



THE VANDERBILT UNIVERSITY

OMB Circular A-133 Reports

For the year ended June 30, 2004

EIN: 62-0476822

THE VANDERBILT UNIVERSITY

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Independent Auditors' Report

Board of Trust
The Vanderbilt University:

We have audited the accompanying consolidated statements of financial position of The Vanderbilt University as of June 30, 2004 and 2003, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of The Vanderbilt University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 The Vanderbilt University as of June 30, 2004 and 2003, and the changes in its net assets 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 14, 2004 on our consideration of The Vanderbilt University's internal control over financial reporting and on our tests on 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects, in relation to the consolidated financial statements taken as a whole.

KPMG LLP

September 14, 2004

Consolidated Statements of Financial Position



As of June 30, 2004 and 2003 (in thousands)

	2004	2003
Assets		
Cash and cash equivalents	\$ 186,942	\$ 231,994
Collateral under security lending agreements	254,844	250,862
Accounts receivable	228,306	225,295
Prepaid expenses and other assets	79,401	73,589
Contributions receivable	103,165	102,034
Student loans receivable	34,422	34,022
Investments	2,697,804	2,281,793
Property, plant, and equipment	1,250,139	1,203,019
Interest in trusts held by others	45,511	46,047
Total assets	\$ 4,880,534	\$ 4,448,655
Liabilities		
Accounts payable and accrued liabilities	\$ 187,636	\$ 218,250
Accrued payroll and withholdings	117,216	104,048
Payable under security lending agreements	254,844	250,862
Deferred revenue	36,330	31,669
Commercial paper	15,000	—
Actuarial liability for self-insurance	58,591	50,314
Actuarial liability for annuities payable	37,597	33,859
Government advances for student loans	15,459	15,136
Long term debt	598,485	609,934
Total liabilities	1,321,158	1,314,072
Net Assets		
Unrestricted	2,715,713	2,404,649
Temporarily restricted	221,982	161,719
Permanently restricted	621,681	568,215
Total net assets	3,559,376	3,134,583
Total liabilities and net assets	\$ 4,880,534	\$ 4,448,655

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Activities



Years Ended June 30, 2004 and 2003 (in thousands)

	2004	2003
Changes in Unrestricted Net Assets		
REVENUES		
Tuition and educational fees	\$ 277,997	\$ 263,634
Room and board	39,132	38,171
Less: Financial aid	(112,341)	(98,595)
Net tuition, educational fees, room, and board	204,788	203,210
Government grants and contracts	238,597	196,830
Facilities and administrative costs recovery	87,636	76,193
Gifts and private grants	59,500	54,659
Endowment distributions	101,910	102,277
Investment income	12,617	17,043
Health care services	1,187,973	1,060,691
Auxiliary services	44,917	44,758
Other sources	22,963	30,062
Net assets released from restrictions	9,984	12,812
Total revenues	1,970,885	1,798,535
EXPENSES		
Instruction	271,767	250,225
Research	272,241	237,843
Health care services	1,105,590	994,425
Academic support	89,070	86,098
Institutional support	58,752	63,497
Student support services	23,769	23,532
Public service	19,382	19,250
Room, board, and other auxiliary services	89,078	90,608
Total expenses	1,929,649	1,765,478
Change in unrestricted net assets from operating activity	41,236	33,057
OTHER UNRESTRICTED ACTIVITY		
Gifts and contributions for plant facilities	1,713	4,432
Net assets released from restrictions for plant facilities	19,600	14,038
Donor designation changes	(3,596)	(4,000)
Change in appreciation, net of endowment distributions	242,342	(27,996)
Other non-operating activity	9,769	(12,864)
Change in estimate for discontinued operations provision	—	3,164
Change in unrestricted net assets from other unrestricted activity	269,828	(23,226)
Increase in unrestricted net assets	311,064	9,831
Changes in Temporarily Restricted Net Assets		
Contributions and other	62,575	7,680
Donor designation changes	(8,089)	(13,202)
Net gain (loss) on contributions receivable	9,146	(9,452)
Endowment distributions	2,563	2,608
Investment gains (losses)	23,652	(12,584)
Net assets released from restrictions	(29,584)	(26,850)
Increase (decrease) in temporarily restricted net assets	60,263	(51,800)
Changes in Permanently Restricted Net Assets		
Contributions and other	33,595	32,489
Donor designation changes	11,685	17,202
Endowment distributions	175	99
Investment gains (losses)	8,011	(233)
Increase in permanently restricted net assets	53,466	49,557
Increase in total net assets	\$ 424,793	\$ 2588
Net assets at beginning of year	3,134,583	3,126,995
Net assets at end of year	\$ 3,559,376	\$ 3,134,583

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of Cash Flows



Years Ended June 30, 2004 and 2003 (in thousands)

	2004	2003
Cash Flows from Operating Activities		
Increase in total net assets	\$ 424,793	\$ 7,588
Adjustments to reconcile increase in total net assets to net cash provided by operating activities:		
Non-operating changes in net assets		
Gifts for plant and endowment	(66,845)	(68,189)
Net realized investment (gains) losses	(92,035)	30,839
Non-cash changes in net assets		
Net increase in unrealized appreciation	(242,683)	(51,436)
Gifts of securities other than for plant and endowment	(66,105)	(5,391)
Depreciation and amortization	93,118	88,247
Provision for bad debts	91,335	86,616
Present value adjustment on annuities payable	3,738	(5,877)
Present value adjustment on self-insurance	8,277	5,707
Net decrease (increase) in interest in trusts held by others	536	(1,874)
Discontinued operations		
Change in estimate for discontinued operations provision	—	(3,164)
Incurred gains, net of depreciation	—	849
Change in operating assets and liabilities		
Decrease (increase) in:		
Accounts receivable	(94,346)	(98,430)
Prepaid expenses and other assets	(5,812)	(6,205)
Contributions receivable	(1,131)	25,448
Increase (decrease) in:		
Non-construction accounts payable and accrued expenses	(19,700)	17,013
Accrued payroll and withholdings	13,168	21,304
Deferred revenue	4,661	1,807
Net cash provided by operating activities	50,969	44,852
Cash Flows from Investing Activities		
Purchases of investments	(1,277,642)	(976,019)
Proceeds from the sale of investments	1,262,454	1,054,216
Acquisition of property, plant, and equipment	(141,367)	(194,378)
Disposal of property, plant, and equipment	1,129	1,427
Student loans disbursed	(6,278)	(6,350)
Principal collected on student loans	5,878	5,729
Net cash used in investing activities	(155,826)	(115,375)
Cash Flows from Financing Activities		
Gifts for plant and endowment	66,845	68,189
(Decrease) increase in construction-related payables	(10,914)	12,829
Increase (decrease) in government advances for student loans	323	(271)
Proceeds from the issuance of debt	15,000	40,155
Payments to retire or defease debt	(11,449)	(51,862)
Net cash provided by financing activities	59,805	69,040
Net decrease in cash and cash equivalents	\$ (45,052)	\$ (1,483)
Cash and cash equivalents at beginning of year	231,994	233,477
Cash and cash equivalents at end of year	\$ 186,942	\$ 231,994

