



**OREGON HEALTH & SCIENCE UNIVERSITY**

OMB Circular A-133

EIN No. 93-1176109

Supplementary Financial Report

Year ended June 30, 2004

(With Independent Auditors' Report Thereon)

**OREGON HEALTH & SCIENCE UNIVERSITY**

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EIN No. 93-1176109

Supplementary Financial Report

Year ended June 30, 2004

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**KPMG LLP**  
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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, 2004 and 2003, 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, 2004 and 2003, 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 16, 2004 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 16, 2004



**KPMG LLP**  
Suite 3800  
1300 South West Fifth Avenue  
Portland, OR 97201

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

The Board of 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, 2004, and have issued our report thereon dated September 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 reportable 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 caused by error or fraud 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.

**Compliance and Other Matters**

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 grant agreements, 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*.

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.

September 16, 2004



**KPMG LLP**  
Suite 3800  
1300 South West Fifth Avenue  
Portland, OR 97201

**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, 2004. 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, 2004.

**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 reportable 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 caused by error or fraud 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

September 16, 2004

# OREGON HEALTH & SCIENCE UNIVERSITY

## Management's Discussion and Analysis

June 30, 2004 and 2003

### 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 changes and current known facts.

### Financial Highlights

The University's financial performance for the fiscal year ended June 30, 2004 demonstrated improvement as compared to the previous fiscal year including better operating performance within both the Hospital and the University. This was in part due to internal cost reductions and the reallocation of resources based on mission critical needs. Several highlights include:

- Received \$104.2 million from the final distribution of the Oregon Opportunity Act, which authorized the State of Oregon to issue general obligation bonds to be used for qualifying capital and noncapital expenditures under the Oregon Opportunity Program. Phase one (\$93.6 million) of the \$200.0 million total was received during fiscal year 2003. The proceeds will help fund the construction of a 260,000 square foot Biomedical Research Building on OHSU's Marquam Hill, which is currently under construction and expand OHSU's research mission.
- Achieved significant progress on the development of Portland's South Waterfront Central District, on land acquired during fiscal year 2003. In conjunction with OHSU Medical Group, OHSU formed RIMCO, LLC, a joint endeavor to construct Building One, a 16-story building housing outpatient clinical care, research and educational activities. The \$145.0 million construction project, including underground parking, is partially funded by \$115.4 million in bonds, for which the University served as the conduit issuer for nonrecourse revenue bonds. This conduit borrowing is recorded on the RIMCO, LLC financial statements and is not an obligation of OHSU.
- Received the 20-acre Schnitzer Campus land gift valued at \$34.0 million, which will eventually be developed as a future academic campus.
- Construction is also under way on the 335,000 square foot Patient Care Facility on Marquam Hill. The project, budgeted at \$216.0 million, is scheduled to open in June 2006.
- Increased net patient service revenue by approximately 5%, or \$26.7 million, over fiscal year 2003.

# OREGON HEALTH & SCIENCE UNIVERSITY

## Management's Discussion and Analysis

June 30, 2004 and 2003

### 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 Statements of Financial Position

June 30, 2004 and 2003

(Dollars in thousands)

	<u>2004</u>	<u>2003</u>
Assets:		
Current assets	\$ 269,795	232,407
Capital assets	764,826	681,673
Other noncurrent assets	900,046	838,669
Total assets	<u>\$ 1,934,667</u>	<u>1,752,749</u>
Liabilities:		
Current liabilities	\$ 306,140	221,918
Noncurrent liabilities	621,143	638,046
Total liabilities	<u>927,283</u>	<u>859,964</u>
Net assets:		
Invested in capital assets, net of related debt	359,956	319,843
Restricted, expendable	178,676	166,853
Restricted, nonexpendable	108,116	94,284
Unrestricted	360,636	311,805
Total net assets	<u>1,007,384</u>	<u>892,785</u>
Total liabilities and net assets	<u>\$ 1,934,667</u>	<u>1,752,749</u>

### Assets

Total assets increased by \$181.9 million during the current year. The large increases occurred in the areas of capital assets and other noncurrent assets.

Capital assets overall increased by \$83.2 million, net of accumulated depreciation. Fiscal year 2004 capital additions include the Schnitzer Campus land donation of \$34.0 million, development costs for the South Waterfront Building One project of \$2.1 million, new building construction of the Biomedical Research Building for \$21.1 million, and remodeling and expansion costs on the West Campus for \$8.1 million. The Hospital expended \$34.0 million in building construction for the new 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.

## **OREGON HEALTH & SCIENCE UNIVERSITY**

### Management's Discussion and Analysis

June 30, 2004 and 2003

The increase in other noncurrent assets of \$61.4 million relates primarily to the unexpended portion of the second half of proceeds from the Oregon Opportunity Act, which is included in long-term investments. Long-term investments, which increased by \$67.7 million during this year, include both restricted investments and unrestricted operating investments and quasi-endowments.

#### **Liabilities**

Total liabilities increased by \$67.3 million during the current year, the majority of the increase occurred in deferred revenue.

Current liabilities consist mainly of the current portion of long-term debt, including capital leases, accounts payable, wages payable and deferred revenue. Current liabilities increased \$84.2 million during the current year. The majority of this increase is \$66.0 million related to deferred revenue and is attributable to Oregon Opportunity funds (\$63.6 million), which is due to the timing of matching revenue with expenditures incurred. Accounts payable and accrued expenses increased \$6.4 million primarily due to increased construction costs.

Total noncurrent liabilities decreased by \$16.9 million during the year, which related primarily to the reduction of debt as a result of scheduled redemptions and regular debt payments.

#### **Net Assets**

Total net assets increased by approximately \$114.6 million during the year.

Unrestricted net assets and net assets invested in capital assets, net of related debt, increased by \$88.9 million. This increase is due to an increase in capital assets, net of related debt of \$40.1 million due primarily to new donated land and building construction. The remaining increase in restricted net assets was primarily due to nonoperating income, capital contributions and other changes in net assets during the year.

## OREGON HEALTH & SCIENCE UNIVERSITY

### Management's Discussion and Analysis

June 30, 2004 and 2003

#### Statements of Revenues, Expenses, and Changes in Net Assets

The Statements of Revenues, Expenses, and Changes in Net Assets present the operating results of the University, as well as the nonoperating revenues and expenses. 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 nonoperating revenue, but in practice, are budgeted for operations.

#### Summary Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2004 and 2003

(Dollars in thousands)

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 1,078,774	1,019,268
Operating expenses	<u>1,086,182</u>	<u>1,070,152</u>
Operating loss	(7,408)	(50,884)
Nonoperating revenues	86,833	68,923
Capital contributions and other	<u>35,174</u>	<u>27,889</u>
Change in net assets	114,599	45,928
Net assets – Beginning of the year	<u>892,785</u>	<u>846,857</u>
Net assets – End of the year	<u>\$ 1,007,384</u>	<u>892,785</u>

#### Total Operating Revenue

OHSU's operating revenues increased by \$59.5 million during fiscal year 2004 due mainly to increases in net 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 \$26.7 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 \$29.7 million primarily due to a \$5.7 million increase in recognized revenue from the Oregon Opportunity Program and a \$22.4 million increase in restricted Federal sponsored research and teaching programs (grants).

#### Total Operating Expenses

OHSU's operating expenses increased by \$16.0 million during fiscal year 2004.

Services, supplies and other expenses, which increased \$20.0 million over 2003 totals, were primarily due to increased hospital costs associated with higher patient volume. This increase was partially offset by small decreases in various other expense categories.

# OREGON HEALTH & SCIENCE UNIVERSITY

## Management's Discussion and Analysis

June 30, 2004 and 2003

### Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of investment income, including changes in fair value of investments and appropriations from the State of Oregon. This category of revenue and expense increased by \$17.9 million during the year mainly due to increases in investment income. The increase of \$20.9 million in investment income is due primarily to increased levels of realized market gains and interest and dividend income.

Appropriations from the State of Oregon decreased by approximately 5%, or \$2.2 million, due to overall decline in State support.

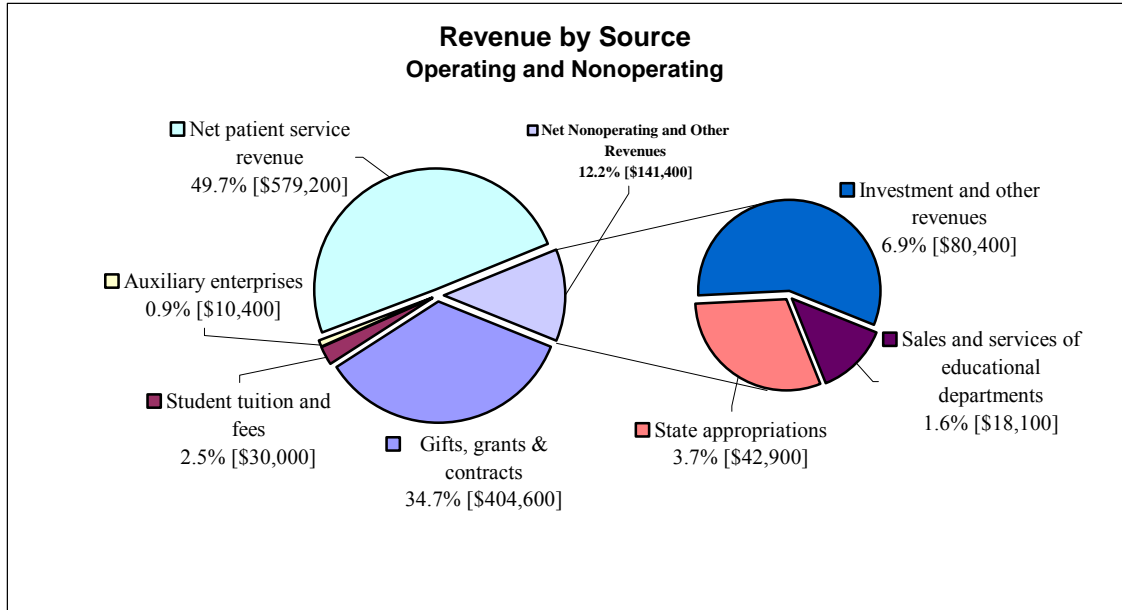
### Capital Contributions and Other

Capital contributions and other consist of contributions of donated land and equipment and other additions to net assets.

