$1,981,000 of cash and cash equivalents and assumed other assets of \$61,343,000 and liabilities of \$19,830,000. The results of operations of OGI are included in the statements of revenues, expenses, and changes in net assets for the fiscal years ended June 30, 2003 and 2002.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

(b) *Accounting Standards*

The accounting policies of OHSU conform to accounting principles generally accepted in the United States of America. OHSU's financial statements and footnote disclosures are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Boards (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, OHSU has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). This statement, known as the "Reporting Model" statement, impacts the way OHSU prepares and presents financial information. GASB 34 established new requirements and a new reporting model for the annual financial statements and was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. OHSU reports as a single column business-type activity as provided by GASB 34. GASB 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the reporting entity in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the type of analysis provided by the private sector in its annual reports. This reporting model also required the use of a direct method cash flow statement.

Net assets are classified into four net asset categories, in accordance with donor-imposed restrictions.

- *Net assets invested in capital assets, net of related debt* represents the depreciated value of capital purchases, net of related debt.
- *Net assets restricted, expendable* carry donor-imposed restrictions that expire in the future.
- *Net assets restricted, nonexpendable* carry donor-imposed restrictions that never expire.
- *Net assets unrestricted* carry no donor-imposed restrictions.

In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. This Statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34. In June 2001, the GASB issued both Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* (GASB 37), and Statement No. 38, *Certain Financial Statement Note Disclosures* (GASB 38). GASB 37 provides additional guidance by amending the MD&A reporting requirements established by GASB 34. GASB 38 establishes certain financial statement disclosure requirements relating to obligations under leases and short-term borrowings. GASB 35, 37, and 38 were required to be adopted concurrently with the adoption of GASB 34, which OHSU adopted in 2001.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

(c) ***Financial Reporting Entity***

As required by the accounting principles generally accepted in the United States of America, these financial statements present OHSU, the primary government, and its component units, entities for which OHSU is considered to be financially accountable. Blended component units, although legally separate legal entities are, in substance, part of OHSU's operations and have been included in the financial statements. The following component units meet the requirement for blending: OPS Ltd, Oregon Health & Science University Foundation, and Doernbecher Children's Hospital Foundation.

Financial reports for OPS Ltd, Oregon Health & Science University Foundation, and Doernbecher Children's Hospital Foundation that include financial statements and required supplementary information are publicly available. These reports may be obtained by contacting management of OHSU.

(d) ***Basis of Accounting***

Basis of accounting refers to the timing of when revenues and expenses are recognized in the accounts and reported in the financial statements. OHSU reports as a proprietary fund within the governmental model. OHSU's financial statements have been prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

(e) ***Use of Estimates***

The preparation of financial statements, in conformity with accounting principles generally accepted in United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) ***Cash and Cash Equivalents***

OHSU considers investments with a remaining maturity when purchased of three months or less as cash equivalents.

(g) ***Investments***

Investments are carried at fair value. Net unrealized gains and losses are included in change in net unrealized gains/losses on investments in the statements of revenues, expenses, and changes in net assets. Interest, dividends, and realized gains on investments are included in nonoperating revenue as investment income when earned.

(h) ***Inventories***

Inventories are recorded at the lower of cost or fair value with the majority of inventories accounted for under the first-in, first-out method. Inventories consist primarily of supplies in organized stores located at OHSU.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

(i) ***Capital Assets***

Capital asset acquisitions are stated at cost. Donated items are recorded on the basis of fair market value at the date of donation. During fiscal 2003, OHSU changed the threshold used to capitalize equipment and capital projects from \$500 to \$3,000 and \$2,500 to \$10,000, respectively. This change in the capital assets capitalization threshold resulted in an increased expense of \$8,147,000, which is included in depreciation and amortization in the accompanying statements of revenues, expenses and changes in net assets during the year ended June 30, 2003. Maintenance, repairs, and minor replacements are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recorded as nonoperating income or expense. Interest on borrowed amounts during major construction is capitalized and amortized over the depreciable life of the related asset. During 2003 and 2002, OHSU capitalized approximately \$3,711,000 and \$1,092,000 of interest expense, which is net of \$2,132,000 and \$0 of interest income, respectively.

The provision for depreciation is determined by the straight-line method at rates calculated to amortize the cost of assets over their estimated useful lives as follows: buildings and other improvements, 10 to 40 years; equipment, 3 to 20 years.

(j) ***Federal Income Taxes***

OHSU, as a division of the State, is not subject to federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

(k) ***State Appropriations***

The Oregon State Legislature makes an appropriation to OHSU on a biennial basis. The amount so designated is then allocated by month based on OHSU's budget.

(l) ***Research Activity***

Effective July 1, 2000, OHSU adopted Government Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB 33). With the adoption of GASB 33, restricted grants receivable represent receivables for grant activities which OHSU has met all applicable eligibility requirements and which the funds are available from the granting agency. The balance in restricted deferred revenue as of year-end represents amounts advanced for which OHSU has not met all applicable eligibility requirements. As of June 30, 2003 and 2002, the grant receivable balance was \$10,990,000 and \$8,689,000, respectively, included in other receivables in the accompanying statements of financial position. Deferred revenue related to grant funded capital assets have been fully recognized in 2003.

(m) ***Operating Revenues***

OHSU includes in operating revenues patient service revenue, student tuition and fees, gifts, grants and contracts, and other income from sales of educational departments and auxiliary enterprises. These revenues are key components of the operations of OHSU.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

(n) Net Patient Service Revenue

Net patient service revenue related to the Hospital and the Child Development and Rehabilitation Center are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors. These amounts include services provided that have not yet been billed. Settlement adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Services are rendered to patients under contractual arrangements with Medicaid and Medicare programs and various commercial insurance carriers and preferred provider and health maintenance organizations (PPOs and HMOs) which provide for payment or reimbursement at amounts different from published rates. Contractual adjustments represent the difference between published rates for services and amounts paid or reimbursed by these third-party payors. Medicaid and Medicare programs pay a prospective fixed price for the major portion of services rendered to hospital inpatients primarily on the basis of diagnosis related groups. Payments for Medicare outpatient services are based on prospectively determined rates. Capital costs are reimbursed on a fully prospective methodology. Reimbursement of PPOs and HMOs are generally on prospectively negotiated rates or a percentage of charges.

The Hospital contracts with various health plans to provide care to plan enrollees assigned to its delivery system. These programs provide for a prepaid monthly fixed capitation payment on a per member basis to the Hospital by the health plan for plan enrollees. Prepaid revenues included in net patient service revenue in the accompanying statements of revenues, expenses, and changes in net assets were \$4,663,000 and \$7,225,000 in 2003 and 2002, respectively. Under one of these payor arrangements, the Hospital is obligated to reimburse other healthcare providers that provide certain services to enrollees. The Hospital estimates this obligation based on reported claims and an estimate based on historical data of incurred but not reported claims. This liability is recorded in accounts payable and accrued expenses in the accompanying statements of financial position, and was \$263,000 and \$629,000 in 2003 and 2002, respectively.

Other health plan contracts provide for risk pools to be shared among all plan providers. Under these contracts, the Hospital is reimbursed on a fee-for-service basis during the contract term, with allocation of the risk pool determined after the contract term, based on actual utilization in relation to plan budgets.

A summary of patient service revenues during the years ended June 30, 2003 and 2002 is as follows:

	<u>2003</u>	<u>2002</u>
Gross patient charges	\$ 977,431,000	813,768,000
Contractual discounts	(405,987,000)	(282,855,000)
Provision for bad debts	<u>(18,994,000)</u>	<u>(15,966,000)</u>
Net patient service revenues	<u>\$ 552,450,000</u>	<u>514,947,000</u>

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

(o) Student Tuition and Fees Revenues

A summary of student tuition and fees revenues during the years ended June 30, 2003 and 2002 is as follows:

	2003	2002
Gross student tuition	\$ 31,970,000	28,656,000
Exemptions	(3,593,000)	(3,420,000)
Net student tuition and fees revenues	\$ 28,377,000	25,236,000

(p) Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its published rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. Charity care provided, measured as charges forgone, based on established rates, was \$16,838,000 and \$13,309,000 in 2003 and 2002, respectively.

(q) Pledges and Estates Receivable

Pledges and estates receivable are recorded as receivables and revenues in the appropriate net asset category based upon donor imposed restrictions and are reported at fair value at the date the promise is received. Pledges are generally receivable within five years of the date the commitment was received. The majority of estates are received within one year. Pledges and estates receivable, less reserves for estimated uncollectible amounts, are discounted to their present value using a two-year treasury bill rate. The discount rate used was 1.32% and 2.90% at June 30, 2003 and 2002, respectively.

(r) Life Income Agreements

The Foundations have been named as remainder beneficiaries for various life income agreements. Life income agreements provide for contractual payments to designated beneficiaries for a specific period, after which the remaining principal and interest revert to the Foundations. Contributions received under life income agreements are included in long-term investments with the corresponding commitment to the beneficiary included in annuity payment liability in the accompanying statements of financial position.

(s) Reclassifications

Certain amounts have been reclassified in the 2002 financial statements to conform to the 2003 presentation format.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

(2) Cash and Investments

(a) *Investment Category*

OHSU currently maintains its cash and investment balances with financial institutions. All deposits are fully insured by federal depository insurance or secured by the statewide collateral pool, which secures public deposits pursuant to Oregon Revised Statutes. Securities held by OHSU or in OHSU's name by an agent of OHSU are Category 1 securities. All deposits and investments are Category 1, with the exception of contracts receivable and other, which are not categorized.

(b) *Investments*

OHSU's Comptroller is the investment officer for OHSU's investments. OHSU's investment policies are governed by statute, the Oregon Investment Council and the Board. OHSU accounts for investments as prescribed by Government Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* to account for investments at fair value. Changes in the fair value of investments is included in net nonoperating revenues.