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Organization

The Vanderbilt University is a privately endowed, coeducational, not-for-profit, nonsectarian institution located in Nashville, Tennessee. Founded in 1873, the University owns and operates educational and research facilities as well as a health care system. The University provides educational services to approximately 6,300 undergraduate and 4,800 graduate and professional students enrolled in its ten schools and colleges. The Chancellor and the Board of Trust, the governing board of the University, have oversight responsibility for all of the University's financial affairs.

These consolidated financial statements include the accounts of all entities in which the University has a significant financial interest and over which the University has control, including its hospital and clinic. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the University have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Based on the existence or absence of donor-imposed restrictions, the University classifies resources into three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets are free of donor-imposed restrictions. All revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with donors' stipulations results in the release of the restriction.

Temporarily restricted net assets are limited as to use by donor-imposed stipulations that expire with the passage of time or that can be satisfied by action of the University. These net assets may include unconditional pledges, interest in trusts held by others, and life income and gift annuities.

Permanently restricted net assets are amounts required by donors to be held in perpetuity. These net assets may include unconditional pledges, true endowment, interest in trusts held by others, and life income and gift annuities.

Expirations of temporary restrictions on net assets, i.e., the passage of time and/or fulfilling donor-imposed stipulations, are reported as *net assets released from restrictions* between the applicable classes of net assets in the Consolidated Statements of Activities.

Cash and Cash Equivalents

Cash and cash equivalents, maturing in 90 days or less at date of purchase, are reported at fair value.

Investments

Investments are reported at fair value, based primarily on market quotes, except for certain real estate and mortgages that are stated at cost. Fair values for certain alternative investments (primarily investments in limited partnerships) are based on estimates reported by fund managers where a ready market for the investments does not exist.

The University has significant exposure to a number of risks including interest rate, market, and credit risks for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the University's financial statements.

Purchases and sales of securities are recorded on the trade dates, and realized gains and losses are determined on the basis of the average historical cost of the securities sold. Net receivables and payables arising from unsettled trades by investment managers are reported as a component of investments.

All true endowment investments and long-term net assets functioning as endowment are managed in a pool, unless special considerations or donor stipulations require that they be held separately.

Gains and losses on investments generally are reported as increases or decreases in non-operating unrestricted net assets unless explicit donor stipulations or law restrict their use.

Endowment Distribution Policy

The University employs a *total return policy* that establishes the amount of endowment income distributed to support current operational needs. This policy is designed to reduce the impact of capital market fluctuations on operational programs and increase the amount of return that is reinvested in the corpus of funds in order to enhance its long-term value.

Under this policy, endowment income distributions are based



on a percentage of the previous three years' average year-end market values. Actual endowment return earned in excess of distributions under this policy is reinvested as part of the University's managed endowment and is reported as a non-operating item in the Consolidated Statements of Activities. For years where actual endowment return is less than distributions under the policy, the shortfall is covered by realized returns from prior years.

Additionally, the Board of Trust has authorized the use of previously reinvested income, realized capital gains, and principal related to unrestricted funds functioning as endowment for special transinstitutional academic development initiatives. Endowment distributions reported in the Consolidated Statements of Activities include both (a) distributions to support current operational needs under the policy as previously described and (b) the aforementioned supplemental endowment distributions for special academic initiatives to the extent operating expenditures have been incurred.

The supplemental use of unrestricted funds functioning as endowment to invest in capital needs of special academic initiatives is not reported as endowment distributions in the Consolidated Statements of Activities.

Other Financial Instruments

Recorded amounts for receivables, prepaid expenses and other assets, and accounts payable and accrued expenses approximate fair value.

Using market quotations for similar issues or borrowings, the University evaluates the estimated fair value of its fixed-rate long-term indebtedness relative to carrying value. Principal balances for fixed-rate debt are reported at carrying value as long as such amounts are substantially equivalent to estimated fair value.

The University employs derivatives in a limited manner, primarily interest rate swap agreements, to manage market risk associated with outstanding variable-rate debt. Derivative financial instruments are reported at fair value with any resulting gain or loss recognized as a non-operating item in the Consolidated Statements of Activities. Periodic net cash settlement amounts with counterparties are accounted for as adjustments to interest expense on the related debt.

Parties to interest rate swap agreements are subject to market risk for changes in interest rates as well as risk of credit loss in the event of nonperformance by the counterparty. The University deals only with high-quality counterparties that meet rating criteria for financial stability and credit worthiness. Additionally,

the University requires the posting of collateral when amounts subject to credit risk under swap arrangements exceed specified levels.

University management also approves strategic use of derivatives by external investment managers to manage market risks. The most common strategies engaged by such managers are futures contracts, short sales, and hedges against currency translation risk for investments denominated in other than U.S. dollars. These derivative instruments are recorded at their respective fair values.

Through an agreement with its primary investment custodian, the University participates in security lending to brokers. For pledged cash and cash equivalents collateral under the control of the University, a short-term asset and liability are recorded representing the market value of such collateral.