### Revenue by Source – Operating and Nonoperating

Year ended June 30, 2004

(Dollars in thousands)



**OREGON HEALTH & SCIENCE UNIVERSITY**

Management's Discussion and Analysis

June 30, 2004 and 2003

**Operating Expenses (By Functional Classification)**

(Dollars in thousands)

	<u>2004</u>	<u>2003</u>
Instruction, research and public service	\$ 286,068	277,012
Clinical activity	531,380	529,172
Auxiliaries	6,743	7,637
Service centers	10,644	6,697
Student services	35,437	34,011
Academic support	43,663	37,646
Institutional support	31,414	32,895
Operations, maintenance, and other	54,967	47,862
Direct foundation expenditures	15,403	22,425
Depreciation	70,463	74,795
	<u>\$ 1,086,182</u>	<u>1,070,152</u>

**Statements of Cash Flows**

The Statements of Cash Flows present the information related to cash inflows and outflows summarized by operating, capital and noncapital 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 Statements of Cash Flows**

Years ended June 30, 2004 and 2003

(Dollars in thousands)

	<u>2004</u>	<u>2003</u>
Cash provided by (used in):		
Operating activities	\$ 170,969	66,605
Noncapital financing activities	42,950	45,154
Capital and related financing activities	(153,771)	121,683
Investing activities	(21,602)	(242,682)
Net increase (decrease) in cash and cash equivalents	38,546	(9,240)
Cash and cash equivalents – Beginning of the year	30,662	39,902
Cash and cash equivalents – End of the year	<u>\$ 69,208</u>	<u>30,662</u>

# OREGON HEALTH & SCIENCE UNIVERSITY

## Management's Discussion and Analysis

June 30, 2004 and 2003

The Statements of Cash Flows are comprised of four parts:

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

**Noncapital Financing Activities** – This section shows the cash received and spent for nonoperating, noninvesting, and noncapital 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.

### **Financial Information for the Year Ended June 30, 2003**

The following information contains excerpts from the Management's Discussion and Analysis that accompanied the Financial Statements for the year ended June 30, 2003. This required supplementary information is intended to provide additional context for the 2004 Management's Discussion and Analysis should more be needed. This Management's Discussion and Analysis incorporates the reclassifications made in the 2003 financial statements to conform to the 2004 presentation format.

#### Statements of Financial Position

**Assets** - Total assets increased by \$310.8 million during 2003. The large increases occurred in the areas of capital assets and non-current assets.

Capital assets overall increased by \$18.3 million, net of accumulated depreciation. This increase included the purchase of land and development costs for the River Campus Project of \$8.5 million and new building construction of the Biomedical Research Building for \$7.1 million. The Hospital expended \$6.6 million in building construction for the new Patient Care Facility. The remainder of the increase was 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 in 2003 was 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 2003, include both restricted investments and unrestricted operating investments and quasi-endowments.

**Liabilities** - Total liabilities increased by \$264.8 million during 2003, the majority of the increase arising 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 2003. The majority of the increase was attributable to deferred revenue from the Oregon Opportunity Program that increased \$58.0 million due to the timing of matching revenue with expenditures incurred. Deferred revenue related to grant funded buildings and equipment in contrast decreased by \$38.0 million during 2003.

# OREGON HEALTH & SCIENCE UNIVERSITY

## Management's Discussion and Analysis

June 30, 2004 and 2003

The \$11.8 million decrease in the current portion of debt was 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 2003 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 2003.

Unrestricted net assets and net assets invested in capital assets, net of related debt, increased by \$45.6 million during 2003. This increase was 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 2003.

### Statements of Revenues, Expenses and Changes in Net Assets

**Total Operating Revenue** - OHSU's operating revenues increased by \$75.0 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 was 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 \$69.4 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 was 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.

## **OREGON HEALTH & SCIENCE UNIVERSITY**

### Management's Discussion and Analysis

June 30, 2004 and 2003

***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 during 2003, is due to the increase in unrealized market gains.

Appropriations from the State of Oregon decreased by \$5.7 million in 2003 due to overall decline in State support.

***Capital Contributions*** - Capital contributions consist of donated equipment and other additions.

**OREGON HEALTH & SCIENCE UNIVERSITY**

Statements of Financial Position

June 30, 2004 and 2003

(Dollars in thousands)

Assets	2004	2003
Current assets:		
Cash and cash equivalents	\$ 69,208	30,662
Short-term investments	30,720	31,597
Funds held by trustee, current portion	8,987	7,899
Patients accounts receivable, net of allowance of \$87,517 in 2004 and \$90,864 in 2003	91,825	89,187
Student receivables	22,707	20,786
Interest receivable	2,031	2,331
Pledges and estates receivable, current portion	10,784	13,447
Other receivables, net	18,313	22,944
Inventories, at cost	7,967	7,981
Prepaid expenses	7,253	5,573
Total current assets	269,795	232,407
Noncurrent assets:		
Capital assets:		
Land	49,041	15,364
Buildings and other improvements	735,846	724,574
Equipment	388,098	367,043
Construction in progress	105,766	29,977
Accumulated depreciation	(513,925)	(455,285)
Total capital assets	764,826	681,673
Funds held by trustee, less current portion	301,751	303,642
Long-term investments, less current portion:		
Long-term investments, restricted	272,564	235,873
Long-term investments, unrestricted	303,424	272,432
Total long-term investments, less current portion	575,988	508,305
Deferred financing costs, net	9,426	10,258
Pledges and estates receivables, less current portion	12,881	16,464
Total noncurrent assets	1,664,872	1,520,342
Total assets	\$ 1,934,667	1,752,749
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of long-term debt, bonds	\$ 10,943	10,145
Current portion of long-term capital leases	543	528
Accounts payable and accrued expenses	59,966	53,592
Drafts payable	18,936	16,115
Construction and retainage payable	252	239
Accrued salaries, wages, and benefits	33,055	29,947
Compensated absences payable	31,147	29,765
Due to contractual agencies	6,498	2,540
Annuity payment liability	6,018	6,226
Deferred revenue	138,782	72,821
Total current liabilities	306,140	221,918
Noncurrent liabilities:		
Liability for self-funded insurance programs	25,414	22,640
Long-term debt, bonds – less current portion	591,579	610,702
Long-term capital leases – less current portion	4,150	4,704
Total noncurrent liabilities	621,143	638,046
Total liabilities	927,283	859,964
Net assets:		
Invested in capital assets, net of related debt	359,956	319,843
Restricted, expendable	178,676	166,853
Restricted, nonexpendable	108,116	94,284
Unrestricted	360,636	311,805
Total net assets	1,007,384	892,785
Total liabilities and net assets	\$ 1,934,667	1,752,749

See accompanying notes to financial statements.

**OREGON HEALTH & SCIENCE UNIVERSITY**

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2004 and 2003

(Dollars in thousands)

	<b>2004</b>	<b>2003</b>
Operating revenues:		
Patient service revenue, net of provision for bad debts of \$23,169 in 2004 and \$19,943 in 2003	\$ 579,166	552,450
Student tuition and fees, net	30,013	26,664
Gifts, grants, and contracts	404,597	374,878
Sales and services of educational departments	18,079	19,206
Auxiliary enterprises	10,384	11,293
Other revenue	36,535	34,777
	<u>1,078,774</u>	<u>1,019,268</u>
Operating expenses:		
Salaries, wages, and benefits	622,967	621,822
Services, supplies, and other	375,973	356,022
Depreciation and amortization	70,463	74,795
Interest	16,779	17,513
	<u>1,086,182</u>	<u>1,070,152</u>
Total operating expenses	<u>1,086,182</u>	<u>1,070,152</u>
Operating loss	<u>(7,408)</u>	<u>(50,884)</u>
Nonoperating revenues (expenses):		
Investment income	27,201	6,347
Net unrealized change in fair value of investments	17,200	18,750
State appropriations	42,950	45,154
Other	(518)	(1,328)
	<u>86,833</u>	<u>68,923</u>
Total nonoperating revenues, net	<u>86,833</u>	<u>68,923</u>
Net income before capital contributions	<u>79,425</u>	<u>18,039</u>
Capital contributions and other:		
Contribution to loan principal and other	534	27,044
Donated equipment	665	845
Donated land	33,975	—
	<u>35,174</u>	<u>27,889</u>
Total capital contributions and other	<u>35,174</u>	<u>27,889</u>
Total increase in net assets	<u>114,599</u>	<u>45,928</u>
Net assets – beginning of year	<u>892,785</u>	<u>846,857</u>
Net assets – end of year	<u>\$ 1,007,384</u>	<u>892,785</u>

See accompanying notes to financial statements.

**OREGON HEALTH & SCIENCE UNIVERSITY**

Statements of Cash Flows

Years ended June 30, 2004 and 2003

(Dollars in thousands)

	<b>2004</b>	<b>2003</b>
Cash flows from operating activities:		
Receipts for patient services	\$ 580,486	538,713
Receipts from students	28,092	32,195
Receipts of gifts, grants, and contracts	410,843	374,397
Receipts from sales and services of educational departments	18,079	19,206
Receipts from auxiliary services	10,384	11,293
Other receipts	107,427	60,514
Payments to employees for services	(618,477)	(613,817)
Payments to suppliers	(365,865)	(355,896)
Net cash provided by operating activities	170,969	66,605
Cash flows from noncapital financing activities:		
State appropriations	42,950	45,154
Net cash provided by noncapital financing activities	42,950	45,154
Cash flows from capital and related financing activities:		
Repayments on line of credit, net	—	(9,800)
Borrowings of long-term debt	—	250,000
Principal payments on long-term debt	(9,407)	(11,636)
Interest payments on long-term debt and line of credit	(15,078)	(15,288)
Acquisition of capital assets	(118,144)	(92,827)
Payments on capital leases	(539)	(482)
Capital contributions and other	16	1,716
Net cash (used in) provided by capital and related financing activities	(143,152)	121,683
Cash flows from investing activities:		
Purchases of investments	(2,293,038)	(780,521)
Proceeds from sales and maturities of investments	2,216,416	487,937
Interest on investments and cash balances	44,401	49,902
Net cash used in investing activities	(32,221)	(242,682)
Net increase (decrease) in cash and cash equivalents	38,546	(9,240)
Cash and cash equivalents, beginning of year	30,662	39,902
Cash and cash equivalents, end of year	\$ 69,208	30,662
Supplemental disclosure of non-cash financing activities:		
Land and equipment donations	\$ 34,640	845

**OREGON HEALTH & SCIENCE UNIVERSITY**

Statements of Cash Flows

Years ended June 30, 2004 and 2003

(Dollars in thousands)

	<u>2004</u>	<u>2003</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (7,408)	(50,844)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	70,463	74,795
Provision for bad debts	23,169	19,943
Interest expense reported as operating expense	16,779	17,513
Net changes in assets and liabilities:		
Patient accounts receivable	(25,807)	(38,795)
Student receivables	(1,921)	3,818
Interest receivables	300	622
Pledges and estates receivable	6,246	(481)
Other receivables	4,631	11,111
Due from contractual agencies	—	2,575
Inventories	14	(541)
Prepaid expenses	(1,680)	(2,076)
Deferred charges	—	(5,561)
Accounts payable and accrued expenses	6,374	(2,128)
Drafts payable	2,821	5,111
Construction retainage payable	13	(89)
Accrued salaries, wages, and benefits	3,108	4,981
Due to contractual agencies	3,958	2,540
Compensated absences payable	1,382	3,024
Annuity payment liability	(208)	1,562
Deferred revenue	65,961	20,821
Liability for self-funded insurance programs	2,774	(1,296)
Net cash provided by operating activities	\$ <u>170,969</u>	<u>66,605</u>

See accompanying notes to financial statements.