Fair values are determined by quoted market prices based primarily upon information provided by investment. Contracts receivable are carried at cost, which approximates fair value. Other investments, comprised primarily of donated property, are recorded at their fair values at the time of receipt. Adjustments to that value are made if it is determined that a permanent decline in value has occurred.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

The composition of investments at June 30, 2003 and 2002 are as follows:

	2003	2002
Short-term investments:		
U.S. treasury	\$ 10,985,000	3,609,000
U.S. government agencies	5,510,000	21,867,000
Corporate obligations	12,648,000	25,014,000
Municipal bonds	1,329,000	7,087,000
Other	1,125,000	2,791,000
	\$ 31,597,000	60,368,000
Funds held by trustee, current portion:		
U.S. treasury	\$ 3,265,000	—
U.S. government agencies	509,000	—
Commercial paper	942,000	—
Other	3,183,000	7,239,000
	\$ 7,899,000	7,239,000
Funds held by trustee, less current portion:		
U.S. treasury	\$ 17,741,000	11,037,000
U.S. government agencies	203,422,000	18,718,000
Commercial paper	70,388,000	8,509,000
Other	12,091,000	744,000
	\$ 303,642,000	39,008,000
Long-term investments, less current portion:		
U.S. treasury	\$ 16,885,000	6,039,000
U.S. government agencies	36,122,000	35,903,000
Corporate obligations	68,892,000	36,157,000
Certificate of deposit	3,685,000	4,632,000
Municipal bonds	20,051,000	1,701,000
Fixed income	138,633,000	163,844,000
Equities	194,094,000	172,063,000
Contracts receivable	1,552,000	3,099,000
Other	28,391,000	28,806,000
	\$ 508,305,000	452,244,000

(3) Due to/from Contractual Agencies

Due to/from contractual agencies represents amounts payable to or receivable from the State Medicaid Program (Medicaid) and the Federal Medicare Program (Medicare). As of June 30, 2003, \$4,210,000 was due from Medicaid and \$6,750,000 was due to Medicare. As of June 30, 2002, \$8,138,000 was due from Medicaid and \$5,563,000 was due to Medicare.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

(4) Capital Assets

The following is a summary of capital assets for the fiscal years ended June 30, 2003 and 2002:

	<u>Balance</u> <u>June 30, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2003</u>
Capital assets not depreciated:				
Land	\$ 8,289,000	7,075,000	—	15,364,000
Construction in progress	<u>23,988,000</u>	<u>48,114,000</u>	<u>(42,125,000)</u>	<u>29,977,000</u>
Total capital assets not depreciated	32,277,000	55,189,000	(42,125,000)	45,341,000
Other capital assets:				
Buildings and other improvements	689,667,000	47,818,000	(12,911,000)	724,574,000
Equipment	<u>395,238,000</u>	<u>93,001,000</u>	<u>(121,196,000)</u>	<u>367,043,000</u>
Total other capital assets	1,084,905,000	140,819,000	(134,107,000)	1,091,617,000
Less accumulated depreciation:				
Buildings and other improvements	(217,063,000)	(23,957,000)	720,000	(240,300,000)
Equipment	<u>(236,767,000)</u>	<u>(43,191,000)</u>	<u>64,973,000</u>	<u>(214,985,000)</u>
Total accumulated depreciation	(453,830,000)	(67,148,000)	65,693,000	(455,285,000)
Other capital assets, net	<u>631,075,000</u>	<u>73,671,000</u>	<u>(68,414,000)</u>	<u>636,332,000</u>
Total capital assets, net	\$ <u><u>663,352,000</u></u>	<u><u>128,860,000</u></u>	<u><u>(110,539,000)</u></u>	<u><u>681,673,000</u></u>

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

	<u>Balance</u> <u>June 30, 2001</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2002</u>
Capital assets not depreciated:				
Land	\$ 5,513,000	2,776,000	—	8,289,000
Construction in progress	<u>75,684,000</u>	<u>34,129,000</u>	<u>(85,825,000)</u>	<u>23,988,000</u>
Total capital assets not depreciated	81,197,000	36,905,000	(85,825,000)	32,277,000
Other capital assets:				
Buildings and other improvements	571,230,000	126,652,000	(8,215,000)	689,667,000
Equipment	<u>326,794,000</u>	<u>81,038,000</u>	<u>(12,594,000)</u>	<u>395,238,000</u>
Total other capital assets	898,024,000	207,690,000	(20,809,000)	1,084,905,000
Less accumulated depreciation:				
Buildings and other improvements	(173,109,000)	(44,911,000)	957,000	(217,063,000)
Equipment	<u>(198,434,000)</u>	<u>(45,315,000)</u>	<u>6,982,000</u>	<u>(236,767,000)</u>
Total accumulated depreciation	(371,543,000)	(90,226,000)	7,939,000	(453,830,000)
Other capital assets, net	<u>526,481,000</u>	<u>117,464,000</u>	<u>(12,870,000)</u>	<u>631,075,000</u>
Total capital assets, net	\$ <u><u>607,678,000</u></u>	<u><u>154,369,000</u></u>	<u><u>(98,695,000)</u></u>	<u><u>663,352,000</u></u>

Included in capital asset increases during fiscal year 2002 are approximately \$19,400,000 of capital assets, net of accumulated depreciation related to the merger with the Oregon Graduate Institute. In addition to purchases and retirements of capital assets, increases and decreases include certain reclassifications of construction in progress and other accounts.

(5) Endowments

Pooled endowment accounts, representing bequests with investment restrictions or maturing securities, are pooled on a market value basis. Trust accounts in which OHSU has a remainder interest have been individually recorded at a \$1 nominal value in the investment accounts. The donated value of endowment accounts at June 30, 2003 and 2002, which are included in long-term investments in the accompanying financial statements are as follows:

	<u>2003</u>	<u>2002</u>
Pooled endowments	\$ 102,982,000	95,778,000
Endowment accounts separately invested	<u>10,000</u>	<u>10,000</u>
Institutional total	\$ <u><u>102,992,000</u></u>	<u><u>95,788,000</u></u>

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

(6) **Compensated Absences**

Vacation pay for classified employees is earned at 8 to 19 hours per month, depending on the length of service, with a maximum accrual of 300 hours per employee. Vacation pay for unclassified employees is earned at 14.67 hours per month, with a maximum accrual of 256 hours and a maximum payment upon separation of 250 hours.

Sick leave is recorded as an expenditure when paid. Sick leave for employees is earned at the rate of 8 hours per month with no restrictions on maximum accruals. No liability exists for terminated employees. When an employee retires, one-half of the dollar value of unused accumulated sick leave may be used in computing retirement benefits and is funded each year through the actuarially determined retirement assessment.

(7) **Retirement Plans**

Various pension plans are available for all qualified employees. Most employees participate in the State of Oregon Public Employees Retirement System (PERS), a defined benefit plan. PERS, a multi-employer retirement plan, is administered by the Public Employees Retirement Board (Retirement Board) under the guidelines of Oregon Revised Statutes.

OHSU's total payroll, excluding fringe benefits, for the years ended June 30, 2003 and 2002 was \$453,731,000 and \$420,405,000, respectively. Payroll applicable for employees covered by PERS for the years ended June 30, 2003 and 2002 was \$264,884,000 and \$247,179,000, respectively. PERS collects contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employees' contribution has been assumed and paid by OHSU at the 6% rate set by law. The employer contribution rate is established by the Retirement Board based upon actuarial valuations which are performed once every two years to determine the level of employer contributions.

The State of Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 73, Portland, Oregon 97207-0073.

An employee is considered vested and eligible for retirement benefits if he or she has had a contribution in each of 5 calendar years or has reached at least 50 years of age, before ceasing employment. Eligible members can retire with unreduced benefits at any age with 30 or more years of creditable service. Employees may retire after reaching age 55. Benefits for employees with less than 30 years of service are reduced if retirement occurs prior to age 58 for PERS tier one and age 60 for PERS tier two.

The 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due is presented in the separately issued PERS Comprehensive Annual Financial Report.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

Effective July 1, 1996, OHSU established the University Pension Plan (UPP). The UPP is a defined contribution plan which is available to employees as an alternative to PERS. Employees become fully vested in employer contributions over a four-year period. Contribution levels are determined by the Board of Directors of OHSU. Employer contributions to the plan are 6% of salary and employee contributions are an additional 6%. Currently, OHSU is funding employee contributions.

	2003	2002
PERS:		
Employer contribution	\$ 16,847,000	15,723,000
Employee contribution (1)	15,893,000	14,831,000
	\$ 32,740,000	30,554,000
UPP:		
Employer contribution	\$ 5,944,000	5,046,000
Employee contribution (1)	5,944,000	5,046,000
	\$ 11,888,000	10,092,000

- (1) Of the employees' share, the employer paid \$21,837,000 and \$19,877,000 of PERS and UPP in 2003 and 2002, respectively.

The Foundations have defined contribution plans for substantially all employees. The plans are funded through the purchase of a group annuity contract with an insurance company in an amount equal to 12% of eligible compensation. Contributions are fully vested after five years. The Foundations contributed \$436,000 and \$388,000 for the purchase of retirement annuities during the year ended June 30, 2003 and 2002, respectively.

(8) Long-Term Debt and Capital Leases

(a) Debt Service Payment Agreement (DSPA)

In connection with OHSU becoming an independent public corporation, OHSU entered into a DSPA dated July 1, 1995 with OUS. The terms of the DSPA call for OHSU to pay to OUS the debt service costs for debt issued prior to July 1, 1995 for which OHSU received the proceeds. The 1995 Act, which established OHSU as an independent public corporation, required that OUS and OHSU establish, in a written agreement, the responsibility of OHSU for the payment to OUS of amounts sufficient to pay when due all principal, interest, and any other charges on bonds, certificates of participation, financing agreements, or other agreements for the borrowing of money issued prior to the effective date of the 1995 Act for equipment or projects for OHSU. Payment under the terms of the DSPA by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

On August 7, 1997, OUS issued 1997 Series D and E Refunding Bonds. These bonds partially refunded OUS Series 1994A and 1992C bonds that are part of the DSPA with OHSU. OHSU's portion of the proceeds raised under the 1997 OUS issuance are recorded as funds held by trustee to cover debt obligations through August 2005.