Split-Interest Agreements and Interest in Trusts Held by Others

The University's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts, charitable gift annuities, and life income funds for which the University serves as trustee. Assets held in these trusts are included in investments. Contribution revenue is recognized at the dates the trusts are established, net of the liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes related to estimated future donor-related payments.

The University also is the beneficiary of certain perpetual trusts held and administered by others. These trust assets are recorded at fair value as interest in trusts held by others with carrying values adjusted annually for changes in fair value.

Property, Plant, and Equipment

Purchased property, plant, and equipment are recorded at cost, including, where appropriate, capitalized interest. Donated assets are recorded at fair market value at the date of donation. Additions to the library collection are expensed at the time of purchase.

Depreciation is calculated by the straight-line method at rates estimated to allocate the cost of various classes of assets over their estimated useful lives. Equipment is removed from the accounting records at the time of disposal.

The University reviews long-lived assets for impairment when

ever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment charge is recognized when the fair value of the asset or group of assets is less than the carrying value.

Revenue Recognition

The University's revenue recognition policies are as follows:

Tuition, Educational Fees, Room, and Board—Student tuition, fees, and housing are recorded as revenues during the year the related academic services are rendered. Student tuition, fees, and housing received in advance of services to be rendered are recorded as deferred revenue.

Financial Aid—Financial aid is reflected as a reduction to tuition, educational fees, room, and board in the Consolidated Statements of Activities. Financial aid does not include payments made to students for services rendered to the University. If the University is unable to award endowed scholarships in a given year, endowment distributions are reinvested in order to provide scholarships in future years.

Government Grants and Contracts—Revenues from government grants and contracts are recognized when allowable expenditures are incurred under such agreements.

Facilities and Administrative (F&A) Costs Recovery—F&A costs recovery, historically referred to as indirect cost recovery, is recognized as revenue and represents reimbursement, primarily from the federal government, of F&A costs on research grants. The federal F&A costs recovery rate for on-campus research was 51.0% in fiscal 2004 and 2003. In January 2004, the University submitted an F&A rate proposal to the Department of Health and Human Services for fiscal years 2005 through 2008 and expects to conclude negotiations in fiscal 2005.

Health Care Services—Health care services revenue is reported at established rates, net of contractual adjustments and charity services. Third party contractual revenue adjustments under governmental reimbursement programs are accrued on an estimated basis in the period the related services are rendered. The estimated amounts are adjusted to actual during the year that final settlement is determined by the fiscal intermediary for each program. Health care services revenues include those of Vanderbilt University Hospital and Clinic, Vanderbilt Medical

Group, Vanderbilt Health Services, Inc., and other activities directed toward the purpose of providing health care services to the community.

Contributions

Unconditional promises to give (pledges) are recognized as contribution revenue when the donor's commitment is received. Conditional promises (primarily bequest intentions) are not recorded until donor stipulations are substantially met.

Unconditional promises to give, with payments due in future periods, are recorded as increases in temporarily restricted or permanently restricted net assets at the estimated present value of future cash flows, net of an allowance for estimated uncollectible promises. Amortization of the discount is recorded as additional contributions in the appropriate net asset class.

Contributions with donor-imposed restrictions are recorded as unrestricted revenue if those restrictions are met in the same reporting period. Otherwise, contributions with donor-imposed restrictions are recorded as increases in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction.

Contributions recorded as temporarily restricted net assets are released from restrictions and recognized as unrestricted net assets upon receipt of the gift or expiration of the time restriction, and after any donor stipulations are met. Gifts for plant facilities are released from restrictions and recognized as a non-operating item only after resources are expended for the applicable plant facilities.

Contributions receivable of pledged securities are stated at the fair value of the underlying securities. Net changes on shares pledged in prior years due to fair value changes for the underlying securities are reported separately as a non-operating gain or loss on contributions receivable in the Consolidated Statements of Activities.

Operating Results

Operating results in the Consolidated Statements of Activities reflect all transactions that change unrestricted net assets, except gifts for plant facilities, activity associated with endowment investments, and certain other non-recurring items. In accordance with the University's endowment distribution policy, as previously described, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue. Operating investment income consists of dividends, interest, and realized gains and losses on unrestricted, non-endowed assets.

The University's primary programs are instruction, research, patient care, and public service. Academic and student support expenses and auxiliary services are considered integral to the delivery of these programs. Fund-raising costs are not material to the University's contributions or total program costs. Approximately 50% of gifts and private grants revenue represent transactions where University services are provided in exchange for the private grants.

Costs related to the operation and maintenance of physical plant, including depreciation of plant assets, are allocated to operating programs and supporting activities based upon periodic facility usage surveys. Interest expense on external debt is allocated to the activities that have most directly benefited from the debt proceeds.

Tax Status

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from federal income taxes pursuant to Section 501(a) of the Code.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. Actual results ultimately could differ from management's estimates.

Redesignations

When donors amend or clarify intent for applicable gifts and contributions reported in a previous fiscal year, revisions are separately reflected as donor designation changes within the Consolidated Statements of Activities.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

3. Accounts Receivable

Accounts receivable as of June 30 were as follows (in thousands):

	2004	2003
Patient care	\$ 278,157	\$ 270,707
Students, grants, and other	66,884	73,436
Accrued investment income	6,041	7,364
Accounts receivable	<u>351,082</u>	<u>351,507</u>
Less: Allowance for uncollectible accounts	<u>122,776</u>	<u>126,212</u>
Accounts receivable, net	<u>\$ 228,306</u>	<u>\$ 225,295</u>

4. Contributions Receivable

Contributions receivable as of June 30 were as follows (in thousands):

	2004	2003
Unconditional promises expected to be collected in:		
Less than one year	\$ 18,965	\$ 21,750
One year to five years	97,203	91,441
More than five years	1,954	1,286
Contributions receivable	<u>118,122</u>	<u>114,477</u>
Less: Unamortized discount	8,820	8,987
Allowance for uncollectible promises	<u>6,137</u>	<u>3,456</u>
Contributions receivable, net	<u>\$ 103,165</u>	<u>\$ 102,034</u>

In March 2002, the University received a pledge of 3.2 million shares of Ingram Micro stock through the Ingram Charitable Fund, Inc. (ICF). The pledge was recorded as a temporarily restricted contribution receivable valued at \$44.0 million as of June 30, 2002, and \$35.2 million as of June 30, 2003. In August 2002, the ICF partially converted its holdings of Ingram Micro stock into shares of Ingram Industries, Inc., which is a privately-held corporation. The conversion was designed to exchange equivalent market values of one stock for another, with no intended impact on the pledge fulfillment to the University.