# OREGON HEALTH & SCIENCE UNIVERSITY

Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

## (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 the OGI School of Science and Engineering (OGI), 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, Neurological Sciences Institute, Vaccine and Gene Therapy Institute, and several clinical units, including University Hospital (the Hospital), and the 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 a captive insurance company, OPS Limited (OPS), 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 Marquam Hill 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) and Doernbecher Children's Hospital Foundation (together the Foundations) are separately incorporated nonprofit 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.

### (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.

# OREGON HEALTH & SCIENCE UNIVERSITY

## Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

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 the requirements and 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. 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 requires 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 established 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 provided additional guidance by amending the MD&A reporting requirements established by GASB 34. GASB 38 established 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, 2004 and 2003

(Dollars in thousands)

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

As required by 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 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, Oregon Health & Science University Foundation, and Doernbecher Children's Hospital Foundation.

Financial reports for OPS, 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 the 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. OHSU had cash equivalents of \$65,208 and \$26,902 at June 30, 2004 and 2003, respectively.

**(g) *Investments***

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

# OREGON HEALTH & SCIENCE UNIVERSITY

## Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

**(h) Inventories**

Inventories are recorded at the lower of cost or market 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.

**(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 five hundred to three thousand dollars and two thousand five hundred to ten thousand dollars, respectively. This change in the capital asset capitalization threshold resulted in an increased expense of \$7,512 and \$8,147, which is included in depreciation and amortization in the accompanying statements of revenues, expenses, and changes in net assets during the years ended June 30, 2004 and 2003, respectively. 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 revenue or expense. Interest on borrowed amounts during major construction is capitalized and amortized over the depreciable life of the related asset. During 2004 and 2003, OHSU capitalized approximately \$7,155 and \$3,711 of interest expense, which is net of \$3,599 and \$2,132 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**

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 deferred revenue as of year-end represents amounts advanced for which OHSU has not met all applicable eligibility requirements. As of June 30, 2004 and 2003, the grant receivable balance was \$9,868 and \$10,990, respectively, included in other receivables in the accompanying statements of financial position.

**OREGON HEALTH & SCIENCE UNIVERSITY**

Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

**(m) Operating Revenues**

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

**(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.

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, 2004 and 2003 is as follows:

	<u>2004</u>	<u>2003</u>
Gross patient charges	\$ 1,122,120	977,431
Contractual discounts	(519,785)	(405,038)
Provision for bad debts	(23,169)	(19,943)
Net patient service revenues	<u>\$ 579,166</u>	<u>552,450</u>

**OREGON HEALTH & SCIENCE UNIVERSITY**

Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

**(o) Student Tuition and Fees Revenues**

A summary of student tuition and fees revenues during the years ended June 30, 2004 and 2003 is as follows:

	<b>2004</b>	<b>2003</b>
Gross student tuition	\$ 36,299	31,970
Exemptions	(6,286)	(5,306)
Student tuition and fees revenues, net	\$ 30,013	26,664

**(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 \$21,284 and \$16,838 in 2004 and 2003, 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. The majority of pledges are received 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, which approximates the average age of pledges and estates receivable. The discount rate used was 2.7% and 1.3% at June 30, 2004 and 2003, 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 2003 financial statements to conform to the 2004 presentation format.

**OREGON HEALTH & SCIENCE UNIVERSITY**

Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

**(2) Cash and Investments**

**(a) *Cash and Investments by Category***

OHSU holds substantially all of its cash, cash equivalent and investment balances at financial institutions. Collateralized deposits are secured pursuant to the Oregon Revised Statutes.

Credit risk in investments is described by three categories. Category 1 assets are insured and are held in OHSU's name by OHSU or by an agent of OHSU. Category 2 assets are not insured and are held in OHSU's name by OHSU or by an agent of OHSU. Category 3 assets are not insured and are not held in OHSU's name but are held by an agent of OHSU.

Substantially all of OHSU's cash, cash equivalents and investments are in either Category 1 or Category 2. Certain investments such as mutual funds, contracts and real estate are not subject to categorization.

**(b) *Investments***

OHSU's investment policies are approved by the Board of Directors and are valued as prescribed by Government Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the fair value of investments are included in net nonoperating revenues.

Cash and investments are carried at estimated fair values. Fair values are determined by quoted market prices based primarily upon information provided by investment managers. Contracts receivable are carried at cost, which approximates market. Other investments, comprised primarily of donated property, are recorded at their fair market value 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, 2004 and 2003

(Dollars in thousands)

The composition of investments at June 30, 2004 and 2003 are as follows:

	<b>2004</b>	<b>2003</b>
Short-term investments:		
U.S. treasury	\$ 13,737	10,985
U.S. government agencies	—	5,510
Corporate obligations	11,624	12,648
Municipal bonds	3,671	1,329
Other	1,688	1,125
	\$ 30,720	31,597
Funds held by trustee, current portion:		
U.S. treasury	\$ —	3,265
U.S. government agencies	5,832	509
Commercial paper	481	942
Other	2,674	3,183
	\$ 8,987	7,899
Funds held by trustee, less current portion:		
U.S. treasury	\$ —	17,741
U.S. government agencies	220,802	203,422
Commercial paper	80,451	70,388
Other	498	12,091
	\$ 301,751	303,642
Long-term investments, less current portion:		
U.S. treasury	\$ 11,577	16,885
U.S. government agencies	63,774	36,122
Corporate obligations	73,683	68,892
Municipal bonds	11,436	20,051
Fixed income	183,369	138,633
Equities	222,428	194,094
Other	9,721	33,628
	\$ 575,988	508,305

**(3) Due to Contractual Agencies**

Due to contractual agencies represents amounts payable to the State Medicaid Program (Medicaid) and the Federal Medicare Program (Medicare). As of June 30, 2004, \$1,685 was due from Medicaid and \$8,183 was due to Medicare. As of June 30, 2003, \$4,210 was due from Medicaid and \$6,750 was due to Medicare.

**OREGON HEALTH & SCIENCE UNIVERSITY**

Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

**(4) Capital Assets**

The following is a summary of capital assets for the fiscal years ended June 30, 2004 and 2003:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2004</u>
Capital assets not depreciated:				
Land	\$ 15,364	33,677	—	49,041
Construction in progress	<u>29,977</u>	<u>88,150</u>	<u>(12,361)</u>	<u>105,766</u>
Total capital assets not depreciated	<u>45,341</u>	<u>121,827</u>	<u>(12,361)</u>	<u>154,807</u>
Other capital assets:				
Buildings and other improvements	724,574	11,298	(26)	735,846
Equipment	<u>367,043</u>	<u>33,876</u>	<u>(12,821)</u>	<u>388,098</u>
Total other capital assets	<u>1,091,617</u>	<u>45,174</u>	<u>(12,847)</u>	<u>1,123,944</u>
Less accumulated depreciation:				
Buildings and other improvements	(240,300)	(25,479)	5	(265,774)
Equipment	<u>(214,985)</u>	<u>(38,404)</u>	<u>5,238</u>	<u>(248,151)</u>
Total accumulated depreciation	<u>(455,285)</u>	<u>(63,883)</u>	<u>5,243</u>	<u>(513,925)</u>
Other capital assets, net	<u>636,332</u>	<u>(18,709)</u>	<u>(7,604)</u>	<u>610,019</u>
Total capital assets, net	<u>\$ 681,673</u>	<u>103,118</u>	<u>(19,965)</u>	<u>764,826</u>

**OREGON HEALTH & SCIENCE UNIVERSITY**

Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

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

**(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 one-dollar nominal value in the investment accounts. The donated value of endowment accounts at June 30, 2004 and 2003, which are included in long-term investments in the accompanying financial statements are as follows:

	<u>2004</u>	<u>2003</u>
Pooled endowments	\$ 116,815	102,982
Endowment accounts separately invested	10	10
Institutional total	\$ <u><u>116,825</u></u>	<u><u>102,992</u></u>

**(6) Compensated Absences Payable**

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.

# OREGON HEALTH & SCIENCE UNIVERSITY

## Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

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) which includes a defined benefit plan (PERS/IAP) and a defined contribution plan (OPSRP). All qualified employees hired subsequent to August 29, 2003 who elect PERS benefits are enrolled in the OPSRP. 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, 2004 and 2003 was \$459,725 and \$453,731, respectively. Payroll applicable for employees covered by PERS for the years ended June 30, 2004 and 2003 was \$271,538 and \$264,884, respectively. PERS collects contributions from both employers and employees for the purpose of funding retirement benefits. Beginning July 1, 1979, the employees' contribution for both plans under PERS 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 employer contribution rates for the PERS/IAP were 3.3% and 6.0% for 2004 and 2003, respectively. The employer contribution rate for the OPSRP was 8.0% for 2004.

The State of Oregon PERS issues a publicly available financial report that includes financial statements and required supplementary information, including 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 73, Portland, Oregon 97207-0073.

A PERS participant 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 for PERS/IAP and age 65 for OPSRP, before ceasing employment. Eligible members can retire with unreduced benefits at any age for PERS/IAP and age 58 for OPSRP 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 and age 65 for OPSRP.

**OREGON HEALTH & SCIENCE UNIVERSITY**

Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

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.

	<b>2004</b>	<b>2003</b>
PERS:		
Employer contribution	\$ 8,852	16,847
Employee contribution (1)	16,292	15,893
	\$ 25,144	32,740
UPP:		
Employer contribution	\$ 7,546	5,944
Employee contribution (1)	7,546	5,944
	\$ 15,092	11,888

(1) Of the employees' share, the employer paid \$23,838 and \$21,837 of PERS and UPP in 2004 and 2003, 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 \$434 and \$436 for the purchase of retirement annuities during the years ended June 30, 2004 and 2003, respectively.

**(8) Long-Term Debt, Bonds 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.

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## Notes to Financial Statements

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(Dollars in thousands)

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 in the accompanying statement of financial position 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.