During fiscal year 2003, OUS issued 2002A Refunding Bonds. These bonds fully refunded OUS Series 1992B Bonds and partially refunded Series 1995A Bonds. These two series were part of the DSPA with OHSU. OHSU's portion of the proceeds raised under the 2002A OUS issuance were deposited to a trustee account to pay the two series at their call dates. Series 1992B was paid in December 2002 and the refunded portion of Series 1995A will be paid in March 2005. OHSU has recorded funds held by trustee and a corresponding liability in long-term debt, bonds of \$2,301,000 as of June 30, 2003.

(b) Bonds Payable

During fiscal year 1996, OHSU issued Insured Revenue Bonds Series A and B (1995 Revenue Bonds) for the purpose of construction and rehabilitation of facilities, the acquisition of equipment, and to refund a portion of the DSPA and, to fund a debt service reserve account and to pay certain costs of issuance of the 1995 Revenue Bonds. The 1995 Revenue Bonds mature beginning July 1, 1996 through July 1, 2028 and require semi-annual interest payments at 3.60% to 5.75%. The 1995 Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenue. Pursuant to the Oregon Uniform Revenue Bond Act, the 1995 Revenue Bonds are not general obligations of OHSU and are payable solely from the revenue pledged.

During fiscal year 1999, OHSU issued Insured Revenue Bonds Series A and B (1998 Revenue Bonds) for the purpose of construction and rehabilitation of facilities and the acquisition of equipment, to fund a debt service reserve account and to pay certain costs of the issuance of the bonds. The 1998 Series A Revenue Bonds mature beginning July 1, 2001 through July 1, 2020 and the Series B Revenue Bonds mature beginning July 1, 2020 through July 1, 2028, and require interest payments every 35 days. The interest rate is variable and is adjusted every 35 days. The rate was 1.10% and 1.42% at June 30, 2003 and 2002, respectively. The 1998 Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 1998 Revenue Bonds are not general obligations of OHSU and are payable solely from revenue pledged.

During fiscal year 2003, OHSU issued Insured Revenue Bonds Series A and B (2002 Revenue Bonds) for the purpose of construction and rehabilitation of facilities, the acquisition of equipment, to fund a debt service reserve account and to pay certain costs of issuance of the 2002 Revenue Bonds. The 2002 Series A Revenue Bonds mature beginning July 1, 2007 through July 1, 2032, and require semi-annual interest payments at 3.00% to 5.00%. The 2002 Series B Revenue Bonds mature on July 1, 2032 and require interest payments every 35 days. The variable interest rate is adjusted every 35 days and was 1.04% at June 30, 2003. Both the Series A and the Series B Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2002 Revenue Bonds are not general obligations of OHSU and are payable solely from revenue pledged.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

Under the terms of the 1995, 1998 and 2002 Revenue Bonds, OHSU is required to maintain funds held by a trustee for reserve requirements in amounts sufficient to pay specified principal and interest payments. The indenture and other loan agreements contain, among other things, provisions placing restrictions on additional borrowings and leases and require the maintenance of a debt service coverage ratio of a minimum of 1.50.

In calendar year 1988, OGI and the City of Hillsboro, Oregon (the City) entered into an agreement whereby the City issued \$4,350,000 of City of Hillsboro, Oregon, Variable Rate Demand revenue Bonds (1988 Bonds). The proceeds were used by OGI to finance construction of educational facilities and certain other previous capital expenditures. The 1988 Bonds mature on June 1, 2009.

In calendar year 1992, the City issued \$18,600,000 of City of Hillsboro, Oregon, Variable Rate Higher Education Revenue Bonds (1992 Bonds). The proceeds were used to construct and renovate buildings and make other site improvements on OGI's campus. The 1992 Bonds mature on August 1, 2011.

Payment of the 1988 and 1992 Bonds are guaranteed by letters of credit issued by Comerica Bank-California (the Reimbursement Agreement). The 1988 and 1992 Bonds bear interest at a variable rate, which is determined, based on prevailing market conditions (1.05% at June 30, 2003). The Reimbursement Agreement requires that the fair value of OHSU's investment collateral exceed 140% of the bonds payable balance.

Long-term debt and capital leases at June 30, 2003 and 2002 are as follows:

	2003	2002
Debt Service Payment Agreement	\$ 61,345,000	64,751,000
Bonds Payable, Revenue Bonds, Series 2002	249,702,000	—
Bonds Payable, Revenue Bonds, Series 1995 A & B	194,900,000	197,457,000
Bonds Payable, Revenue Bonds, Series 1998 A & B	103,600,000	105,500,000
Bonds Payable, Revenue Bonds, Series 1988	3,000,000	3,350,000
Bonds Payable, Revenue Bonds, Series 1992	8,300,000	9,200,000
Line of credit	—	9,800,000
Capital leases	5,232,000	5,714,000
Less current portion of debt and capital leases	(10,673,000)	(12,669,000)
Less line of credit	—	(9,800,000)
	\$ 615,406,000	373,303,000

Amounts due under the DSPA and the 1995 Revenue Bonds are included in long-term debt in the accompanying financial statements, net of unamortized discount of \$3,827,000 and \$3,782,000 and net of accreted interest of \$27,055,000 and \$24,784,000 as of June 30, 2003 and 2002, respectively.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

Scheduled principal and interest repayments under the DSPA and the various revenue bond obligations are as follows:

	Principal	Interest	Total
Years ending June 30:			
2004	\$ 10,138,000	24,139,000	34,277,000
2005	21,567,000	22,759,000	44,326,000
2006	11,493,000	22,181,000	33,674,000
2007	11,510,000	21,883,000	33,393,000
2008	13,173,000	21,507,000	34,680,000
2009-2013	65,589,000	106,761,000	172,350,000
2014-2018	72,650,000	107,337,000	179,987,000
2019-2023	77,860,000	108,151,000	186,011,000
2024-2028	138,324,000	52,374,000	190,698,000
2029-2033	175,315,000	20,513,000	195,828,000
	\$ 597,619,000	507,605,000	1,105,224,000

The cost of obtaining debt is deferred and amortized over the term of the related debt.

(c) **Capital Leases**

OHSU has entered into agreements for the lease of certain equipment, property, and improvements. Future minimum lease payments under these agreements are as follows:

Year ending June 30:	
2004	\$ 1,045,000
2005	999,000
2006	999,000
2007	998,000
2008	998,000
2009-2012	2,445,000
	7,484,000
Less amount representing interest	(2,252,000)
	5,232,000
Less current portion	(528,000)
	\$ 4,704,000

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

(d) Changes in Long-Term Liabilities

Changes in OHSU's total long-term liabilities during the fiscal years ended June 30, 2003 and 2002 are summarized below:

	Balance June 30, 2002	Increases	Decreases	Balance June 30, 2003
Liability for self-funded insurance programs	\$ 23,936,000	4,535,000	(5,831,000)	22,640,000
Long-term debt, bonds	368,076,000	250,000,000	(7,374,000)	610,702,000
Long-term debt, capital leases	5,227,000	—	(523,000)	4,704,000
	\$ 397,239,000	254,535,000	(13,728,000)	638,046,000
	Balance June 30, 2001	Increases	Decreases	Balance June 30, 2002
Liability for self-funded insurance programs	\$ 14,870,000	13,832,000	(4,766,000)	23,936,000
Long-term debt, bonds	363,147,000	18,038,000	(13,109,000)	368,076,000
Long-term debt, capital leases	5,833,000	—	(606,000)	5,227,000
	\$ 383,850,000	31,870,000	(18,481,000)	397,239,000

Included in increases in long-term liabilities for fiscal year 2002 are approximately \$12,550,000 of long-term bonds related to the merger with the Oregon Graduate Institute. In addition to borrowings and payments of principal, increases and decreases include certain reclassifications to current portion of long-term liabilities.

(9) Line of Credit

On April 30, 2003, OHSU amended the revolving credit agreement with Wells Fargo Bank for purposes of providing credit to OHSU. The amount of the line of credit is \$25,000,000 and the rate is variable, based on LIBOR or the Bank's prime rate. The interest rate as of June 30, 2003 is 3.03%. The agreement may be renewed annually and interest is payable monthly. The line of credit is included in current portion of debt in the accompanying statements of financial position.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

A summary of line of credit activity for the years ended June 30, 2003 and 2002 is as follows:

	2003	2002
Beginning balance	\$ 9,800,000	—
Amount issued during fiscal year	103,464,000	20,300,000
Amount repaid during fiscal year	(113,264,000)	(10,500,000)
Amount outstanding as of June 30, 2003 and 2002	\$ —	9,800,000

The following summarizes the use of borrowings under the line of credit for the years ended June 30, 2003 and 2002:

	2003	2002
Capital additions	\$ —	9,500,000
Working capital requirements	103,464,000	10,800,000
Total amount issued during fiscal year	\$ 103,464,000	20,300,000

(10) Life Income Fund – Annuities

Assets contributed as life income agreements are recorded at their fair value. The present value of the estimated future payments to beneficiaries of annuity agreements is recorded as a liability. The present values of these estimated payments were determined on the basis of published actuarial factors for the ages of the respective annuity beneficiaries. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as donations in the year established.