The University's net contributions receivable included a combination of shares of Ingram Micro, Inc. common stock and Ingram Industries, Inc. common stock due from the ICF totaling \$45.1 million and \$36.6 million as of June 30, 2004 and 2003, respectively.

In addition to pledges reported as contributions receivable, the University had received bequest intentions of approximately \$170.9 million as of June 30, 2004. These intentions to give are not recognized as assets due to their conditional nature. If these bequests are received, generally they will be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support of a particular department or division of the University.

5. Student Financial Aid

The University provides financial aid to students based upon need and merit. This financial assistance is funded by institutional resources, gifts, endowment income, and externally sponsored aid.

Components of financial aid for the years ended June 30 were as follows (in thousands):

	2004	2003
Institutional scholarships	\$ 92,978	\$ 82,781
Endowed scholarships	11,365	9,977
External financial aid	7,998	5,837
Total financial aid	\$ 112,341	\$ 98,595

Loans to students from University funds are carried at cost, which, based on secondary market information, approximates the fair value of educational loans with similar interest rates and payment terms. Loans receivable from students under governmental loan programs, also carried at cost, can only be assigned to the United States government or its designees. Loan balances are net of allowances for estimated uncollectible accounts of \$3.9 million and \$3.1 million for June 30, 2004 and 2003, respectively.

Loans to qualified students are funded principally with government advances to the University under the Perkins, Nursing, and Health Professions Student Loan Programs.

6. Investments

Investments by security type as of June 30 were as follows (in thousands):

	2004	2003
Short-term securities	\$ 129,179	\$ 120,089
Bonds	393,313	420,467
Stocks	1,220,446	996,848
Partnership investments	778,110	587,150
Mortgages	9,680	12,950
Real estate, net	148,493	127,768
Other	17,631	17,469
Net receivables (payables) for unsettled trades by investment managers	952	(948)
Total fair value	\$ 2,697,804	\$ 2,281,793
Total cost	\$ 2,449,706	\$ 2,275,523

Investments by net asset category as of June 30 were as follows (in thousands):

	2004	2003
Unrestricted	\$ 2,074,839	\$ 1,726,000
Temporarily restricted	153,434	89,981
Permanently restricted	519,531	465,812
Total fair value	\$ 2,697,804	\$ 2,281,793

Through an agreement with its primary investment custodian, the University participates in lending securities to brokers. Among other provisions that limit the University's risk, this agreement specifies that the custodian is responsible for managing strict borrower collateral requirements. Collateral, which is pooled by the custodian, generally is limited to cash, government securities, and irrevocable letters of credit. Depending on the type of securities being lent, minimum collateral ranges from 101% to 105% with required daily marking-to-market.

Both the investment custodian and security borrowers have the right to terminate a specific loan of securities at any time. Other than for an event of default, the investment custodian is prohibited from re-pledging or otherwise encumbering the pledged collateral in any fashion. The University receives lending fees and continues to earn interest and dividends on the loaned securities.

At June 30, 2004, investment securities with a market value of \$341.1 million were loaned to various approved brokers under this program with collateral having a total market value of \$350.1 million, including cash and cash equivalents of \$254.8 million. The cash and cash equivalents collateral and the obligation to return such collateral are reported as an asset and liability on the Consolidated Statements of Financial Position.

7. Investment Return

As previously noted, the University employs a total return policy that establishes endowment appreciation distributions. Additionally, the Board of Trust authorized the use of funds functioning as endowment to support operating and capital needs of certain transinstitutional initiatives. Endowment distributions in fiscal 2004 and 2003 were based on 4.5% of the previous three years' average year end market values plus the use of \$8.7 million and \$5.2 million of funds functioning as endowment for operating expenses of transinstitutional initiatives in fiscal 2004 and 2003, respectively.

Further, \$4.6 million and \$17.2 million of unrestricted funds functioning as endowment were utilized for capital needs of transinstitutional initiatives in fiscal 2004 and 2003, respectively. Liquidations for these special capital investments are excluded from the following summary of endowment distributions and other investment income as of June 30 (in thousands):

	2004	2003
Operating:		
Endowment distributions	\$ 101,910	\$ 102,277
Investment income	12,617	17,043
Total operating return	<u>114,527</u>	<u>119,320</u>
Non-operating:		
Unrestricted:		
Endowment appreciation utilized	(104,648)	(104,984)
Investment income	346,990	76,988
Temporarily restricted:		
Endowment distributions	2,563	2,608
Investment income (losses)	23,652	(12,584)
Permanently restricted:		
Endowment distributions	175	99
Investment income (losses)	8,011	(233)
Total non-operating return	<u>276,743</u>	<u>(38,106)</u>
Total investment return	<u>\$ 391,270</u>	<u>\$ 81,214</u>

The components of total investment return for the years ended June 30 were as follows (in thousands):

	2004	2003
Net unrestricted interest and dividends on endowment assets	\$ 39,991	\$ 44,284
Other interest, dividends, and partnership income	16,561	16,333
Net realized gains (losses) from original cost	92,035	(30,839)
Net unrealized gains	<u>242,683</u>	<u>51,436</u>
Total investment return	<u>\$ 391,270</u>	<u>\$ 81,214</u>

8. Net Asset Components of Managed Endowment

Vanderbilt's managed endowment represents only those endowment-related net assets that are under the management control of Vanderbilt University. Gift annuities, interest in trusts held by others, and certain contributions pending transfer are not considered components of the managed endowment.