**(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, 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, 2029, and require interest payments every 35 days. The interest rate is variable and is adjusted every 35 days. The rate was 1.25% and 1.10% at June 30, 2004 and 2003, 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 the 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 1.23% and 1.04% at June 30, 2004 and 2003, respectively. 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.

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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 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 were scheduled to mature on June 1, 2009 but were redeemed in August of 2004.

In calendar year 1992, the City issued \$18,600 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 were scheduled to mature on August 1, 2011 but were redeemed in August of 2004.

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 (1.12% and 1.05% at June 30, 2004 and 2003, respectively). 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, 2004 and 2003 are as follows:

	<b>2004</b>	<b>2003</b>
Debt service payment agreement	\$ 46,628	61,345
Bonds Payable, Revenue Bonds, Series 2002	249,717	249,702
Bonds Payable, Revenue Bonds, Series 1995 A & B	194,377	194,900
Bonds Payable, Revenue Bonds, Series 1998 A & B	101,900	103,600
Bonds Payable, Revenue Bonds, Series 1988	2,600	3,000
Bonds Payable, Revenue Bonds, Series 1992	7,300	8,300
Capital leases	4,693	5,232
Less current portion of debt and capital leases	(11,486)	(10,673)
	\$ 595,729	615,406

Amounts due under the DSPA and the 1995 Revenue Bonds are included in long-term debt, bonds in the accompanying financial statements, net of unamortized discount of \$3,535 and \$3,827 and net of accreted interest of \$29,267 and \$27,055 as of June 30, 2004 and 2003, respectively.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2005	\$ 10,943	22,744	33,687
2006	11,493	22,492	33,985
2007	11,510	22,188	33,698
2008	14,573	21,807	36,380
2009	13,235	22,212	35,447
2010-2014	65,914	105,107	171,021
2015-2019	70,907	113,724	184,631
2020-2024	89,600	97,614	187,214
2025-2029	145,185	47,170	192,355
2030-2033	143,430	13,566	156,996
	<u>\$ 576,790</u>	<u>488,624</u>	<u>1,065,414</u>

The cost of obtaining debt is deferred and amortized over the term of the related debt using the effective interest method.

**(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:	
2005	\$ 999
2006	999
2007	999
2008	999
2009	999
2010-2012	<u>1,446</u>
	6,441
Less amount representing interest	<u>(1,748)</u>
	4,693
Less current portion	<u>(543)</u>
	<u>\$ 4,150</u>

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**(d) Changes in Noncurrent Liabilities**

Changes in OHSU's total noncurrent liabilities during the fiscal years ended June 30, 2004 and 2003 are summarized below:

	<b>Balance June 30, 2003</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2004</b>
Liability for self-funded insurance programs	\$ 22,640	7,019	(4,245)	25,414
Long-term debt, bonds	610,702	—	(19,123)	591,579
Long-term capital leases	4,704	—	(554)	4,150
	<u>\$ 638,046</u>	<u>7,019</u>	<u>(23,922)</u>	<u>621,143</u>
	<b>Balance June 30, 2002</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2003</b>
Liability for self-funded insurance programs	\$ 23,936	4,535	(5,831)	22,640
Long-term debt, bonds	368,076	250,000	(7,374)	610,702
Long-term capital leases	5,227	—	(523)	4,704
	<u>\$ 397,239</u>	<u>254,535</u>	<u>(13,728)</u>	<u>638,046</u>

**(9) Line of Credit**

On May 1, 2004, OHSU amended its \$25,000 revolving credit agreement with Wells Fargo Bank to extend the maturity date to May 1, 2005. The credit agreement includes a subfeature that allows OHSU to issue letters of credit for up to \$5,000. Borrowings can be made using various interest rate options based upon LIBOR or the bank's prime rate. Interest rates for a borrowing using the taxable prime rate option were 2.75% and 2.50% at June 30, 2004 and 2003, respectively. Under the agreement, interest is payable monthly and the agreement may be renewed annually. Issued and outstanding letters of credit totaled \$1,050 and the unused amount available under the credit agreement was \$23,950 at June 30, 2004. The line of credit has no borrowings outstanding at June 30, 2004 and 2003 and no amounts were borrowed during the fiscal year ended June 30, 2004.

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Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

A summary of line of credit activity throughout the year for the years ended June 30, 2004 and 2003 is as follows:

	<u>2004</u>	<u>2003</u>
Beginning balance	\$ —	9,800
Amount issued during fiscal year	—	103,464
Amount repaid during fiscal year	—	(113,264)
	<u>—</u>	<u>(113,264)</u>
Amount outstanding as of June 30, 2004 and 2003	\$ —	—
	<u>—</u>	<u>—</u>

The following summarizes the use of borrowings throughout the year under the line of credit for the years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Capital additions	\$ —	—
Working capital requirements	—	103,464
	<u>—</u>	<u>103,464</u>
Total amount issued during fiscal year	\$ —	103,464
	<u>—</u>	<u>103,464</u>

**(10) Life Income Fund – Annuities**

Assets contributed as life income agreements are recorded at their fair value. The present value of 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, 2004 and 2003:

	<u>2004</u>			<u>2003</u>		
	<u>Agreements</u>	<u>Contributions</u>	<u>Liability</u>	<u>Agreements</u>	<u>Contributions</u>	<u>Liability</u>
Charitable remainder unitrusts	6	\$ 2,218	—	1	\$ 2	—
Charitable remainder trust	—	—	—	3	311	199
Charitable gift annuities	32	1,230	380	37	2,237	1,253
Life estate agreements	1	204	—	1	103	—
	<u>39</u>	<u>\$ 3,652</u>	<u>380</u>	<u>42</u>	<u>\$ 2,653</u>	<u>1,452</u>
Totals	39	\$ 3,652	380	42	\$ 2,653	1,452

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June 30, 2004 and 2003

(Dollars in thousands)

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, 2004 and 2003 are as follows:

	2004			2003		
	Agreements	Contributions	Liability	Agreements	Contributions	Liability
Charitable remainder unitrusts	73	\$ 16,007	—	68	\$ 12,935	—
Charitable gift annuity trusts	13	3,489	2,206	14	3,480	2,668
Charitable gift annuities	151	5,197	3,812	123	4,185	3,558
Life estate agreements	5	1,181	—	5	1,064	—
Pooled income accounts	3	49	—	3	53	—
Totals	<u>245</u>	<u>\$ 25,923</u>	<u>6,018</u>	<u>213</u>	<u>\$ 21,717</u>	<u>6,226</u>

Eighteen of the 245 life income agreements 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 OSHU, is an income beneficiary, are not recorded in the financial statements. The approximate value of such trusts was \$7,808 and \$7,446 on June 30, 2004 and 2003, 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 \$16,042 and \$10,790 as of June 30, 2004 and 2003, respectively. These assets are recorded as contributions as trust distributions occur. Trust distributions of \$399 and \$469 were recorded as contributions during the fiscal years ended June 30, 2004 and 2003, 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 for all of which carrying value approximates fair value.

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June 30, 2004 and 2003

(Dollars in thousands)

The fair value of long-term debt, bonds is shown below. It is estimated using interest rates as of June 30, 2004 and 2003 that OHSU would receive on essentially risk-free assets sufficient to extinguish the obligation as an in-substance defeasance of debt.

	2004		2003	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt, bonds	\$ 602,522	598,624	620,847	660,543

**(13) Pledges and Estates Receivables**

The Foundations had the following pledges and estates receivable as of June 30, 2004 and 2003:

	2004	2003
Pledges maturing within 1 year	\$ 7,868	7,817
Pledges maturing within 2-11 years	15,061	18,323
	22,929	26,140
Less allowance for uncollectible pledges	(1,147)	(1,307)
	21,782	24,833
Less discount for net present value	(1,427)	(943)
Total net pledges receivable	20,355	23,890
Estates receivable	3,484	6,338
Less allowance for uncollectible estates	(174)	(317)
Total net estates receivable	3,310	6,021
Total pledges and estates receivable	\$ 23,665	29,911

**(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 2004 and 2003 were \$1,000 per occurrence and the aggregate limit was \$8,500 in 2004 and 2003. 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 2004 and 2003 and, in management's opinion, provide an adequate reserve for loss contingencies.

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## Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

**(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 benefits 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 \$120,008 and \$2,849 at June 30, 2004 and 2003, respectively. These commitments will be primarily funded from gifts, grants, funds held by trustee and other investment 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.

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## Notes to Financial Statements

June 30, 2004 and 2003

(Dollars in thousands)

In the past, OHSU has been involved in litigation and regulatory investigations arising in the normal course of business. In past years, OHSU was subject to several federal health care audits which were national initiatives targeting large numbers of hospitals and academic medical centers. In addition, government agencies 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 responded to these audits, subpoenas, and reviews and continues to do so. The post-payment reviews were 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 \$10,350 and \$9,602 in 2004 and 2003, respectively. The following is a schedule of future minimum rental commitments under operating leases as of June 30, 2004, that have initial or remaining lease terms in excess of one year.

Year ending June 30:	
2005	\$ 9,665
2006	8,782
2007	12,865
2008	10,849
2009	10,451
2010-2014	29,744
2015-2019	17,838
	<u>\$ 100,194</u>

**(15) Oregon Opportunity Grant**

During fiscal 2003, the Oregon State Legislature approved the Oregon Opportunity Act, which authorized the State to provide \$200,000 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 noncapital expenditures under the Oregon Opportunity program.

OHSU received the disbursements of Oregon Opportunity grant funds in the amount of approximately \$104,220 and \$93,650 during the fiscal years ended June 30, 2004 and 2003, respectively. OHSU has recognized approximately \$76,300 of revenue, expenses, and changes in net assets in accordance with GASB 33 to date. OHSU has recorded \$38,900 and \$33,200 of gifts, grants, and contracts in the accompanying statements of revenue, expenses, and changes in net assets for the fiscal years ended June 30, 2004 and 2003, respectively. The remaining unexpended grant proceeds of approximately \$122,950 and \$56,550 have been recorded as deferred revenue in the statement of financial position as of June 30, 2004 and 2003, respectively, until such time as qualifying expenditures have been incurred.