Life income contributions, included in gifts, grants, and contracts in the accompanying statements of revenues, expenses, and changes in net assets are as follows for the fiscal years ended June 30, 2003 and 2002:

	2003			2002		
	Agreements	Contributions	Liability	Agreements	Contributions	Liability
Charitable remainder unitrusts	1	\$ 2,000	—	9	\$ 3,282,000	—
Charitable remainder trust	3	311,000	199,000	1	502,000	266,000
Charitable gift annuities	37	2,237,000	1,253,000	13	557,000	323,000
Life estate agreements	1	103,000	—	—	—	—
Totals	42	\$ 2,653,000	1,452,000	23	\$ 4,341,000	589,000

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

The assets and corresponding liabilities related to life income financial instruments are included in long-term investments and the annuity payment liability in the accompanying statements of financial position. Total life income financial instruments held at June 30, 2003 and 2002 are as follows:

	2003			2002		
	Agreements	Fair value	Liability	Agreements	Fair value	Liability
Charitable remainder unitrusts	68	\$ 12,935,000	—	69	\$ 15,195,000	—
Charitable gift annuity trusts	14	3,480,000	2,668,000	13	3,198,000	2,205,000
Charitable gift annuities	123	4,185,000	3,558,000	86	3,831,000	2,459,000
Life estate agreements	5	1,064,000	—	4	961,000	—
Pooled income accounts	3	53,000	—	3	52,000	—
Totals	213	\$ 21,717,000	6,226,000	175	\$ 23,237,000	4,664,000

Twelve of the 123 charitable gift annuities have been insured with insurance carriers in order to reduce liability exposure. Under the reinsurance contracts, the future beneficiary payments are paid by the insurance carrier.

(11) Funds Held in Trust by Others (Unaudited)

Funds held in trust by others, for which OHSU is an income beneficiary, are not recorded in the financial statements. The approximate value of such trusts was \$7,446,000 and \$7,528,000 on June 30, 2003 and 2002, respectively.

The Foundations are the named beneficiaries of fifteen trusts held by outside trustees. The reported fair market value of trust assets held by others was \$10,790,000 and \$11,127,000 as of June 30, 2003 and 2002, respectively. These assets are recorded as contributions as trust distributions occur. Trust distributions of \$469,000 and \$466,000 were recorded as contributions during the fiscal years ended June 30, 2003 and 2002, respectively.

(12) Fair Value of Financial Instruments

The estimated fair value of certain financial instruments is reflected in the accompanying statements of financial position in the following manner. The carrying amount of cash and cash equivalents, accounts payable, and accrued expenses and payable to contractual agencies approximates fair value of these financial instruments. Fair values of investments are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Short-term investments and funds held by trustee consist primarily of cash, short-term investments, and interest receivable all of which carrying value approximates fair value.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

The fair value of long-term debt is shown below. It is estimated using interest rates as of June 30, 2003 and 2002 that OHSU would receive on essentially risk-free assets sufficient to extinguish the obligation as an in-substance defeasance of debt.

	2003		2002	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	\$ 620,847,000	660,543,000	380,258,000	376,274,000

(13) Pledges and Estates Receivables

The Foundation had the following pledges and estates receivable as of June 30, 2003 and 2002:

	2003	2002
Pledges maturing within 1 year	\$ 7,817,000	8,929,000
Pledges maturing within 2-6 years	18,323,000	19,326,000
	26,140,000	28,255,000
Less allowance for uncollectible pledges	(1,307,000)	(1,413,000)
	24,833,000	26,842,000
Less discount for net present value	(943,000)	(2,293,000)
Total net pledges receivable	23,890,000	24,549,000
Estates receivable	6,338,000	5,137,000
Less allowance for uncollectible estates	(317,000)	(256,000)
Total net estates receivable	6,021,000	4,881,000
Total pledges and estates receivable	\$ 29,911,000	29,430,000

(14) Commitments and Contingencies

(a) Liability for Self-Funded Insurance Programs

OHSU is self insured for various risks of loss related to torts (including malpractice); theft, damage, and destruction of assets; errors and omissions; and injuries to employees through a wholly owned captive insurance company. Insurance coverage in excess of self-insured levels is carried through outside excess commercial insurers and re-insurers. Self-insured professional and general liability retention in both 2003 and 2002 were \$1,000,000 per occurrence and the aggregate limit was \$8,500,000 and \$4,000,000 in 2003 and 2002, respectively. OHSU has contracted with independent actuaries to estimate the ultimate costs of settlement related to these claims. The liability for self-funded insurance programs have been recorded at the actuarially determined 75% confidence level and have been discounted at 5% in 2003 and 2002 and, in management's opinion, provide an adequate reserve for loss contingencies.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

(b) *Unemployment Compensation*

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to Oregon Revised Statutes. Actual benefits paid by OHSU are reimbursed to the State's Unemployment Compensation Trust Fund. Each year resources are budgeted to pay current charges. The amount of future benefit payments to claimants and the resulting liability to OHSU have been reflected as a liability in the accompanying financial statements.

(c) *Labor Organizations*

Approximately 12% of OHSU's employees are nurses represented by the Oregon Nurses Association (ONA). Approximately 31% of OHSU's employees are represented by the American Federation of State, County, and Municipal Employees (AFSCME), for total of 43% of OHSU's employees being represented by labor organizations. OHSU's contract with ONA expires on September 30, 2004 and the current contract with AFSCME expires on June 30, 2005.

(d) *Construction Contracts*

OHSU had outstanding commitments on unexpended construction contracts totaling approximately \$2,849,000 and \$2,170,000 at June 30, 2003 and 2002, respectively. These commitments will be primarily funded from gifts and grants, and other University accounts.

(e) *Legal Proceedings*

The health care industry and academic medical centers are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, laws and regulations related to licensure, accreditation, government health program participation reimbursement for patients services, Medicare and Medicaid fraud and abuse; and laws and regulations governing the conduct of federally funded research, research involving human and animal subjects, and other facets of research. Government monitoring and enforcement activity has increased with respect to possible violations of fraud and abuse laws and regulations, and other laws and regulations applicable to health care providers and health care institutions, including academic medical centers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties and repayments for patient services previously billed. Management believes OHSU is in compliance with applicable fraud and abuse laws and regulations, as well as other applicable government laws and regulations. OHSU's compliance with the referenced laws and regulations may be subject to current or future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2003 and 2002

OHSU is involved in litigation and regulatory investigations arising in the normal course of business. During the past several years, OHSU has been subject to several federal health care audits which are national initiatives targeting large numbers of hospitals and academic medical centers. In addition, government agencies have issued subpoenas or conducted post-payment reviews concerning specific OHSU billing practices, including OHSU Hospital lab unbundling and billing for facility-based fees associated with resident-provided outpatient psychiatric services. OHSU has responded to these audits, subpoenas, and reviews and continues to do so. After consultation with legal counsel, and to the best of management's knowledge and belief, it estimates that regular post-payment reviews are likely to be resolved without material adverse effect on OHSU's financial position or results of operations.

(f) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases, with the related rentals charged to operations as incurred.

Rental expenses under operating leases were approximately \$6,605,000 and \$7,377,000 in 2003 and 2002, respectively. The following is a schedule of future minimum rental commitments under operating leases as of June 30, 2003, that have initial or remaining lease terms in excess of one year.

Year ended June 30:	
2004	\$ 6,304,000
2005	5,812,000
2006	4,451,000
2007	4,370,000
2008	2,863,000
2009-2013	7,488,000
2014-2018	87,000
	<hr/>
	\$ 31,375,000
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(15) Oregon Opportunity Grant

During fiscal 2003, the Oregon State Legislature approved the Oregon Opportunity Act, which authorized the State to provide \$200,000,000 to OHSU by issuing general obligation bonds. The State and OHSU executed a grant agreement whereby the proceeds of this bond offering would be conveyed to OHSU to be used for qualifying capital and non-capital expenditures under the Oregon Opportunity program.

OHSU received the first disbursement of Oregon Opportunity grant funds in the amount of approximately \$93,650,000 during the fiscal year ended June 30, 2003. OHSU has recognized approximately \$37,100,000 of revenue on this grant, which is included in gifts, grants and contracts in the accompanying statement of revenues, expenses and changes in net assets in accordance with GASB 33. The remaining unexpended grant proceeds of approximately \$56,550,000 have been recorded as deferred revenue in the statement of financial position until such time as qualifying expenditures have been incurred.

OREGON HEALTH & SCIENCE UNIVERSITY

OMB Circular A-133
EIN No. 93-1176109

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Catalog of Federal Domestic

Assistance Number	Federal grantor	Program title	Expenditures
Research and Development Awards:			
Direct Federal Awards:			
10.206	Department of Agriculture	<i>Grants for Agricultural Research-Competitive Research Grants</i>	\$ 65,371
	Department of Agriculture Total		65,371
11.440	U.S. Dept of Commerce	<i>Environmental Sciences, Applications, Data and Education</i>	54,903
11.455	U.S. Dept of Commerce	<i>Cooperative Science and Education Program</i>	312,336
11.xxx	U.S. Dept of Commerce	<i>U.S. Dept of Commerce</i>	158,647
	Department of Commerce Total		525,886
12.300	Department of Defense	<i>Basic and Applied Scientific Research</i>	1,582,688
12.420	Department of Defense	<i>Military Medical Research & Development</i>	614,647
12.599	Department of Defense	<i>Department of Defense</i>	911,376
12.910	Department of Defense	<i>Research and Technology Development</i>	1,617,621
12.xxx	Department of Defense	<i>Department of Defense</i>	2,635,198
	Department of Defense Total		7,361,530
15.504	Department of the Interior	<i>Water Reclamation and Reuse Program</i>	55,616
15.621	Department of the Interior	<i>Asian Elephant Conservation</i>	3,033
15.808	Department of the Interior	<i>US Geological Survey-Research and Data Acquisition</i>	632,790
15.xxx	Department of the Interior	<i>Department of the Interior</i>	417,002
	Department of the Interior Total		1,108,441
16.xxx	Department of Justice	<i>Department of Justice</i>	69,497
	Department of Justice Total		69,497
17.xxx	Department of Labor	<i>Department of Labor</i>	128,362
	Department of Labor Total		128,362
47.041	National Science Foundation	<i>Engineering Grants</i>	56,797
47.050	National Science Foundation	<i>Geosciences</i>	22,465
47.070	National Science Foundation	<i>Computer and Information Science and Engineering</i>	3,390,925
47.074	National Science Foundation	<i>Biological Sciences</i>	815,265
47.075	National Science Foundation	<i>Social, Behavioral and Economic Sciences</i>	32,286
47.077	National Science Foundation	<i>National Science Foundation</i>	2,527
47.xxx	National Science Foundation	<i>National Science Foundation</i>	15,847
	National Science Foundation Total		4,336,112
53.001	Department of Labor	<i>Department of Labor</i>	344,924
	Department of Labor Total		344,924