A summary of the University's managed endowment as of June 30 follows (in thousands):

	2004	2003
Unrestricted Net Assets:		
Funds functioning as endowment, at cost	\$ 1,513,420	\$ 1,490,047
Net unrealized appreciation (depreciation) on investments	226,000	(2,521)
Exclude net unrealized losses allocable to other investments	18,098	35,167
Subtotal-funds functioning as endowment	<u>1,757,518</u>	<u>1,522,693</u>
Permanently Restricted Net Assets:		
True endowment	555,264	502,979
Exclude portion allocable to contributions receivable and other	(47,937)	(37,862)
Subtotal managed true endowment	<u>507,327</u>	<u>465,117</u>
Total fair value of managed endowment investments	<u>\$ 2,264,845</u>	<u>\$ 1,987,810</u>

3. Property, Plant, and Equipment

Property, plant, and equipment as of June 30 were as follows (in thousands):

	2004	2003
Land	\$ 47,870	\$ 47,657
Buildings and improvements	1,541,195	1,317,911
Moveable equipment	494,250	462,957
Construction in progress	109,959	244,758
Property, plant, and equipment	<u>2,193,274</u>	<u>2,073,283</u>
Less: Accumulated depreciation	943,135	870,264
Property, plant, and equipment, net	<u>\$ 1,250,139</u>	<u>\$ 1,203,019</u>

Purchases for the library collection are not included in the foregoing since they are expensed at the time of purchase. As of June 30, 2004, the estimated replacement cost for library collections, including processing costs to properly identify, catalog, and shelve materials, exceeds \$192.4 million. For fiscal 2004 and 2003, \$0.9 million and \$1.9 million, respectively, of capitalized interest was added to construction in progress. Internally developed software costs of \$1.4 million in 2004 and \$1.1 million in 2003 were capitalized.

10. Long-Term Debt and Commercial Paper

Long-term debt consists of bonds and notes payable with scheduled final maturity dates at least one year after the original issuance date. Outstanding long-term debt and commercial paper obligations as of June 30 were as follows (in thousands):

	Remaining Years to Maturity	Average Interest Rate	Outstanding Principal	
			2004	2003
Fixed-rate				
long-term debt:				
1991 Series B	—	6.0%	\$ —	\$ 1,240
1996 Series A	5	5.4%	5,265	6,165
1997 Series A	15	5.4%	26,040	27,160
1998 Series A	12	5.6%	22,510	23,805
1998 Series B	25	5.0%	35,835	36,560
1998 Series C	11	4.8%	20,870	21,050
2001 Series A	12	4.8%	15,705	16,670
2001 Series B	19	5.0%	57,915	59,735
HUD bonds	5	3.0%	929	1,199
Note payable	5	7.3%	9,168	9,509
Other	15	1.2%	368	436
Total fixed-rate long-term debt:			194,605	203,529
Variable-rate				
long-term debt:				
1985 Series A	11	1.1%	45,250	45,250
2000 Series A	27	1.2%	64,400	65,500
2000 Series B	27	1.2%	64,400	65,500
2000 Series C	27	1.2%	90,000	90,000
2002 Series A	29	1.1%	22,075	22,400
2002 Series B	29	1.2%	77,600	77,600
2003 Series A	15	1.2%	40,155	40,155
Total variable-rate long-term debt:			403,880	406,405
Total long-term debt			598,485	609,934
Tax-Exempt Commercial Paper, Series A and B				
	< 1	1.2%	15,000	—
Total long-term debt and commercial paper			\$613,485	\$609,934

Hospital (patient care) bonds, with a principal balance outstanding of \$331.8 million as of June 30, 2004, are issued under a Master Trust Indenture structure.

Selected information for long-term debt, commercial paper, and interest rate swap arrangements follows (in millions):

	2004	2003
Interest cost paid	\$ 19.3	\$ 22.8
Interest cost expensed	\$ 18.2	\$ 19.5
Assets held by trustees for subsequent debt service as of June 30	\$ 10.2	\$ 10.2

Principal payments and scheduled sinking fund requirements on long-term debt due in subsequent fiscal years ending June 30 are as follows (in millions):

2005	\$ 17.3
2006	\$ 18.0
2007	\$ 18.9
2008	\$ 20.1
2009	\$ 28.3
Thereafter	\$ 495.9

Under certain circumstances, variable-rate bond obligations may be converted to a fixed-rate structure. Prior to conversion to fixed-rate, bond owners have the right to tender their bonds for purchase in whole or in part. The University has agreements with underwriters to re-market any bonds so tendered. Contracts with external parties to provide liquidity facilities for the University's variable-rate demand bonds typically extend for 364 days with renewals subject to negotiation. The University has complied with applicable debt covenants.

Deeds of trust on certain University property, pledged revenues, and security interests in certain other assets provide debt security. Trust indentures for certain bond issues contain covenants and restrictions involving the issuance of additional debt, maintenance of a specified debt service coverage ratio, and maintenance of external liquidity facilities or lines of credit.

In prior fiscal years, the University defeased certain obligations by irrevocably placing assets with a trustee to pay principal and interest on the obligations as they become due. The outstanding balance of the defeased obligations was \$26.4 million as of June 30, 2004.

In June 2004, the University established two series for a tax-exempt commercial paper (CP) program aggregating to \$275.0 million in authorization. As of June 30, 2004, draws of \$15.0 million had been made under this program. The University also has plans for a taxable CP program in the near future that will have a

\$75.0 million authorization.

Under the University's debt policy, certain uses of CP are deemed to be credit neutral. Thus, such uses are excluded when calculating selected ratios subject to provisions of the debt policy. These exclusionary uses include equipment purchases with a short useful life, cash management and asset optimization strategies, and anticipated receipt of philanthropy or other funding sources no later than two years after construction completion.

II. Interest Rate Swap Arrangements

To manage the fixed/variable mix for its debt portfolio, including hedging exposure to increasing interest expense from variable-rate debt, the University utilizes interest rate swap agreements.