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OMB Circular A-133  
EIN No. 93-1176109

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Catalog of Federal Domestic Assistance Number	Federal grantor	Program title	Expenditures
<b>Research and Development Awards:</b>			
<b>Direct Federal Awards:</b>			
11.440	U.S. Dept of Commerce	Environmental Sciences, Applications, Data and Education	\$ 104,834
11.455	U.S. Dept of Commerce	Cooperative Science and Education Program	245,396
11.xxx	U.S. Dept of Commerce	U.S. Dept of Commerce	261,306
<b>Department of Commerce total</b>			<b>611,536</b>
12.300	Department of Defense	Basic and Applied Scientific Research	994,659
12.420	Department of Defense	Military Medical Research & Development	528,189
12.910	Department of Defense	Research and Technology Development	760,466
12.xxx	Department of Defense	Department of Defense	3,562,771
<b>Department of Defense total</b>			<b>5,846,085</b>
15.608	Department of the Interior	Fish and Wildlife Management Assistance	425,568
15.621	Department of the Interior	Asian Elephant Conservation	9,735
15.808	Department of the Interior	US Geological Survey-Research and Data Acquisition	596,842
15.xxx	Department of the Interior	Department of the Interior	10,776
<b>Department of the Interior total</b>			<b>1,042,921</b>
16.xxx	Department of Justice	Department of Justice	238,760
<b>Department of Justice total</b>			<b>238,760</b>
17.720	Department of Labor	Employment Programs for People with Disabilities	36,808
<b>Department of Labor total</b>			<b>36,808</b>
20.xxx	Department of Transportation	Department of Transportation	26,303
<b>Department of Transportation total</b>			<b>26,303</b>
47.041	National Science Foundation	Engineering Grants	58,534
47.050	National Science Foundation	Geosciences	144,400
47.070	National Science Foundation	Computer and Information Science and Engineering	3,558,873
47.074	National Science Foundation	Biological Sciences	546,590
47.076	National Science Foundation	Education and Human Resources	74,053
47.xxx	National Science Foundation	National Science Foundation	1,533
<b>National Science Foundation total</b>			<b>4,383,983</b>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Catalog of Federal Domestic Assistance Number	Federal grantor	Program title	Expenditures
64.xxx	Department of Veteran's Affairs	Department of Veteran's Affairs	\$ 564,965
	<b>Department of Veteran's Affairs total</b>		<b>564,965</b>
66.500	U.S. Environmental Protection Agency	Environmental Protection – Consolidated Research	7,826
66.606	U.S. Environmental Protection Agency	Surveys, Studies, Investigations and Special Purpose Grants	13,842
66.607	U.S. Environmental Protection Agency	Training and Fellowships for the Environmental Protection Agency	10,270
	<b>U.S. Environmental Protection Agency total</b>		<b>31,938</b>
81.049	Department of Energy	Office of Science Financial Assistance Program	125,102
	<b>Department of Energy total</b>		<b>125,102</b>
84.116	Department of Education	Fund for the Improvement of Postsecondary Education	81,291
84.133	Department of Education	National Institute on Disability and Rehabilitation Research	2,097,880
84.324	Department of Education	Special Education – Research and Innovation to Improve Services and Results for Children with Disabilities	1,259,445
84.333	Department of Education	Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	35,771
	<b>Department of Education total</b>		<b>3,474,387</b>
93.048	Department of Health and Human Services	Special Programs for the Aging - Title IV and Title II Discretionary Projects	234,206
93.104	Department of Health and Human Services	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	136,943
93.107	Department of Health and Human Services	Model State – Supported Area Health Education Centers	628,956
93.110	Department of Health and Human Services	Maternal and Child Health Federal Consolidated Programs	1,281,239
93.113	Department of Health and Human Services	Biological Response to Environmental Health Hazards	5,125,365
93.115	Department of Health and Human Services	Biometry and Risk Estimation - Health Risk from Environmental Exposure	275,921
93.121	Department of Health and Human Services	Oral Diseases and Disorders Research	1,461,732
93.136	Department of Health and Human Services	Injury Prevention and Control Research and State and Community Based Programs	256,280
93.172	Department of Health and Human Services	Human Genome Research	95,757
93.173	Department of Health and Human Services	Research Related to Deafness and Communication Disorders	6,416,345
93.186	Department of Health and Human Services	National Research Services Awards	2,178
93.189	Department of Health and Human Services	Health Education and Training Centers	265,048
93.192	Department of Health and Human Services	Quentin N. Burdick Programs for Rural Interdisciplinary Training	205,684
93.213	Department of Health and Human Services	Research & Training in Complementary and Alternative Medicine	2,665,452
93.218	Department of Health and Human Services	Substance Abuse Treatment Conference Grants	49,569
93.225	Department of Health and Human Services	National Research Service Awards Health Services Research Training	148,808
93.226	Department of Health and Human Services	Research on Healthcare Costs, Quality and Outcomes	493,789
93.230	Department of Health and Human Services	Consolidated Knowledge Development & Application Program	1,479,732
93.233	Department of Health and Human Services	National Center on Sleep Disorder Research	425,352

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OMB Circular A-133  
EIN No. 93-1176109

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Catalog of Federal Domestic Assistance Number	Federal grantor	Program title	Expenditures
93.241	Department of Health and Human Services	State Rural Hospital Flexibility Program	\$ 275,578
93.242	Department of Health and Human Services	Mental Health Research Grants	5,253,821
93.243	Department of Health and Human Services	Substance Abuse and Mental Health Services Projects of Regional and National Significance	787,410
93.247	Department of Health and Human Services	Advanced Education Nursing Grant Program	1,270,339
93.253	Department of Health and Human Services	Poison Control Stabilization and Enhancement Grants	297,400
93.259	Department of Health and Human Services	Rural Access to Emergency Devices Grant	212,330
93.262	Department of Health and Human Services	Occupational Safety and Health Research Grants	471,399
93.271	Department of Health and Human Services	Alcohol Research Career Development Awards for Scientists and Clinicians	77,938
93.272	Department of Health and Human Services	Alcohol National Research Service Awards for Research Training	418,987
93.273	Department of Health and Human Services	Alcohol Research Programs	3,419,212
93.279	Department of Health and Human Services	Drug Abuse Research Programs	6,319,999
93.281	Department of Health and Human Services	Mental Health Research Career/Scientist Development Awards	143,784
93.282	Department of Health and Human Services	Mental Health National Research Service Awards for Research Training	64,341
93.283	Department of Health and Human Services	CDCP Investigations and Technical Assistance	194,669
93.286	Department of Health and Human Services	Biomedical Optics for Meduical Research and Clinical Care	484,747
93.287	Department of Health and Human Services	Bioengineering Research	184,790
93.290	Department of Health and Human Services	National Centers of Excellence in Women's Health	92,662
93.301	Department of Health and Human Services	Small Rural Hospital Improvement Grants	334,002
93.333	Department of Health and Human Services	Clinical Research	2,554,975
93.358	Department of Health and Human Services	Advanced Education Nursing Traineeships	97,757
93.359	Department of Health and Human Services	Nurse Education, Practice and Retention Grants	418,806
93.361	Department of Health and Human Services	Nursing Research	2,508,447
93.389	Department of Health and Human Services	National Center for Research Resources	19,135,853
93.390	Department of Health and Human Services	Acedemic Research Enhancement Award	672,900
93.393	Department of Health and Human Services	Cancer Cause and Prevention Research	3,659,394
93.394	Department of Health and Human Services	Cancer Detection and Diagnosis Research	113,214
93.395	Department of Health and Human Services	Cancer Treatment Research	1,323,374
93.396	Department of Health and Human Services	Cancer Biology Research	2,995,704
93.397	Department of Health and Human Services	Cancer Centers Support Grants	1,318,965
93.398	Department of Health and Human Services	Cancer Research Manpower	1,003,893
93.399	Department of Health and Human Services	Cancer Control	71,236
93.604	Department of Health and Human Services	Assistance to Torture Victims	389,908
93.631	Department of Health and Human Services	Developmental Disabilities Projects of National Significance	274,308
93.632	Department of Health and Human Services	Universities Centers for Excellence in Developmental Disabilities Education, Research, and Service	468,745
93.779	Department of Health and Human Services	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	40,861

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93.837	Department of Health and Human Services	Heart and Vascular Diseases Research	\$ 8,942,690
93.838	Department of Health and Human Services	Lung Diseases Research	1,315,437
93.839	Department of Health and Human Services	Blood Diseases and Resources Research	3,015,955
93.846	Department of Health and Human Services	Arthritis, Musculoskeletal and Skin Diseases Research	1,895,648
93.847	Department of Health and Human Services	Diabetes, Endocrinology and Metabolism Research	9,369,666
93.848	Department of Health and Human Services	Digestive Diseases and Nutrition Research	2,974,434
93.849	Department of Health and Human Services	Kidney Diseases, Urology and Hematology Research	2,055,280
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	14,183,421
93.854	Department of Health and Human Services	Biological Basis Research in the Neurosciences	2,248,598
93.855	Department of Health and Human Services	Allergy, Immunology and Transplantation Research	1,850,871
93.856	Department of Health and Human Services	Microbiology and Infectious Diseases Research	9,601,547
93.859	Department of Health and Human Services	Biomedical Research and Research Training	6,751,486
93.865	Department of Health and Human Services	Child Health and Human Development Extramural Research	10,313,582
93.866	Department of Health and Human Services	Aging Research	5,296,055
93.867	Department of Health and Human Services	Vision Research	9,483,510
93.879	Department of Health and Human Services	Medical Library Assistance	886,208
93.884	Department of Health and Human Services	Grants for Residency Training in Primary Care Medicine and Dentistry	745,555
93.887	Department of Health and Human Services	Health Care Facilities and Other Construction	836,190
93.891	Department of Health and Human Services	Alcohol Research Center Grants	1,701,958
93.912	Department of Health and Human Services	Grants to States for Operation of Offices of Rural Health	534,413
93.913	Department of Health and Human Services	Grants to States for Operation of Offices of Rural Health	189,536
93.918	Department of Health and Human Services	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	63,334
93.924	Department of Health and Human Services	Ryan White HIV/AIDS Dental Reimbursements	252,879
93.956	Department of Health and Human Services	Agricultural Health and Safety Programs	46,371
93.969	Department of Health and Human Services	Geriatric Education Centers	320,624
93.989	Department of Health and Human Services	International Research and Research Training	450,997
93.xxx	Department of Health and Human Services	Department of Health and Human Services	1,523,839
	<b>Department of Health and Human Services total</b>		<b>175,850,188</b>
94.007	Corporation for National Service	Planning and Program Development Grants	85,119
	<b>Corporation for National Service total</b>		<b>85,119</b>
	<b>Total Direct Federal Awards – Research and Development Awards</b>		<b>192,318,095</b>