OREGON HEALTH & SCIENCE UNIVERSITY

OMB Circular A-133
EIN No. 93-1176109

Schedule of Expenditures of Federal Awards
Year ended June 30, 2003

Catalog of Federal Domestic

<u>Assistance Number</u>	<u>Federal grantor</u>	<u>Program title</u>	<u>Expenditures</u>
64.xxx	Department of Veteran's Affairs	<i>Department of Veteran's Affairs</i>	\$ 118,987
	Department of Veteran's Affairs Total		118,987
66.500	U.S. Environmental Protection Agency	<i>Environmental Protection - Consolidated Research</i>	59,042
66.606	U.S. Environmental Protection Agency	<i>Surveys, Studies, Investigations and Special Purpose Grants</i>	33,675
66.xxx	U.S. Environmental Protection Agency	<i>U.S. Environmental Protection Agency</i>	16,634
	U.S. Environmental Protection Agency Total		109,351
81.049	Department of Energy	<i>Office of Science Financial Assistance Program</i>	59,016
81.064	Department of Energy	<i>Office of Scientific and Technical Information</i>	53,826
81.xxx	Department of Energy	<i>Department of Energy</i>	5,702
	Department of Energy Total		118,544
84.024	Department of Education	<i>Department of Education</i>	34,666
84.116	Department of Education	<i>Fund for the Improvement of Postsecondary Education</i>	346,268
84.133	Department of Education	<i>National Institute on Disability and Rehabilitation Research</i>	1,971,475
84.324	Department of Education	<i>Special Education - Research and Innovation to Improve Services and Results for Children with Disabilities</i>	1,122,987
84.333	Department of Education	<i>Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education</i>	184,300
	Department of Education Total		3,659,696
93.048	Department of Health and Human Services	<i>Special Programs for the Aging, Title IV and Title II Discretionary Projects</i>	265,423
93.104	Department of Health and Human Services	<i>Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances</i>	55,950
93.107	Department of Health and Human Services	<i>Model State - Supported Area Health Education Centers</i>	450,700
93.110	Department of Health and Human Services	<i>Maternal and Child Health Federal Consolidated Programs</i>	1,265,436
93.113	Department of Health and Human Services	<i>Biological Response to Environmental Health Hazards</i>	4,119,394
93.115	Department of Health and Human Services	<i>Biometry and Risk Estimation</i>	426,318
93.121	Department of Health and Human Services	<i>Oral Diseases and Disorders Research</i>	1,620,971
93.136	Department of Health and Human Services	<i>Injury Prevention and Control Research</i>	267,000
93.172	Department of Health and Human Services	<i>Human Genome Research</i>	65,061
93.173	Department of Health and Human Services	<i>Research Related to Deafness and Communication Disorders</i>	4,868,821
93.186	Department of Health and Human Services	<i>National Research Service Awards</i>	121,148
93.189	Department of Health and Human Services	<i>Health Education and Training Centers</i>	50,937
93.191	Department of Health and Human Services	<i>Allied Health Special Projects</i>	13,113
93.192	Department of Health and Human Services	<i>Quentin N. Burdick Programs for Rural Interdisciplinary Training</i>	113,058
93.213	Department of Health and Human Services	<i>Research & Training in Complementary and Alternative Medicine</i>	2,458,845
93.214	Department of Health and Human Services	<i>Department of Health and Human Services</i>	109,728
93.225	Department of Health and Human Services	<i>National Research Service Awards Health Services Research Training</i>	200,531
93.226	Department of Health and Human Services	<i>National Research Service Awards Health Services Research Training</i>	1,112,391
93.230	Department of Health and Human Services	<i>Consolidated Knowledge Development & Application Program</i>	1,581,455

OREGON HEALTH & SCIENCE UNIVERSITY

OMB Circular A-133
EIN No. 93-1176109

Schedule of Expenditures of Federal Awards
Year ended June 30, 2003

Catalog of Federal Domestic

Assistance Number	Federal grantor	Program title	Expenditures
93.241	Department of Health and Human Services	<i>State Rural Hospital Flexibility Program</i>	\$ 678,950
93.242	Department of Health and Human Services	<i>Mental Health Research Grants</i>	4,377,649
93.247	Department of Health and Human Services	<i>Advanced Education Nursing Grant Program</i>	946,972
93.253	Department of Health and Human Services	<i>Poison Control Stabilization and Enhancement Grants</i>	302,402
93.259	Department of Health and Human Services	<i>Rural Access to Emergency Devices Grant</i>	22,548
93.262	Department of Health and Human Services	<i>Occupational Safety and Health Research</i>	734,876
93.271	Department of Health and Human Services	<i>Alcohol Research Career Development Awards for Scientists and Clinicians</i>	106,584
93.272	Department of Health and Human Services	<i>Alcohol National Research Service Awards for Research Training</i>	510,017
93.273	Department of Health and Human Services	<i>Alcohol Research Programs</i>	3,989,397
93.277	Department of Health and Human Services	<i>Career Development Awards</i>	1,086
93.278	Department of Health and Human Services	<i>Drug Abuse National Research Service Awards for Research Training</i>	405,909
93.279	Department of Health and Human Services	<i>Drug Abuse Research Programs</i>	6,803,287
93.281	Department of Health and Human Services	<i>Mental Health Research Career/Scientist Development Awards</i>	131,244
93.282	Department of Health and Human Services	<i>Mental Health National Research Service Awards for Research Training</i>	96,616
93.283	Department of Health and Human Services	<i>CDCP Investigations and Technical Assistance</i>	336,274
93.287	Department of Health and Human Services	<i>Bioengineering Research</i>	318,058
93.298	Department of Health and Human Services	<i>Department of Health and Human Services</i>	30,681
93.301	Department of Health and Human Services	<i>Small Rural Hospital Improvement Grants</i>	215,318
93.306	Department of Health and Human Services	<i>Comparative Medicine</i>	12,330,734
93.333	Department of Health and Human Services	<i>Clinical Research</i>	4,841,409
93.358	Department of Health and Human Services	<i>Advanced Education Nursing Traineeships</i>	107,689
93.359	Department of Health and Human Services	<i>Nurse Education, Practice and Retention Grants</i>	286,865
93.361	Department of Health and Human Services	<i>Nursing Research</i>	2,737,223
93.371	Department of Health and Human Services	<i>Biomedical Technology</i>	545,900
93.389	Department of Health and Human Services	<i>Research Infrastructure</i>	534,514
93.390	Department of Health and Human Services	<i>Department of Health and Human Services</i>	8,850
93.393	Department of Health and Human Services	<i>Cancer Cause and Prevention Research</i>	3,667,594
93.394	Department of Health and Human Services	<i>Cancer Detection and Diagnosis Research</i>	560,295
93.395	Department of Health and Human Services	<i>Cancer Treatment Research</i>	1,596,237
93.396	Department of Health and Human Services	<i>Cancer Biology Research</i>	2,612,715
93.397	Department of Health and Human Services	<i>Cancer Centers Support Grants</i>	1,399,175
93.398	Department of Health and Human Services	<i>Cancer Research Manpower</i>	956,329
93.399	Department of Health and Human Services	<i>Cancer Control</i>	28,977
93.604	Department of Health and Human Services	<i>Assistance to Torture Victims</i>	446,081
93.631	Department of Health and Human Services	<i>Developmental Disabilities Projects of National Significance</i>	426,066
93.632	Department of Health and Human Services	<i>Universities Centers for Excellence in Developmental Disabilities Education, Research, and Service</i>	324,982
93.779	Department of Health and Human Services	<i>CMS Research, Demonstration and Evaluations</i>	125,516
93.821	Department of Health and Human Services	<i>Cell Biology and Biophysics Research</i>	2,266,893
93.824	Department of Health and Human Services	<i>Basic/Core Area Health Education Centers</i>	63
93.837	Department of Health and Human Services	<i>Heart and Vascular Diseases Research</i>	8,072,563
93.838	Department of Health and Human Services	<i>Lung Diseases Research</i>	1,245,872