Two fixed-payer swaps with a major financial institution were consummated in fiscal 2002 with original notional amounts of \$66.5 million for each of these transactions. Under both agreements, the University receives variable payments based on 70.0% of LIBOR. The swap notional amounts for each contract will gradually decline, corresponding to the principal amortization of the University's Series 2000 A and B bonds.

Under one swap agreement that is scheduled to expire in October 2030, the University pays a fixed rate of 4.175%. For the second swap, the University pays a fixed rate of 3.800%; commencing October 2012, the counterparty has the option to terminate this contract without a termination payment.

These agreements, having an aggregate notional amount of \$128.8 million at June 30, 2004, effectively create a synthetic fixed rate of interest on the Series 2000 A and B bond issues. Periodic net cash settlements for these agreements aggregated \$4.1 million and \$3.9 million for fiscal 2004 and 2003, respectively, and are reflected as adjustments to operating expenses in the Consolidated Statements of Activities.

The fair value of these swap arrangements is the estimated amount that the University would pay or receive to terminate these contracts as of the report date. As of June 30, 2004, the estimated cumulative fair value loss of these swap arrangements was \$6.0 million, and is included in accounts payable and accrued expenses. Changes in the fair value for these contracts, which for fiscal 2004 and 2003 amounted to an unrealized gain of \$10.3 million and an unrealized loss of \$12.9 million, respectively, are recorded as other non-operating items in the Consolidated Statements of Activities.

As of June 30, 2004, the University's adjusted debt portfolio, after taking into account the aforementioned derivatives, was approximately 53% fixed and 47% variable.

In July and August 2004, partly in anticipation of securing additional long-term financing in the future for currently approved capital projects, the University entered into swap agreements with major financial institutions as follows:

Agreement and Notional Amount	Terms
Basis swap \$150.0 million non-amortizing	University will pay a variable payment based on BMA and receive a variable payment based on 89.5% of LIBOR; expires July 2034
Basis swap \$100.0 million non-amortizing	University will pay a variable payment based on BMA and receive a variable payment based on 79.5% of LIBOR; expires July 2034
Fixed payer \$75.0 million non-amortizing	University will receive a variable payment based on 68.0% of LIBOR and pay a fixed rate of 3.858%; expires October 2039
Fixed payer \$40.0 million non-amortizing	University will receive a variable payment based on 68.0% of LIBOR and pay a fixed rate of 3.598%; expires October 2039
Fixed payer \$40.0 million non-amortizing	University will receive a variable payment based on 68.0% of LIBOR and pay a fixed rate of 3.599%; expires October 2039

On a pro-forma basis, after considering both the aforementioned anticipated long-term financing assumed to be variable and the specific July and August 2004 derivative transactions, the University's adjusted debt portfolio will be approximately 60-to-65% fixed and 35-to-40% variable.

12. Net Assets

The University has chosen to provide further classification information about net assets.

Unrestricted net assets are internally designated into six groups:

Designated for operations represents the cumulative budgeted operating activity of the University and routine equipment replacement reserves.

Designated gifts and grants are comprised of departmental gift funds.

Designated for student loans represents University funds set aside to serve as revolving loan funds for students.

Funds functioning as endowment are amounts set aside by the Board of Trust, intended to generate income in perpetuity to support operating needs. Such amounts include substantially all cumulative realized appreciation on the applicable investments.

Net unrealized appreciation (depreciation) on investments represents cumulative unrealized net gains (losses) from original cost on marketable investments. Most of the net unrealized appreciation is attributable to funds functioning as endowment.

Designated for plant facilities represents the net investment in property, plant, and equipment, as well as funds designated for future acquisitions of plant facilities and retirement of debt.

Based on the foregoing designations, unrestricted net assets as of June 30 were as follows (in thousands):

	2004	2003
Designated for operations	\$ 164,318	\$ 154,511
Designated gifts and grants	131,148	139,524
Designated for student loans	28,879	27,954
Funds functioning as endowment, at cost	1,513,420	1,490,047
Net unrealized appreciation (depreciation) on investments	226,000	(2,521)
Designated for plant facilities	651,948	595,134
Total unrestricted net assets	\$ 2,715,713	\$ 2,404,649

Temporarily restricted net assets as of June 30 were comprised of the following (in thousands):

	2004	2003
Gifts and pledges	\$ 199,388	\$ 140,169
Interest in trusts held by others	7,582	7,095
Life income and gift annuities	15,012	14,455
Total temporarily restricted net assets	\$ 221,982	\$ 161,719

Such temporarily restricted net assets were available for the following purposes or periods as of June 30 (in thousands):

	2004	2003
Student scholarships	\$ 715	\$ 732
Instruction	3,692	3,268
Capital improvements	19,184	28,806
Subsequent period operations and other	198,391	128,913
Total temporarily restricted net assets	\$ 221,982	\$ 161,719

Permanently restricted net assets as of June 30 were comprised of the following (in thousands):

	2004	2003
True endowment	\$ 555,264	\$ 502,979
Interest in trusts held by others	37,929	38,952
Life income and gift annuities	28,488	26,284
Total permanently restricted net assets	\$ 621,681	\$ 568,215

13. Natural Classification of Expenses

Operating expenses incurred in the fiscal years ended June 30, 2004 and 2003, were as follows (in thousands):

	2004	2003
Salaries, wages, and benefits	\$ 1,141,939	\$ 1,042,008
Services	99,882	91,837
Supplies and materials	436,080	394,262
Depreciation and amortization	93,118	88,247
Interest expense	18,170	19,530
Provision for bad debts	91,335	86,616
Other	49,125	42,978
Total operating expenses	\$ 1,929,649	\$ 1,765,478

14. Discontinued Operations

In June 1999, the Board of Trust Executive Committee agreed to sell or otherwise discontinue as a line of business the Vanderbilt Health Plans, Inc. (VHP), a for-profit corporation controlled by Vanderbilt University. During fiscal 1999, the University recorded \$34.5 million for losses estimated on the future sale or disposal of VHP.

As of June 30, 2004, VHP lines of business have either been sold or essentially closed. The remaining divestiture provision balance of approximately \$4.2 million represents an allowance for uncollectible receivables.