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<b>Pass-Through Federal Awards:</b>			
93.849	Department of Health and Human Services	Kidney Diseases, Urology and Hematology Research	\$ 330,471
		<b>Albert Einstein College of Medicine of Yeshiva University total</b>	<b>330,471</b>
93.838	Department of Health and Human Services	Lung Diseases Research	1,068
		<b>Alpha One Foundation total</b>	<b>1,068</b>
93.110	Department of Health and Human Services	Maternal and Child Health Federal Consolidated Programs	311
		<b>American Academy of Pediatrics total</b>	<b>311</b>
93.867	Department of Health and Human Services	Vision Research	5
		<b>American College of Radiology total</b>	<b>5</b>
98.001	U.S. Agency for International Development	USAID Foreign Assistance for Programs Overseas	146,687
		<b>American International Health Alliance total</b>	<b>146,687</b>
93.279	Department of Health and Human Services	Drug Abuse Research Programs	12,450
		<b>Arizona State University total</b>	<b>12,450</b>
93.283	Department of Health and Human Services	Center for Disease Control and Prevention - Investigations and Technical Assistance	123,586
		<b>Association of American Medical Colleges total</b>	<b>123,586</b>
93.161	Department of Health and Human Services	Health Program for Toxic Substances and Disease Registry	105,740
93.283	Department of Health and Human Services	Center for Disease Prevention - Investigations and Technical Assistance	55,345
93.xxx	Department of Health and Human Services	Department of Health and Human Services	45,288
		<b>Association of Teachers of Preventive Medicine total</b>	<b>206,373</b>
10.206	Department of Agriculture	Grants for Agricultural Research - Competitive Research Grants	7,341
		<b>Auburn University total</b>	<b>7,341</b>
93.837	Department of Health and Human Services	Heart and Vascular Diseases Research	8
		<b>Axio Research Corporation total</b>	<b>8</b>
93.839	Department of Health and Human Services	Blood Diseases and Resources Research	54,655
93.856	Department of Health and Human Services	Microbiology and Infectious Diseases Research	56,522
		<b>Barlow Scientific Corp total</b>	<b>111,177</b>
15.xxx	Natl Imagery & Mapping Agency	Fundamental Approaches to Task-Oriented Visualization of Uncertainty	80,605
66.500	Environmental Protection Agency	Environmental Protection Consolidated Research	13,569
81.xxx	Department of Energy	U.S. Department of Energy	70,037
93.xxx	Department of Health and Human Services	Department of Health and Human Services	17,076
		<b>Battelle Memorial Institute total</b>	<b>181,287</b>

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93.846	Department of Health and Human Services	Arthritis, Musculoskeletal and Skin Diseases Research	\$ 352,436
		<b>Baylor College of Medicine total</b>	<b>352,436</b>
93.273	Department of Health and Human Services	Alcohol Research Programs	187,424
		<b>Behavioral Health Research Center of the SW total</b>	<b>187,424</b>
93.847	Department of Health and Human Services	Diabetes, Endocrinology and Metabolism Research	28,891
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	10,244
		<b>Beth Israel Deaconess Medical Center total</b>	<b>39,135</b>
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	57,273
		<b>Beth Israel Medical Center total</b>	<b>57,273</b>
93.xxx	Department of Health and Human Services	Department of Health and Human Services	657
		<b>Cambridge Scientific, Inc. total</b>	<b>657</b>
93.xxx	Department of Health and Human Services	Department of Health and Human Services	42,984
		<b>Cancer Research and Biostatistics total</b>	<b>42,984</b>
93.395	Department of Health and Human Services	Cancer Treatment Research	16,348
		<b>Cancer Therapy and Research Foundation of So. Texas total</b>	<b>16,348</b>
93.395	Department of Health and Human Services	Cancer Treatment Research	13,914
		<b>Cancer Therapy Research Foundation total</b>	<b>13,914</b>
93.839	Department of Health and Human Services	Blood Diseases and Resources Research	82,905
		<b>Case Western Reserve University total</b>	<b>82,905</b>
93.230	Department of Health and Human Services	Consolidated Knowledge and Development Application (KD&A) Program	17,934
		<b>Central/Eastern Oregon Juvenile Justice Consortium total</b>	<b>17,934</b>
93.849	Department of Health and Human Services	Kidney Diseases, Urology and Hematology Research	22,491
93.856	Department of Health and Human Services	Microbiology and Infectious Diseases Research	157,954
		<b>Children's Hospital and Regional Medical Center total</b>	<b>180,445</b>
93.395	Department of Health and Human Services	Cancer Treatment Research	28,493
		<b>Childrens Hospital Los Angeles total</b>	<b>28,493</b>
93.849	Department of Health and Human Services	Kidney Diseases, Urology and Hematology Research	24,510
		<b>Children's Mercy Hospital total</b>	<b>24,510</b>
93.846	Department of Health and Human Services	Arthritis, Musculoskeletal and Skin Diseases Research	754
		<b>Chinese University of Hong Kong total</b>	<b>754</b>
93.242	Department of Health and Human Services	Mental Health Research Grants	9,290
		<b>Circumplex Company total</b>	<b>9,290</b>

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93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	\$ 12,311
		<b>Columbia University total</b>	<b>12,311</b>
47.041	National Science Foundation	Engineering Grants	238,496
		<b>Cornell University total</b>	<b>238,496</b>
93.173	Department of Health and Human Services	Research Related to Deafness and Communication Disorders	10,730
		<b>Creighton University School of Medicine total</b>	<b>10,730</b>
93.395	Department of Health and Human Services	Cancer Treatment Research	35,161
		<b>CTRC Research Fund, Southwest Oncology Group total</b>	<b>35,161</b>
93.xxx	Department of Health and Human Services	Department of Health and Human Services	135,291
		<b>Department of Veteran Affairs total</b>	<b>135,291</b>
93.395	Department of Health and Human Services	Cancer Treatment Research	679
93.837	Department of Health and Human Services	Heart and Vascular Diseases Research	755
		<b>Duke University Medical Center total</b>	<b>1,434</b>
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	9,954
		<b>Emory University total</b>	<b>9,954</b>
93.399	Department of Health and Human Services	Cancer Control	19,349
		<b>Fred Hutchinson Cancer Rsch Ctr</b>	<b>19,349</b>
93.847	Department of Health and Human Services	Diabetes, Endocrinology and Metabolism Research	175,458
		<b>George Washington University total</b>	<b>175,458</b>
12.xxx	Department of Defense	Department of Defense	18,458
47.041	National Science Foundation	Engineering Grants	104,354
		<b>Georgia Institute of Technology total</b>	<b>122,812</b>
12.xxx	Department of Defense	Department of Defense	139,885
		<b>GeoSyntec Consultants total</b>	<b>139,885</b>
93.395	Department of Health and Human Services	Cancer Treatment Research	6,422
		<b>Gynecologic Oncology Group total</b>	<b>6,422</b>
93.779	Department of Health and Human Services	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	79,308
		<b>Health and Disability Advocates total</b>	<b>79,308</b>
12.910	Department of Defense	Research and Technology Development	96,851
		<b>Honeywell International total</b>	<b>96,851</b>

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93.855	Department of Health and Human Services	Allergy, Immunology and Transplantation Research	\$ 117,240
		<b>Immune Tolerane Network total</b>	<b>117,240</b>
12.420	US Army Medical Research Acquisition Activity	Military Medical Research & Development	17,535
		<b>iSense total total</b>	<b>17,535</b>
11.612	National Institute of Standards and Technology	Advanced Technology Program	109,610
		<b>ISTO Technologies total</b>	<b>109,610</b>
93.867	Department of Health and Human Services	Vision Research	50
		<b>Jaeb Center for Health Research total</b>	<b>50</b>
93.865	Department of Health and Human Services	Center for Research for Mothers and Children	388
		<b>Joan &amp; Sanford I. Weill Medical College total</b>	<b>388</b>
47.070	National Science Foundation	Computer and Information Science and Engineering	7,970
93.226	Department of Health and Human Services	Research on Healthcare Costs, Quality and Outcome	118,802
93.838	Department of Health and Human Services	Lung Diseases Research	150,726
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	236,148
93.867	Department of Health and Human Services	Vision Research	24,706
		<b>Johns Hopkins University total</b>	<b>538,352</b>
93.838	Department of Health and Human Services	Lung Diseases Research	86,213
93.849	Department of Health and Human Services	Kidney Diseases, Urology and Hematology Research	68,897
93.865	Department of Health and Human Services	Center for Research for Mothers and Children	36,718
		<b>Kaiser Foundation Hospitals total</b>	<b>191,828</b>
93.273	Department of Health and Human Services	Alcohol Research Programs	201,604
93.283	Department of Health and Human Services	CDCP Investigations and Technical Assistance	10,132
93.837	Department of Health and Human Services	Heart and Vascular Diseases Research	1,452
93.867	Department of Health and Human Services	Vision Research	40,597
		<b>Kaiser Foundation Hospitals Center for Health Research total</b>	<b>253,785</b>
93.859	Department of Health and Human Services	Biomedical Research and Research Training	36,449
		<b>Keck Graduate Institute total</b>	<b>36,449</b>
81.xxx	Department of Energy	U.S. Department of Energy	40,043
		<b>Lawrence Livermore National Laboratory total</b>	<b>40,043</b>

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93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	\$ 505,152
93.xxx	Department of Health and Human Services	Department of Health and Human Services	19,112
		<b>Legacy Emanuel Hospital and Health Center total</b>	<b>524,264</b>
93.867	Department of Health and Human Services	Vision Research	14,953
		<b>Luna Innovations, Inc</b>	<b>14,953</b>
93.173	Department of Health and Human Services	Research Related to Deafness and Communication Disorders	119,142
		<b>Massachusetts Eye and Ear Infirmary total</b>	<b>119,142</b>
93.865	Department of Health and Human Services	Child Health and Human Development Extramural Research	124,015
		<b>Massachusetts General Hospital total</b>	<b>124,015</b>
12.xxx	US Air Force Material Command	Department of Defense	111,133
		<b>Max-Viz, Inc. total</b>	<b>111,133</b>
93.394	Department of Health and Human Services	Cancer Detection and Diagnosis Research	235,411
93.399	Department of Health and Human Services	Cancer Control	100,064
		<b>Mayo Clinic Rochester total</b>	<b>335,475</b>
93.173	Department of Health and Human Services	Research Related to Deafness and Communication Disorders	115,211
		<b>McLaughlin Research Institute for Biomedical Sciences, Inc. total</b>	<b>115,211</b>
93.242	Department of Health and Human Services	Mental Health Research Grants	12,533
		<b>Medical University of South Carolina total</b>	<b>12,533</b>
12.xxx	Department of Defense	U.S. Air Force Material Command	20,624
		<b>Microenergy Technologies total</b>	<b>20,624</b>
93.242	Department of Health and Human Services	Mental Health Research Grants	4,392
93.279	Department of Health and Human Services	Drug Abuse Research Programs	26,220
93.286	Department of Health and Human Services	Biomedical Imaging Research	31,360
93.849	Department of Health and Human Services	Kidney Diseases, Urology and Hematology Research	28,049
		<b>Mount Sinai Medical Center total</b>	<b>90,021</b>
93.135	Department of Health and Human Services	Centers for Research and Demonstration for Health Promotion and Disease Prevention	39,594
93.914	Department of Health and Human Services	HIV Emergency Relief Project Grants	390,347
		<b>Multnomah County Community Health Services Division total</b>	<b>429,941</b>
93.395	Department of Health and Human Services	Cancer Treatment Research	137,376
93.397	Department of Health and Human Services	Cancer Centers Support Grants	40,628
		<b>National Childhood Cancer Foundation total</b>	<b>178,004</b>