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93.839	Department of Health and Human Services	<i>Blood Diseases and Resources Research</i>	\$ 3,298,110
93.846	Department of Health and Human Services	<i>Arthritis, Musculoskeletal and Skin Diseases Research</i>	2,273,035
93.847	Department of Health and Human Services	<i>Diabetes, Endocrinology and Metabolism Research</i>	8,433,767
93.848	Department of Health and Human Services	<i>Digestive Diseases and Nutrition Research</i>	2,823,597
93.849	Department of Health and Human Services	<i>Kidney Diseases, Urology and Hematology Research</i>	2,146,224
93.853	Department of Health and Human Services	<i>Extramural Research Projects in the Neurosciences and Neurological Disorders</i>	9,932,084
93.854	Department of Health and Human Services	<i>Biological Basis Research in the Neurosciences</i>	3,911,645
93.855	Department of Health and Human Services	<i>Allergy, Immunology and Transplantation Research</i>	1,925,132
93.856	Department of Health and Human Services	<i>Microbiology and Infectious Diseases Research</i>	7,276,466
93.859	Department of Health and Human Services	<i>Pharmacology, Physiology and Biological Chemical Research</i>	1,491,882
93.862	Department of Health and Human Services	<i>Genetics and Developmental Biology Research</i>	2,706,628
93.864	Department of Health and Human Services	<i>Population Research</i>	4,915,856
93.865	Department of Health and Human Services	<i>Center for Research for Mothers and Children</i>	4,634,453
93.866	Department of Health and Human Services	<i>Aging Research</i>	5,286,922
93.867	Department of Health and Human Services	<i>Vision Research</i>	11,269,558
93.879	Department of Health and Human Services	<i>Medical Library Assistance</i>	825,134
93.880	Department of Health and Human Services	<i>Department of Health and Human Services</i>	27,910
93.884	Department of Health and Human Services	<i>Grants for Residency Training in General Internal Medicine and/or General Pediatrics</i>	100,438
93.886	Department of Health and Human Services	<i>Department of Health and Human Services</i>	144,510
93.891	Department of Health and Human Services	<i>Alcohol Research Center Grants</i>	1,906,907
93.895	Department of Health and Human Services	<i>Grants for Faculty Development in Family Medicine</i>	9,328
93.896	Department of Health and Human Services	<i>Predoctoral Training in Primary Care</i>	139,988
93.913	Department of Health and Human Services	<i>Grants to States for Operation of Offices of Rural Health</i>	104,306
93.924	Department of Health and Human Services	<i>Ryan White HIV/AIDS Dental Reimbursements</i>	122,902
93.929	Department of Health and Human Services	<i>Center for Medical Rehabilitation Research</i>	44,242
93.934	Department of Health and Human Services	<i>Fogarty International Research Collaboration Award</i>	131,748
93.969	Department of Health and Human Services	<i>Geriatric Education Centers</i>	213,255
93.989	Department of Health and Human Services	<i>Senior International Fellowships</i>	387,675
93.xxx	Department of Health and Human Services	<i>Department of Health and Human Services</i>	850,184
	Department of Health and Human Services Total		161,630,576
94.007	Corporation for National Service	<i>Planning and Program Development Grants</i>	300,864
	Corporation for National Service Total		300,864
	Total Direct Federal Awards - Research and Development Awards		\$ 179,878,141

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Pass-Through Federal Awards:			
93.856	Department of Health and Human Services	<i>Microbiology and Infectious Diseases Research</i>	\$ 19,731
		Aaron Diamond AIDS Research Center Total	19,731
93.849	Department of Health and Human Services	<i>Kidney Diseases, Urology and Hematology Research</i>	182,592
		Albert Einstein College of Medicine of Yeshiva University Total	182,592
93.395	Department of Health and Human Services	<i>Cancer Treatment Research</i>	107
		Allegheny Health Education and Research Fund Total	107
93.838	Department of Health and Human Services	<i>Lung Diseases Research</i>	26
		Alpha One Foundation Total	26
02.001	U.S. Agency for International Development	<i>U.S. Agency for International Development</i>	61,056
		American International Health Alliance Total	61,056
93.279	Department of Health and Human Services	<i>Drug Abuse Research Programs</i>	48,270
		Arizona State University Total	48,270
93.xxx	Department of Health and Human Services	<i>Department of Health and Human Services</i>	358,802
		Association of Teachers of Preventive Medicine Total	358,802
93.837	Department of Health and Human Services	<i>Heart and Vascular Diseases Research</i>	12
		Axio Research Corporation Total	12
12.xxx	Department of Defense	<i>Department of Defense</i>	38,222
66.500	Environmental Protection Agency	<i>Environmental Protection Consolidated Research</i>	33,167
93.396	Department of Health and Human Services	<i>Cancer Biology Research</i>	18,532
		Battelle Memorial Institute Total	89,921
12.420	Department of Defense	<i>Military Medical Research & Development</i>	66,304
		Baylor College of Medicine Total	66,304
93.273	Department of Health and Human Services	<i>Alcohol Research Programs</i>	255,475
		Behavioral Health Research Center of the SW Total	255,475
93.853	Department of Health and Human Services	<i>Extramural Research Programs in the Neurosciences and Neurological Disorders</i>	34,623
		Beth Israel Medical Center Total	34,623

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93.899	Department of Health and Human Services	<i>Department of Health and Human Services</i>	\$ 3,072
		Cancer Research and Biostatistics Total	3,072
93.395	Department of Health and Human Services	<i>Cancer Treatment Research</i>	15,070
		Cancer Therapy and Research Foundation of So. Texas Total	15,070
93.395	Department of Health and Human Services	<i>Cancer Treatment Research</i>	33,318
		Cancer Therapy Research Foundation Total	33,318
93.839	Department of Health and Human Services	<i>Blood Diseases and Resources Research</i>	45,026
		Case Western Reserve University Total	45,026
93.849	Department of Health and Human Services	<i>Kidney Diseases, Urology and Hematology Research</i>	20,493
93.856	Department of Health and Human Services	<i>Microbiology and Infectious Diseases Research</i>	39,512
		Children's Hospital and Regional Medical Center Total	60,005
93.395	Department of Health and Human Services	<i>Cancer Treatment Research</i>	14,278
		Childrens Hospital Los Angeles Total	14,278
47.041	National Science Foundation	<i>Engineering Grants</i>	285,689
		Cornell University Total	285,689
93.173	Department of Health and Human Services	<i>Research Related to Deafness and Communication Disorders</i>	12,102
		Creighton University School of Medicine Total	12,102
47.074	National Science Foundation	<i>Biological Sciences</i>	16,183
93.395	Department of Health and Human Services	<i>Cancer Treatment Research</i>	1,283
93.866	Department of Health and Human Services	<i>Aging Research</i>	30,233
		Duke University Medical Center Total	47,699
93.837	Department of Health and Human Services	<i>Heart and Vascular Diseases Research</i>	791
		EKOS Corporation Total	791
93.853	Department of Health and Human Services	<i>Extramural Research Programs in the Neurosciences and Neurological Disorders</i>	5,086
		Emory University Total	5,086
93.361	Department of Health and Human Services	<i>Nursing Research</i>	15,256
		Fox Chase Cancer Center Total	15,256

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93.879	Department of Health and Human Services	<i>Medical Library Assistance</i>	\$ 35,493
		George Mason University Total	35,493
12.910	Department of Defense	<i>Research and Technology Development</i>	73,571
84.133	Department of Education	<i>National Institute on Disability and Rehabilitation Research</i>	4,994
		Georgia Institute of Technology Total	78,565
12.xxx	Department of Defense	<i>Department of Defense</i>	64,172
		GeoSyntec Consultants Total	64,172
93.395	Department of Health and Human Services	<i>Cancer Treatment Research</i>	6,673
		Gynecologic Oncology Group Total	6,673
93.xxx	Department of Health and Human Services	<i>Department of Health and Human Services</i>	160,314
		Harvard University Total	160,314
93.779	Department of Health and Human Services	<i>CMS Research, Demonstration and Evaluations</i>	125,618
		Health and Disability Advocates Total	125,618
93.279	Department of Health and Human Services	<i>Drug Abuse Research Program</i>	29,223
		Human BioMolecular Research Inst, Inc. Total	29,223
12.420	Department of Defense	<i>Military Medical Research & Development</i>	11,658
		iSense Total	11,658
11.612	U.S. Dept of Commerce	<i>Advanced Technology Program</i>	6,356
		ISTO Technologies	6,356
93.867	Department of Health and Human Services	<i>Vision Research</i>	2,450
		Jaeb Center for Health Research Total	2,450
93.865	Department of Health and Human Services	<i>Center for Research for Mothers and Children</i>	49,347
		Joan & Sanford I. Weill Medical College Total	49,347
93.xxx	Department of Health and Human Services	<i>Department of Health and Human Services</i>	243
		John Wayne Cancer Institute Total	243
93.853	Department of Health and Human Services	<i>Extramural Research Projects in the Neurosciences and Neurological Disorders</i>	39,140
93.867	Department of Health and Human Services	<i>Vision Research</i>	86,624
		Johns Hopkins University Total	125,764

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93.273	Department of Health and Human Services	<i>Alcohol Research Programs</i>	\$ 303,053
93.283	Department of Health and Human Services	<i>CDCP Investigations and Technical Assistance</i>	21,116
93.837	Department of Health and Human Services	<i>Heart and Vascular Diseases Research</i>	28,379
93.838	Department of Health and Human Services	<i>Lung Diseases Research</i>	79,205
93.849	Department of Health and Human Services	<i>Kidney Diseases, Urology and Hematology Research</i>	98,504
93.865	Department of Health and Human Services	<i>Center for Research for Mothers and Children</i>	13,190
93.867	Department of Health and Human Services	<i>Vision Research</i>	110,379
		Kaiser Foundation Hospitals Center Total	653,826
93.864	Department of Health and Human Services	<i>Population Research</i>	2,192
		Kent State University Total	2,192
93.173	Department of Health and Human Services	<i>Research Related to Deafness and Communication Disorders</i>	63,266
		Massachusetts Eye and Ear Infirmary Total	63,266
93.394	Department of Health and Human Services	<i>Cancer Detection and Diagnosis Research</i>	142,003
93.399	Department of Health and Human Services	<i>Cancer Control</i>	166,517
		Mayo Clinic Rochester Total	308,520
12.xxx	Department of Defense	<i>Department of Defense</i>	53,592
		Max-Viz, Inc. Total	53,592
93.173	Department of Health and Human Services	<i>Research Related to Deafness and Communication Disorders</i>	124,249
		McLaughlin Research Institute for Biomedical Sciences, Inc. Total	124,249
93.279	Department of Health and Human Services	<i>Drug Abuse Research Programs</i>	118,310
93.853	Department of Health and Human Services	<i>Extramural Research Projects in the Neurosciences and Neurological Disorders</i>	20,619
		Mount Sinai Medical Center Total	138,929
93.135	Department of Health and Human Services	<i>Centers for Research and Demonstration for Health Promotion and Disease Prevention</i>	19,157
93.914	Department of Health and Human Services	<i>HIV Emergency Relief Project Grants</i>	278,049
		Multnomah County Community Health Services Division Total	297,206
93.395	Department of Health and Human Services	<i>Cancer Treatment Research</i>	111,343
93.397	Department of Health and Human Services	<i>Cancer Centers Support Grants</i>	10,996
		National Childhood Cancer Foundation Total	122,339
93.879	Department of Health and Human Services	<i>Medical Library Assistance</i>	30,885
		National Network of Libraries of Medicine Total	30,885