The remaining assets of VHP consist primarily of cash and short-term investments. The resulting net assets are not material to the net assets of the University.

15. Retirement Plans

The University's full-time faculty and staff members participate in defined contribution retirement plans administered by third-party investment and insurance firms. For eligible employees with one year of continuous service, these plans require employee and matching employer contributions; such contributions immediately fully vest with the employee.

The University's obligations under these plans are fully funded by periodic transfers to the respective retirement plan administrators with the corresponding expenses recognized in the year incurred. Retirement plan contributions for fiscal 2004 and 2003 were \$32.3 million and \$29.3 million, respectively.

16. Commitments and Contingencies

(A) **Construction.** At June 30, 2004, approximately \$90.9 million was committed for projects under construction and equipment purchases, to be financed primarily from anticipated bond proceeds.

(B) **Lease Obligations.** The University leases certain equipment and real property. These leases are classified as operating leases and have lease terms ranging up to fifteen years. Total lease expense for fiscal 2004 and 2003 was \$23.9 million and \$18.2 million, respectively. Future minimum rentals on non-cancelable operating leases with lease terms in excess of one year as of June 30, 2004, were as follows (in thousands):

2005	\$ 16,387
2006	15,264
2007	11,158
2008	7,350
2009	4,216
2010 and after	<u>3,399</u>
Total future minimum rentals	\$ <u>57,774</u>

In conjunction with its normal business practices related to the leasing of equipment, in March 2004 the University established a financing mechanism via \$40.0 million of tax-exempt bonds issued by the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee. Payments made by the University under this financing mechanism are reported as operating lease expense and are included in the future minimum rentals above.

(C) **Litigation.** The University is a defendant in several legal actions. Management believes that the outcome of these actions will not have a significant effect on the University's financial position.

(D) **Medical Malpractice Liability Insurance.** The University is self-insured for the first level of medical malpractice claims. The current self-insured limits are \$5.0 million per occurrence, not to exceed an annual aggregate of \$40.0 million. For this self-insured retention, a trust fund has been established. The funding of the trust is based upon studies performed by an actuarial firm. Excess malpractice and professional liability coverage has been obtained from commercial insurance carriers on a claims-made basis for claims above the retained self-insurance risk levels.

(E) **Federal and State Contracts and Other Requirements.** Expenditures and F&A costs related to federal and state grants and contracts are subject to adjustment based upon review by the granting agencies. The amounts, if any, of expenditures that may

be disallowed by the granting agencies cannot be determined at this time, although management expects they will not have a significant effect on the University's financial position.

(F) **Health Care Services Revenue.** Revenues from hospital services include amounts paid under reimbursement agreements with certain third-party payors and are subject to examination and retroactive adjustments. Any differences between estimated year-end settlements and actual final settlements are reported in the year final settlements are known. Substantially all settlements have been made through the year ended June 30, 2001.

In August 1996, Congress approved the Health Insurance Portability and Accountability Act of 1996 (Act). Under the Act, the federal government was given substantial resources and authority for the completion of fraud and abuse investigations, and the Act has established substantial fines and penalties for offenders. Management continues to refine policies, procedures, and organizational structures to enforce and monitor compliance with this Act, as well as other government statutes and regulations.

The medical center's compliance with laws and regulations is subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. Management believes that liability, if any, from such reviews will not have a significant effect on the University's financial position.

(G) **Partnership Investment Commitments.** There were \$371.3 million of commitments to venture capital, real estate, and distressed security investments as of June 30, 2004. These funds may be drawn down over the next several years upon request by the general partners. As of June 30, 2004, \$15.6 million of unallocated cash and cash equivalents in the managed endowment are held to meet these obligations. Management expects to finance these commitments with available cash and expected proceeds from the sale of securities.

(H) **McKendree Village, Inc. Debt Guaranty.** In July 1998, Vanderbilt University and McKendree Village, Inc., a not-for-profit retirement community, entered into a joint venture agreement. In September 1998, the University guaranteed payment of \$19.8 million of bond debt issued by McKendree Village. As of June 30, 2004, the balance of the guaranteed debt was \$19.0 million.

(I) **Working Capital Line of Credit.** Effective July 31, 2001, the University entered into a commitment for a \$20.0 million unsecured working capital line of credit with a major commercial bank. The term of the line of credit is one year with automatic renewals. No amounts were outstanding under this line of credit as of June 30, 2004 and 2003.

17 Related Parties

The University contracts with certain related parties for the purchase of goods, performance of construction activities, and provision of other services. Significant purchases of goods and services from related parties typically are subject to competitive pricing analyses. During fiscal 2004 and 2003, the University had related party transactions approximating \$21.8 million and \$24.8 million, respectively.



Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Program	Federal Sponsor/Project Title	CFDA	Expenditures Award Number	Expenditures Entity	Direct	Indirect	Total
*Research	U.S. Department of Agriculture Agriculture	10-000	492200053	Tennessee State University	\$0	\$24,010	\$24,010
		10-000			0	24,010	24,010
		10-206	2001-71102-10049	Michigan State University	185,902	44,799	230,701
		10-206	GE520228	Pennsylvania State University		81,191	81,191
		10-206	423404473	University of Akron		41,453	41,453
		10-206			783,092	147,453	930,545
					185,992	171,463	357,455
	Total CFDA						
	Total U.S. Department of Agriculture						
U.S. Department of Defense ARPA		12-000	W1011970	IBM	0	24,739	24,739
		12-000			0	24,739	24,739
		12-200		Polina University	0	264,980	264,980
		12-300	931-0187-01		0	264,980	264,980
		12-300			0	264,980	264,980
		12-800	N8C3C300118	IBST Solutions, LLC	0	45,147	45,147
		12-800			0	45,147	45,147
		12-910	F3062-01C-0079	University of Illinois	2,472,587	0	2,472,587
		12-910	F336150C31010C-00218	University of Southern California		221,908	221,908
		12-910	DAAA1019018504	University of California at Berkeley		421,953	421,953
12-910	TT0600127	Lockheed Martin Marine Corp		56,337	56,337		
12-910	PO42830123	Lockheed Martin Marine Corp		652	652		
12-910			2,472,587	895,263	3,367,850		
	Total CFDA						
	Total ARPA						

The accompanying notes are an integral part of this schedule.