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93.242	Department of Health and Human Services	Mental Health Research Grants	\$ 44,200
		<b>Network Ventures, Inc. total</b>	<b>44,200</b>
93.242	Department of Health and Human Services	Mental Health Research Grants	1,067
		<b>Neurocrine Biosciences total</b>	<b>1,067</b>
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	21,069
		<b>Northern California Institute for Research and Education total</b>	<b>21,069</b>
93.933	Department of Health and Human Services	Clinical Research	106,252
		<b>Northwest Portland Area Indian Health Board total</b>	<b>106,252</b>
93.848	Department of Health and Human Services	Digestive Diseases and Nutrition Research	43,523
		<b>Northwestern University total</b>	<b>43,523</b>
93.361	Department of Health and Human Services	Nursing Research	53,214
		<b>Ohio State University total</b>	<b>53,214</b>
93.283	Department of Health and Human Services	CDCP-Investigations and Technical Assistance	10,808
		<b>Olive View-UCLA total</b>	<b>10,808</b>
93.630	Department of Health and Human Services	Developmental Disabilities Basic Support and Advocacy Grants	173,561
		<b>Oregon Council on Developmental Disabilities total</b>	<b>173,561</b>
84.013	Department of Education	Title I Prgram for Neglected and Delinquent Children	9,012
84.027	Department of Education	Special Education Grants to States	15,465
84.xxx	Department of Education	Department of Education	3,581
		<b>Oregon Department of Education total</b>	<b>28,058</b>
17.720	Department of Labor	Employment Promotion of People with Disabilities	728
93.136	Department of Health and Human Services	Injury Prevention and Control Research and State and Community Based Programs	339,806
93.243	Department of Health and Human Services	Substance Abuse and Mental Health Services Projects of Regional and National Significance	7,387
93.283	Department of Health and Human Services	Centers for Disease Control and Prevention Investigations and Technical Assistance	136,021
93.994	Department of Health and Human Services	Maternal and Child Health Services Block Grant to the State	2,072,203
93.xxx	Department of Health and Human Services	Department of Health and Human Services	138,970
		<b>Oregon Dept of Human Services (ODHS) total</b>	<b>2,695,115</b>
93.865	Department of Health and Human Services	Child Health and Human Development Extramural Research	11,504
		<b>Oregon Center for Applied Science (ORCAS) total</b>	<b>11,504</b>
93.213	Department of Health and Human Services	Research and Training in Complementary and Alternative Medicine	301
		<b>Oregon College of Oriental Medicine total</b>	<b>301</b>

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12.420	Department of Defense	Military Medical Research and Development	\$ 174,920
12.420	U.S. Army Medical Research Acquisition Activity	Military Medical Research and Development	31,065
		<b>Oregon Medical Laser Center total</b>	<b>205,985</b>
93.389	Department of Health and Human Services	Research Infrastructure	117,793
		<b>Oregon Museum of Science and Industry total</b>	<b>117,793</b>
11.417	National Oceanic and Atmospheric Administration	Sea Grant Support	35,625
		<b>Oregon State University total</b>	<b>35,625</b>
11.609	U.S. Dept of Commerce	Measurement and Engineering Research and Standards	15,669
84.339	Department of Education	Learning Anytime Anywhere Partnerships	13,852
		<b>Oregon University System total</b>	<b>29,521</b>
93.838	Department of Health and Human Services	Lung Diseases Research	14,921
		<b>Palo Alto Medical Foundation Research Institute total</b>	<b>14,921</b>
81.049	Department of Energy	Office of Science Financial Assistance Program	218,924
		<b>Portland State University total</b>	<b>218,924</b>
93.947	Department of Health and Human Services	Tuberculosis Demonstration, Research, Public and Professional Education	41,577
		<b>Portland VA Research Foundation</b>	<b>41,577</b>
93.283	Department of Health and Human Services	CDCP Investigations and Technical Assistance	110,908
		<b>Providence Health Systems total</b>	<b>110,908</b>
93.173	Department of Health and Human Services	Research Related to Deafness and Communication Disorders	1,424
		<b>Purdue University total</b>	<b>1,424</b>
93.849	Department of Health and Human Services	Kidney Diseases, Urology and Hematology Research	31,217
		<b>Rhode Island Hospital total</b>	<b>31,217</b>
93.230	Department of Health and Human Services	Consolidated Knowledge and Development Application Program	7,824
93.279	Department of Health and Human Services	Drug Abuse Research Programs	94,418
		<b>RMC Research Corporation total</b>	<b>102,242</b>
93.233	Department of Health and Human Services	National Center on Sleep Disorders Research	145,011
		<b>Rockefeller University total</b>	<b>145,011</b>
93.121	Department of Health and Human Services	Oral Diseases and Disorders Research	74,765
		<b>Research Foundation of State University of New York total</b>	<b>74,765</b>
93.xxx	Department of Health and Human Services	Department of Health and Human Services	65,334
		<b>SAIC - Frederic, Inc. total</b>	<b>65,334</b>

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81.xxx	Department of Energy	U.S. Department of Energy	\$ 7,495
		<b>Sandia National Laboratories total</b>	<b>7,495</b>
93.273	Department of Health and Human Services	Alcohol Research Programs	52,513
		<b>Scripps Research Institute total</b>	<b>52,513</b>
93.395	Department of Health and Human Services	Cancer Treatment Research	222
93.399	Department of Health and Human Services	Cancer Control	63,546
		<b>Southwest Oncology Group total</b>	<b>63,768</b>
12.910	Department of Defense	Research and Technology Development	512,804
		<b>SRI International total</b>	<b>512,804</b>
96.007	Social Security Administration	Social Security_Research and Demonstration	87,994
		<b>State of Wisconsin, Department of Health and Family Services total</b>	<b>87,994</b>
93.121	Department of Health and Human Services	Oral Diseases and Disorders Research	128,484
93.273	Department of Health and Human Services	Alcohol Research Programs	88,557
		<b>Texas A &amp; M University System total</b>	<b>217,041</b>
93.632	Department of Health and Human Services	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	78,969
		<b>The Arc of the United States total</b>	<b>78,969</b>
93.779	Department of Health and Human Services	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	89,307
		<b>The Institute on Rehabilitation Research (TIRR) total</b>	<b>89,307</b>
81.xxx	Department of Energy	U.S. Department of Energy	80,108
		<b>Tulane University Medical Center total</b>	<b>80,108</b>
93.856	Department of Health and Human Services	Microbiology and Infectious Diseases Research	116,148
		<b>U.S. Dept. of Agriculture total</b>	<b>116,148</b>
93.279	Department of Health and Human Services	Drug Abuse Research Programs	202,909
93.854	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	56,679
		<b>UMD New Jersey total</b>	<b>259,588</b>
93.273	Department of Health and Human Services	Alcohol Research Programs	16,252
		<b>University of Alberta total</b>	<b>16,252</b>

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12.300	National Aeronautics and Space Administration	Basic and Applied Scientific Research	\$ 102,731
		<b>University of California, Berkeley total</b>	<b>102,731</b>
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	77,157
		<b>University of California, Los Angeles total</b>	<b>77,157</b>
93.866	Department of Health and Human Services	Aging Research	4,225
93.xxx	Department of Health and Human Services	Department of Health and Human Services	2,204
		<b>University of California, San Diego Alzheimer's Disease Cooperative Study total</b>	<b>6,429</b>
93.242	Department of Health and Human Services	Mental Health Research Grants	93,746
93.847	Department of Health and Human Services	Diabetes, Endocrinology and Metabolism Research	204,739
93.866	Department of Health and Human Services	Aging Research	24,253
93.xxx	Department of Health and Human Services	Department of Health and Human Services	86,005
		<b>University of California, San Diego total</b>	<b>408,743</b>
12.420	US Army Medical Research Acquisition Activity	Military Medical Research and Development	73,447
93.121	Department of Health and Human Services	Oral Diseases and Disorders Research	98,717
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	48,594
93.854	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	266
93.xxx	Department of Health and Human Services	Department of Health and Human Services	80,950
		<b>University of California, San Francisco total</b>	<b>301,974</b>
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	8,276
		<b>University of Cincinnati total</b>	<b>8,276</b>
47.070	National Science Foundation	Computer and Information Science and Engineering	75,425
		<b>University of Colorado, Boulder total</b>	<b>75,425</b>
93.283	Department of Health and Human Services	CDCP Investigations and Technical Assistance	3,999
93.865	Department of Health and Human Services	Child Health and Human Development Extramural Research	98,924
		<b>University of Colorado Health Sciences Center total</b>	<b>102,923</b>
93.867	Department of Health and Human Services	Vision Research	38,277
		<b>University of Florida total</b>	<b>38,277</b>
93.xxx	Department of Health and Human Services	Department of Health and Human Services	69,033
		<b>University of Hawaii total</b>	<b>69,033</b>
47.074	National Science Foundation	Biological Sciences	60,876
		<b>University of Kentucky total</b>	<b>60,876</b>