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93.242	Department of Health and Human Services	<i>Mental Health Research Grants</i>	\$ 80,029
		Network Ventures, Inc. Total	80,029
93.853	Department of Health and Human Services	<i>Extramural Research Projects in the Neurosciences and Neurological Disorders</i>	21,087
		Northern California Institute for Research and Education Total	21,087
93.933	Department of Health and Human Services	<i>Demonstration Projects for Indian Health</i>	67,419
		Northwest Portland Area Indian Health Board Total	67,419
93.848	Department of Health and Human Services	<i>Digestive Diseases and Nutrition Research</i>	36,350
		Northwestern Portland Area Indian Health Board Total	36,350
84.013	Department of Education	<i>Department of Education</i>	16,835
		Oregon Department of Education Total	16,835
93.283	Department of Health and Human Services	<i>CDCP-Investigations and Technical Assistance</i>	6,192
		Olive View-UCLA Total	6,192
93.136	Department of Health and Human Services	<i>Injury Prevention and Control Research</i>	331,871
93.184	Department of Health and Human Services	<i>Disabilities Prevention</i>	1,202
93.283	Department of Health and Human Services	<i>CDCP-Investigations and Technical Assistance</i>	159,581
93.630	Department of Health and Human Services	<i>Developmental Disabilities Basic Support and Advocacy Grants</i>	181,916
93.xxx	Department of Health and Human Services	<i>Department of Health and Human Services</i>	644,575
		Oregon Dept of Human Services (ODHS) Total	1,319,145
17.xxx	Department of Labor	<i>Department of Labor -Disability Employment Policy Unit</i>	9,272
		ODHS, Disability Employment Policy Unit Total	9,272
12.420	Department of Defense	<i>Military Medical Research and Development</i>	154,741
47.074	National Science Foundation	<i>Biological Sciences</i>	15
		Oregon Medical Laser Center Total	154,756
93.389	Department of Health and Human Services	<i>Research Infrastructure</i>	86,431
		Oregon Museum of Science and Industry Total	86,431
11.417	Department of Commerce	<i>National Oceanic and Atmospheric Administration</i>	87,530
		Oregon State University Total	87,530
11.609	U.S. Dept of Commerce	<i>Measurement and Engineering Research and Standards</i>	3,068
		Oregon University System Total	3,068

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93.838	Department of Health and Human Services	<i>Lung Diseases Research</i>	\$ 31,314
		Palo Alto Medical Foundation Research Institute Total	31,314
81.049	Department of Energy	<i>Office of Science Financial Assistance Program</i>	227,936
		Portland State University Total	227,936
93.283	Department of Health and Human Services	<i>CDCP Investigations and Technical Assistance</i>	144,458
93.xxx	Department of Health and Human Services	<i>Department of Health and Human Services</i>	28,096
		Providence Health Systems Total	172,554
93.849	Department of Health and Human Services	<i>Kidney Diseases, Urology and Hematology Research</i>	65,085
		Rhode Island Hospital Total	65,085
93.230	Department of Health and Human Services	<i>Consolidated Knowledge and Development Application Program</i>	29,291
		RMC Research Corporation Total	29,291
93.233	Department of Health and Human Services	<i>National Center on Sleep Disorders Research</i>	180,136
		Rockefeller University Total	180,136
93.121	Department of Health and Human Services	<i>Oral Diseases and Disorders Research</i>	124,139
		Research Foundation of State University of New York Total	124,139
93.395	Department of Health and Human Services	<i>Cancer Treatment Research</i>	64,574
93.399	Department of Health and Human Services	<i>Cancer Control</i>	32,884
		Southwest Oncology Group Total	97,458
93.854	Department of Health and Human Services	<i>Biological Basis Research in the Neurosciences</i>	850
		Stanford University Total	850
93.121	Department of Health and Human Services	<i>Oral Diseases and Disorders Research</i>	125,113
93.273	Department of Health and Human Services	<i>Alcohol Research Programs</i>	126,827
		Texas A & M University System Total	251,940
93.632	Department of Health and Human Services	<i>University Centers for Excellence in Developmental Disabilities Education, Research, and Service</i>	59,951
		The Arc of the United States Total	59,951
93.306	Department of Health and Human Services	<i>Comparative Medicine</i>	14,046
		Tulane University Medical Center Total	14,046

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93.856	Department of Health and Human Services	<i>Microbiology and Infectious Diseases Research</i>	\$ 102,914
		U.S. Dept. of Agriculture Total	102,914
93.279	Department of Health and Human Services	<i>Drug Abuse Research Programs</i>	63,016
93.854	Department of Health and Human Services	<i>Biological Basis Research in the Neurosciences</i>	8,291
		UMD New Jersey Total	71,307
93.853	Department of Health and Human Services	<i>Extramural Research Projects in the Neurosciences and Neurological Disorders</i>	59,028
		University of California, Los Angeles Total	59,028
93.242	Department of Health and Human Services	<i>Mental Health Research Grants</i>	137,543
93.847	Department of Health and Human Services	<i>Diabetes, Endocrinology and Metabolism Research</i>	197,399
93.866	Department of Health and Human Services	<i>Aging Research</i>	181,469
		University of California, San Diego Total	516,411
12.420	Department of Defense	<i>Military Medical Research and Development</i>	94,088
93.853	Department of Health and Human Services	<i>Extramural Research Programs in the Neurosciences and Neurological Disorders</i>	56,359
93.854	Department of Health and Human Services	<i>Biological Basis Research in the Neurosciences</i>	30,841
93.xxx	Department of Health and Human Services	<i>Department of Health and Human Services</i>	89,314
		University of California, San Francisco Total	270,602
93.xxx	Department of Health and Human Services	<i>Department of Health and Human Services</i>	11
		University of Chicago Total	11
47.070	National Science Foundation	<i>Computer and Information Science and Engineering</i>	86,038
		University of Colorado, Boulder Total	86,038
93.283	Department of Defense	<i>CDCP Investigations and Technical Assistance</i>	1,904
93.865	Department of Defense	<i>Center for Research for Mothers and Children</i>	210,961
		University of Colorado Health Sciences Center Total	212,865
93.867	Department of Health and Human Services	<i>Vision Research</i>	42,582
		University of Florida Total	42,582
93.xxx	Department of Health and Human Services	<i>Department of Health and Human Services</i>	96,132
		University of Hawaii Total	96,132
47.074	National Science Foundation	<i>Biological Sciences</i>	61,855
		University of Kentucky Total	61,855

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93.xxx	Department of Health and Human Services	<i>Department of Health and Human Services</i>	\$ 3,150
		University of Maryland Total	3,150
93.779	Department of Health and Human Services	<i>CMS Research, Demonstrations and Evaluations</i>	12,280
		University of Massachusetts Worcester Total	12,280
93.173	Department of Health and Human Services	<i>Research Related to Deafness and Communication Disorders</i>	71,662
		University of Michigan Total	71,662
93.838	Department of Health and Human Services	<i>Lung Diseases Research</i>	2,227
		University of Minnesota Total	2,227
66.500	Environmental Protection Agency	<i>Environmental Protection Consolidated Research</i>	29,945
93.226	Department of Health and Human Services	<i>Research on Healthcare Costs, Quality and Outcomes</i>	2,916
93.867	Department of Health and Human Services	<i>Vision Research</i>	72,250
93.879	Department of Health and Human Services	<i>Medical Library Assistance</i>	61,221
		University of Pennsylvania Total	166,332
93.879	Department of Health and Human Services	<i>Medical Library Assistance</i>	3,726
		University of Pittsburgh Total	3,726
93.172	Department of Health and Human Services	<i>Human Genome Research</i>	3,031
93.853	Department of Health and Human Services	<i>Extramural Research Programs in the Neurosciences and Neurological Disorders</i>	6,294
		University of Rochester Total	9,325
93.837	Department of Health and Human Services	<i>Heart and Vascular Diseases Research</i>	41,647
		University of Southern Alabama Total	41,647
93.393	Department of Health and Human Services	<i>Cancer Cause and Prevention Research</i>	90,013
93.866	Department of Health and Human Services	<i>Aging Research</i>	2,335
		University of Southern California Total	92,348
93.846	Department of Health and Human Services	<i>Arthritis, Musculoskeletal and Skin Diseases Research</i>	11,272
		University of Texas , M.D. Anderson Cancer Center Total	11,272
93.867	Department of Health and Human Services	<i>Vision Research</i>	66,963
		University of Texas, Health Science Center at Houston Total	66,963
93.110	Department of Health and Human Services	<i>Maternal and Child Health Federal Consolidated Programs</i>	52,254
93.837	Department of Health and Human Services	<i>Heart and Vascular Diseases Research</i>	69
		University of Texas, Health Science Center at San Antonio Total	52,323

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93.848	Department of Health and Human Services	<i>Digestive Diseases and Nutrition Research</i>	\$ 37,037
93.853	Department of Health and Human Services	<i>Extramural Research Programs in the Neurosciences and Neurological Disorders</i>	22,178
93.856	Department of Health and Human Services	<i>Microbiology and Infectious Diseases Research</i>	72,956
		University of Texas, Southwestern Medical Center at Dallas Total	132,171
93.135	Department of Health and Human Services	<i>Centers for Research and Demonstration for Health Promotion and Disease Prevention</i>	37,937
93.172	Department of Health and Human Services	<i>Human Genome Research</i>	93,859
93.847	Department of Health and Human Services	<i>Diabetes, Endocrinology and Metabolism Research</i>	58,762
93.866	Department of Health and Human Services	<i>Aging Research</i>	291,924
93.899	Department of Health and Human Services	<i>Department of Health and Human Services</i>	363,734
93.929	Department of Health and Human Services	<i>Center for Medical Rehabilitation Research</i>	74,007
		University of Washington Total	920,223
47.070	National Science Foundation	<i>Computer and Information Science and Engineering</i>	351,470
		University of Wisconsin-Madison Total	351,470
93.854	Department of Health and Human Services	<i>Biological Basis Research in the Neurosciences</i>	59,984
		Universidad Central del Caribe Total	59,984
12.xxx	Department of Defense	<i>Department of Defense</i>	24,264
		URS Corporation Total	24,264
64.xxx	Department of Veterans Affairs	<i>Department of Veterans Affairs</i>	61,046
		VA Medical Center; Durham, NC Total	61,046
93.395	Department of Health and Human Services	<i>Cancer Treatment Research</i>	7,110
		Vanderbilt University Total	7,110
93.853	Department of Health and Human Services	<i>Extramural Research Programs in the Neurosciences and Neurological Disorders</i>	435,462
93.866	Department of Health and Human Services	<i>Aging Research</i>	352,852
		Wake Forest University School of Medicine Total	788,314
93.212	Department of Health and Human Services	<i>Chiropractic Demonstration Project Grants</i>	16,602
93.213	Department of Health and Human Services	<i>Research & Training in Complementary and Alternative Medicine</i>	5,978
93.984	Department of Health and Human Services	<i>Academic Administrative Units in Primary Care</i>	59
		Western States Chiropractic College Total	22,639

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Catalog of Federal Domestic

<u>Assistance Number</u>	<u>Federal grantor</u>	<u>Program title</u>	<u>Expenditures</u>
96.007	Social Security Administration	<i>Social Security - Research and Demonstration</i>	\$ 62,324
		Wisconsin Department of Health and Family Services Total	62,324
53.001	Department of Labor	<i>Employment Promotion of People with Disabilities</i>	12,222
		Worksystems, Inc. Total	12,222
93.306	Department of Health and Human Services	Comparative Medicine	41,377
		Yale University School of Medicine Total	41,377
	Total Pass-Through Awards - Research and Development Awards		\$ 11,824,149
	Total Research and Development Awards		\$ 191,702,290

Student Financial Assistance (Direct Programs):

84.007	Department of Education	<i>Federal Supplementary Educational Opportunity Grants</i>	\$ 59,599
84.033	Department of Education	<i>Federal Work-Study Program</i>	12,470
84.038	Department of Education	<i>Federal Perkins Loan Program - Current Year Awards</i>	1,887,797
84.038	Department of Education	<i>Federal Perkins Loan Program - Total Outstanding Balance</i>	4,964,740
84.063	Department of Education	<i>Federal Pell Grant Program</i>	439,889
84.032	Department of Education	<i>Federal Stafford Loan</i>	8,504,965
84.032	Department of Education	<i>Federal Stafford Loan - Unsubsidized</i>	16,721,177
84.032	Department of Education	<i>Federal Plus Loans</i>	608,298
93.364	Department of Health and Human Services	<i>Nursing Student Loans (Graduate) - Current Year Awards</i>	19,000
93.364	Department of Health and Human Services	<i>Nursing Student Loans (Graduate) - Total Outstanding Balance</i>	73,239
	Total Student Financial Assistance (Direct Programs)		\$ 33,291,174

Other Awards:

17.260	Department of Labor	<i>WIA Dislocated Workers -Direct</i>	\$ 307,261
			307,261
20.600	Department of Transportation	<i>State and Community Highway Safety - thru the Oregon Dept. of Trans.</i>	22,645
			22,645
84.027	Department of Education	<i>Special Education, Grants to States - thru Oregon Department of Education</i>	11,347
			11,347
93.224	Department of Health and Human Services	<i>Community Health Centers - thru Multnomah County Comm Health Svcs Div</i>	23,827
			23,827
	Total Other Awards		\$ 365,080
	Total Federal Awards		\$ 225,358,544

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Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2003

(1) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grants to Oregon Health & Science University (the University) that had activity during the fiscal year ended June 30, 2003. This schedule has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the University has met the qualifications for the respective grants.

(2) Audits Performed by Other Organizations

There were no audits performed by other organizations of the University's Federal grant programs in fiscal year 2003.

(3) Subrecipients

Of the Federal expenditures presented in the Schedule of Expenditures of Federal Awards, the University provided Federal awards to subrecipients as follows:

<u>Program title</u>	<u>CFDA number</u>	<u>Amount provided to subrecipients</u>
USAID award	02.001	\$ 48,631
NOAA Research in Remote Sensing of the Earth and Environment	11.440	3,112
DOD Basic and Applied Scientific Research	12.300	39,189
Contract from DOD NSA	12.xxx	156,344
ETA WIA Dislocated Workers	17.260	250,916
NSF Computer and Information Science and Engineering	47.070	184,694
NSF Biological Sciences	47.074	13,500
PCEPD Employment Promotion of People with Disabilities	53.001	221,078
Contract from DOL	53.xxx	128,307
EPA Environmental Protection_Consolidated Research	66.500	30,007
ED National Institute on Disability and Rehabilitation Research	84.133	651,344

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Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2003

Program title	CFDA number	Amount provided to subrecipients
ED Special Education_Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	\$ 94,105
ED Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	84.333	78
HHS Civil Rights Compliance Activities	93.001	12,104
HRSA Model State-Supported Area Health Education Centers	93.107	316,580
HRSA Maternal and Child Health Federal Consolidated Programs	93.110	156,000
NIH Biological Response to Environmental Health Hazards	93.113	900,492
NIH Biometry and Risk Estimation_Health Risks from Environmental Exposures	93.115	188,900
NIH Oral Diseases and Disorders Research	93.121	81,789
CDC Injury Prevention and Control Research and State and Community Based Programs	93.136	12,787
NIH Human Genome Research	93.172	5,269
NIH Research Related to Deafness and Communication Disorders	93.173	35,779
HRSA Health Education and Training Centers	93.189	1,760
HRSA Quentin N. Burdick Programs for Rural Interdisciplinary Training	93.192	18,900
NIH Research and Training in Complementary and Alternative Medicine	93.213	321,988
HHS Research on Healthcare Costs, Quality and Outcomes	93.226	241,222
SAMHSA Consolidated Knowledge Development and Application (KD&A) Program	93.230	312,043
HRSA State Rural Hospital Flexibility Program	93.241	222,142

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Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2003

Program title	CFDA number	Amount provided to subrecipients
HRSA Advanced Education Nursing Grant Program	93.247	\$ 65,263
Rural Access to Emergency Devices Grant	93.259	29,344
CDC Occupational Safety and Health Research Grants	93.262	90,232
NIH Alcohol Research Programs	93.273	106,249
NIH Drug Abuse Research Programs	93.279	1,644,676
CDC Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	128,457
Small Rural Hospital Improvement Grants	93.301	205,065
NIH Comparative Medicine	93.306	212,913
NIH Nursing Research	93.361	292,420
NIH Biomedical Technology	93.371	298
NIH Cancer Cause and Prevention Research	93.393	14,571
NIH Cancer Detection and Diagnosis Research	93.394	73,617
NIH Cancer Treatment Research	93.395	693,009
NIH Cancer Biology Research	93.396	59,434
NIH Cancer Centers Support Grants	93.397	4,462
NIH Cancer Research Manpower	93.398	120,112
NIH Cancer Control	93.399	10,259
HHS Developmental Disabilities Projects of National Significance	93.631	423
HHS Developmental Disabilities University Affiliated Programs	93.632	11,614
NIH Heart and Vascular Diseases Research	93.837	669,182

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Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2003

<u>Program title</u>	<u>CFDA number</u>	<u>Amount provided to subrecipients</u>
NIH Lung Diseases Research	93.838	\$ 75,034
NIH Arthritis, Musculoskeletal and Skin Diseases Research	93.846	116,047
NIH Diabetes, Endocrinology and Metabolism Research	93.847	64,676
NIH Digestive Diseases and Nutrition Research	93.848	108,540
NIH Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	467,550
Biological Basis Research in the Neurosciences	93.854	95,276
NIH Allergy, Immunology and Transplantation Research	93.855	24,000
NIH Microbiology and Infectious Diseases Research	93.856	371,729
NIH Population Research	93.864	220,578
NIH Aging Research	93.866	428,928
NIH Vision Research	93.867	553,735
HRSA Grants for Residency Training in General Internal Medicine and/or General Pediatrics	93.884	9,825
NIH Alcohol Research Center Grants	93.891	74,508
HRSA Ryan White HIV/AIDS Dental Reimbursements	93.924	2,719
NIH Fogarty International Research Collaboration Award	93.934	45,000
HRSA Grants for Geriatric Education Centers	93.969	115,039
Contract from AHRQ	93.xxx	200,544
Total		<u>\$ 12,054,388</u>

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Schedule 1 – Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Reportable condition identified that is not considered to be a material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Reportable condition identified that is not considered to be a material weakness? Yes None reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number	Name of federal program
—	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.