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Year ended June 30, 2004

Catalog of Federal Domestic Assistance Number	Federal grantor	Program title	Expenditures
93.779	Department of Health and Human Services	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	\$ 1,149
		<b>University of Massachusetts Worcester total</b>	<b>1,149</b>
93.839	Department of Health and Human Services	Blood Diseases and Resources Research	25,871
		<b>University of Minnesota total</b>	<b>25,871</b>
93.389	Department of Health and Human Services	National Center for Research Resources	121,685
		<b>University of Nebraska total</b>	<b>121,685</b>
93.213	Department of Health and Human Services	Research and Training in Complementary and Alternative Medicine	2,883
		<b>University of North Carolina at Chapel Hill total</b>	<b>2,883</b>
93.867	Department of Health and Human Services	Vision Research	62,916
		<b>University of Oregon total</b>	<b>62,916</b>
66.500	Environmental Protection Agency	Environmental Protection Consolidated Research	47,991
93.867	Department of Health and Human Services	Vision Research	86,814
93.879	Department of Health and Human Services	Medical Library Assistance	57,664
		<b>University of Pennsylvania total</b>	<b>192,469</b>
93.242	Department of Health and Human Services	Mental Health Research Grants	200,990
		<b>University of Pittsburgh total</b>	<b>200,990</b>
93.172	Department of Health and Human Services	Human Genome Research	6,123
93.393	Department of Health and Human Services	Cancer Cause and Prevention Research	3,967
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	2,903
		<b>University of Rochester total</b>	<b>12,993</b>
93.837	Department of Health and Human Services	Heart and Vascular Diseases Research	24,891
		<b>University of Southern Alabama total</b>	<b>24,891</b>
93.393	Department of Health and Human Services	Cancer Cause and Prevention Research	123,094
		<b>University of Southern California total</b>	<b>123,094</b>
93.846	Department of Health and Human Services	Arthritis, Musculoskeletal and Skin Diseases Research	25,232
		<b>University of Texas , M.D. Anderson Cancer Center total</b>	<b>25,232</b>
93.867	Department of Health and Human Services	Vision Research	47,317
		<b>University of Texas, Health Science Center at Houston total</b>	<b>47,317</b>

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Catalog of Federal Domestic Assistance Number	Federal grantor	Program title	Expenditures
93.110	Department of Health and Human Services	Maternal and Child Health Federal Consolidated Programs	\$ 46,731
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	52,569
		<b>University of Texas, Health Science Center at San Antonio total</b>	<b>99,300</b>
93.865	Department of Health and Human Services	Child Health and Human Development Extramural Research	97,720
		<b>University of Texas, Medical Center at Galveston total</b>	<b>97,720</b>
93.848	Department of Health and Human Services	Digestive Diseases and Nutrition Research	15,057
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	36,047
93.856	Department of Health and Human Services	Microbiology and Infectious Diseases Research	63,602
		<b>University of Texas, Southwestern Medical Center at Dallas total</b>	<b>114,706</b>
93.135	Department of Health and Human Services	Centers for Research and Demonstration for Health Promotion and Disease Prevention	20,618
93.172	Department of Health and Human Services	Human Genome Research	96,673
93.389	Department of Health and Human Services	National Center for Research Resources	79,332
93.847	Department of Health and Human Services	Diabetes, Endocrinology and Metabolism Research	48,970
93.866	Department of Health and Human Services	Aging Research	273,017
93.929	Department of Health and Human Services	Center for Research for Mothers and Children	95,422
93.xxx	Department of Health and Human Services	Department of Health and Human Services	388,626
		<b>University of Washington total</b>	<b>1,002,658</b>
47.070	National Science Foundation	Computer and Information Science and Engineering	356,102
		<b>University of Wisconsin-Madison total</b>	<b>356,102</b>
93.854	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	126,773
		<b>Universidad Central del Caribe total</b>	<b>126,773</b>
93.395	Department of Health and Human Services	Cancer Treatment Research	55,292
93.867	Department of Health and Human Services	Vision Research	43,564
		<b>Vanderbilt University total</b>	<b>98,856</b>
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	72,583
93.856	Department of Health and Human Services	Microbiology and Infectious Diseases Research	48,611
		<b>Virgenomics, Inc. total</b>	<b>121,194</b>
93.853	Department of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	271,314
93.866	Department of Health and Human Services	Aging Research	450,841
		<b>Wake Forest University School of Medicine total</b>	<b>722,155</b>
93.839	Department of Health and Human Services	Blood Diseases and Resources Research	179,317
93.865	Department of Health and Human Services	Child Health and Human Development Extramural Research	72,762
		<b>Washington University School of Medicine total</b>	<b>252,079</b>
93.212	Department of Health and Human Services	Chiropractic Demonstration Project Grants	12,047
		<b>Western States Chiropractic College total</b>	<b>12,047</b>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal grantor</b>	<b>Program title</b>	<b>Expenditures</b>
17.266	Department of Labor	Employment Promotion of People with Disabilities	\$ 150,741
		<b>Worksystems, Inc. total</b>	<b>150,741</b>
93.389	Department of Health and Human Services	National Center for Research Resources	115,741
		<b>Yale University School of Medicine total</b>	<b>115,741</b>
	<b>Total Pass-Through Awards – Research and Development Awards</b>		<b>17,968,636</b>
	<b>Total Research and Development Awards</b>		<b>210,286,731</b>
<b>Student Financial Assistance (Direct Programs):</b>			
84.007	Department of Education	Federal Supplementary Educational Opportunity Grants	47,509
84.032	Department of Education	Federal Stafford Loan	9,489,133
84.032	Department of Education	Federal Stafford Loan – Unsubsidized	19,395,773
84.032	Department of Education	Federal Plus Loans	614,953
84.033	Department of Education	Federal Work-Study Program	20,747
84.038	Department of Education	Federal Perkins Loan Program – Current Year Awards	2,643,554
84.063	Department of Education	Federal Pell Grant Program	434,576
93.364	Department of Health and Human Services	Nursing Student Loans (Graduate) – Current Year Awards	625,097
93.925	Department of Health and Human Services	Federal Health Professional Loan	792,000
	<b>Total Student Financial Assistance (Direct Programs)</b>		<b>34,063,342</b>
Other Awards:			
17.259	Department of Labor	WIA - Youth Activities	100,942
17.260	Department of Labor	WIA Dislocated Workers -Direct	458,509
	<b>Total Other Awards</b>		<b>559,451</b>
	<b>Total Federal Awards</b>		<b>\$ 244,909,524</b>

**OREGON HEALTH & SCIENCE UNIVERSITY**

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Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2004

**(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, 2004. 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 2004.

**(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>
NOAA Research in Remote Sensing of the Earth and Environment	11.440	\$ 38,749
Cooperative Science and Education Program	11.455	69,870
Measurement and Engineering Research and Standards	11.609	3,844
DOD Basic and Applied Scientific Research	12.300	186,001
Contract from DOD NSA	12.xxx	328,274
Contract from DOJ	16.xxx	31,322
ETA WIA Dislocated Workers	17.260	279,652
Employment Programs for People with Disabilities	17.720	1,902
NSF Computer and Information Science and Engineering	47.070	211,815
PCEPD Employment Promotion of People with Disabilities	53.001	67,398
Surveys, Studies, Investigations and Special Purpose Grants	66.606	14,008
Training and Fellowships for the Environmental Protection Agency	66.607	10,270
ED National Institute on Disability and Rehabilitation Research	84.133	650,232
ED Special Education_Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	107,587
HRSA Model State-Supported Area Health Education Centers	93.107	497,122
HRSA Maternal and Child Health Federal Consolidated Programs	93.110	112,774

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<b>Program title</b>	<b>CFDA number</b>	<b>Amount provided to subrecipients</b>
NIH Biological Response to Environmental Health Hazards	93.113	\$ 1,548,319
NIH Biometry and Risk Estimation_Health Risks from Environmental Exposures	93.115	151,317
NIH Oral Diseases and Disorders Research	93.121	239,143
CDC Injury Prevention and Control Research and State and Community Based Programs	93.136	12,196
NIH Research Related to Deafness and Communication Disorders	93.173	97,718
HRSA Health Education and Training Centers	93.189	147,804
HRSA Quentin N. Burdick Programs for Rural Interdisciplinary Training	93.192	45,209
NIH Research and Training in Complementary and Alternative Medicine	93.213	323,097
Substance Abuse Treatment Conference Grants	93.218	44,000
HHS Research on Healthcare Costs, Quality and Outcomes	93.226	118,247
SAMHSA Consolidated Knowledge Development and Application (KD&A) Program	93.230	473,163
HRSA State Rural Hospital Flexibility Program	93.241	149,177
Mental Health Research Grants	93.242	403,128
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	166,303
HRSA Advanced Education Nursing Grant Program	93.247	99,841
Rural Access to Emergency Devices Grant	93.259	200,870
CDC Occupational Safety and Health Research Grants	93.262	5,449
NIH Alcohol Research Programs	93.273	61,753
NIH Drug Abuse Research Programs	93.279	1,402,464
CDC Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	198,926
Biomedical Imaging Research	93.286	74,831
Small Rural Hospital Improvement Grants	93.301	318,097
NIH Comparative Medicine	93.306	314,357
NIH Nursing Research	93.361	296,355
NIH Biomedical Technology	93.371	48,044
NIH Cancer Cause and Prevention Research	93.393	2,588
NIH Cancer Treatment Research	93.395	419,083
NIH Cancer Biology Research	93.396	48,827
NIH Cancer Research Manpower	93.398	80,040
NIH Cancer Control	93.399	11,106
HHS Developmental Disabilities Projects of National Significance	93.631	22,154
HHS Developmental Disabilities University Affiliated Programs	93.632	21,683

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Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2004

<b>Program title</b>	<b>CFDA number</b>	<b>Amount provided to subrecipients</b>
Heart and Vascular Disease Research	93.837	\$ 1,630,898
Lung Diseases Research	93.838	82,983
NIH Arthritis, Musculoskeletal and Skin Diseases Research	93.846	20,265
NIH Diabetes, Endocrinology and Metabolism Research	93.847	89,220
NIH Digestive Diseases and Nutrition Research	93.848	117,316
NIH Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	637,251
Biological Basis Research in the Neurosciences	93.854	153,753
NIH Microbiology and Infectious Diseases Research	93.856	599,032
NIH Pharmacology, Physiology, and Biological Chemistry Research	93.859	210,322
NIH Population Research	93.864	268,672
NIH Aging Research	93.866	232,553
NIH Vision Research	93.867	356,719
HRSA Grants for Residency Training in General Internal Medicine and/or General Pediatrics	93.884	9,825
NIH Alcohol Research Center Grants	93.891	80,739
Rural Health Outreach and Rural Network Development Program	93.912	136,793
HRSA Ryan White HIV/AIDS Dental Reimbursements	93.924	25,574
Center for Research for Mothers and Children	93.929	16,017
HRSA Grants for Geriatric Education Centers	93.969	136,905
Senior International Fellowships	93.989	28,087
Contract from AHRQ	93.xxx	270,995
USAID Foreign Assistance for Programs Overseas	98.001	82,524
Total		\$ <u>15,342,552</u>

**(4) Loan Program Administration**

The University administers the following loan programs:

	<b>CFDA Number</b>	<b>Outstanding balance at June 30, 2004</b>
Perkins loans	84.038	\$ 7,740,382
Nursing student loans	93.364	1,630,533

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Schedule 1 – Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

**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:

<u>CFDA Number</u>	<u>Name of federal program</u>
47.RD	Research and Development Cluster
84.SFA	Student Financial Aid 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: None**