*Indirect costs apply to certain programs.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Expenditure Award Number	Expenditure Entity	Direct	Indirect	Total	
Defense Threat Reduction Agency Basic and Applied Scientific Research		12 500	DTRAD1110009	BAE Systems	0	0	0	
		12 500			0	0	0	
	Total CFDA				0	0	0	
Total Defense Threat Reduction Agency							0	
							0	
Air Force Basic, Applied & Advanced Research		12 610	E13401 01 F 0000	Ansum Corporation	3,093,333	0	3,093,333	
		12 630			1,081,113	0	1,081,113	
Total CFDA					2,397,798	0	2,397,798	
Air Force Defense Research Science Program		12 800	420604-03	S & S Technologies, Inc	21,132	0	21,132	
		12 800	F1313C32128	BBV Solutions, LLC	428,471	0	428,471	
		12 800	F9802970003	SCI Information Systems	33,638	0	33,638	
		12 800	F49620-02-C-001	Armas Technology, Inc	13,794	0	13,794	
		12 800	422008-02	Mission Research Corporation	120,553	0	120,553	
		12 800	F1313101014	Lockheed Martin Corporation	88,516	0	88,516	
		12 800	F196010317994877	Agost	685,033	0	685,033	
	Total CFDA				2,397,798	0	2,397,798	
	Research & Technology Development		12 910	F36002-02-2-0206	DARPA	16,681	0	16,681
			12 910	F1313-03-C-7001	DARPA	0	0	0
		12 910	F36002-02-2-0202	DARPA	0	0	0	
Total CFDA					16,681	0	16,681	
Total Air Force				2,590,834	0	2,590,834		
Army		12 009			81,179	0	81,179	
	Total CFDA				81,179	0	81,179	
Military Medical Research & Development		12 420			1,939,092	0	1,939,092	
	Total CFDA				1,939,092	0	1,939,092	
Total				7,288,115	0	7,288,115		

The accompanying notes are an integral part of this schedule.
See accompanying independent auditor's report on supplementary information.
*Includes major programs.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2024

Program	Federal Agency/Project Title	CFDA	Expenditure Award Number	Expenditure Entity	Direct	Indirect	Total	
Navy	Basic Scientific Research	12.431	DASG06-02-P-0254	Physioms, Inc.	430,743	543		
		12.431	DASG06-02-P-0254	Physioms, Inc.		2,519		
		12.431	428C04023	Fisk University		(10,881)		
		12.431	GM0007AF021PFC0AF-AS7	U.S. Robotics, Inc.		35,290		
		12.431	DAA0259C0017	Brainwood Technologies, Corp		(56,210)		
	Total CFDA			430,743	(28,279)	402,464		
	Total Army			2,471,814	(28,279)	2,443,535		
Navy	Basic and Applied Scientific Research	12.300	N00010112018	Adams University	630,308	25,135		
		12.300	N00010011001	Boon University of New York		148,311		
		12.300	DTRAO10C0010	DTMA		285,204		
		12.300	N00144022009	Mission Research		91,898		
		12.300	425A03763	Mission Research		14,200		
		12.300	N00164970001	Mission Research		22,875		
		12.300	HEC PC0506020612	Mission Research		156,741		
		12.300	N00170320012-P000010	Marina Medications, Inc		21,000		
		12.300	420033313	Tristar Technologies, Inc		(4,076)		
			Total CFDA			630,308	220,287	850,595
		12.420				8,012		
			Total Military Medical Research & Development			8,012	0	8,012
Research & Technology Development	Total CFDA	12.910	PO4GL-01-M4137	Charles Stark Draper Lab	748,702	668,165		
		12.910	PO4GL-01-M4244	Charles Stark Draper Lab		90,000		
		12.910	PA-M4282	Charles Stark Draper Lab		1,753,629		
		12.910	PO4GL-M4284	Charles Stark Draper Lab		73,413		
		12.910	N0014032022	University of Southern California		462,043		
		12.910	N00014000008	University of Southern California		11,1313		
			Total CFDA			748,702	2,006,121	2,754,823
			Total Navy			1,206,112	3,726,718	4,932,830
National Imagery and Mapping Agency Defense	Total CFDA	12.300	PO #R0002107	Ohio State University	0	576		
		12.300			0	376		
			Total CFDA			0	952	952
	Total National Imagery and Mapping Agency			0	952	952		
	Total U.S. Department of Defense			11,830,347	6,550,237	18,380,584		

The accompanying notes are an integral part of the schedule. See accompanying independent auditors' report on supplementary information.

*Includes major program

(Continued)

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Expenditure Award Number	Expenditure Entity	Direct	Expenditure	Total
U.S. Department of Education Oversight Division	Special Education Innovation & Development	84.022			29,608		
		84.022			29,608	0	29,608
	National Institute on Disabilities and Rehab Research	84.025			(203)		(203)
		84.027			(203)		(203)
	National Institute of Student Achievement	84.133			179,734		179,734
		84.133			179,734		179,734
	Total U.S. Department of Education				1,112,807	132,019 (2,070) 4,285	1,247,041
					1,112,807	134,314	1,247,141
					3,200,975		3,200,975
					2,200,973	0	2,200,973
Total U.S. Department of Education				0	(2,296)	(2,296)	
				0	(2,296)	(2,296)	
				16,290		16,290	
				16,290	0	16,290	
				32,366		32,366	
				22,786	0	22,786	
				752		752	
				752	0	752	
				4,542,729	132,215	4,674,944	
				4,542,729	132,215	4,674,944	

The accompanying notes are an integral part of the schedule.
See accompanying independent auditor's report on supplementary information.
*Includes major program

Vanderbilt University
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Division	Federal Sponsor/Project Title	CFDA	Expenditure Award Number	Expenditure Units	Start	Expenditure	Total
U.S. Department of Energy	Isidral Sponson Project Title	81.000			16,020	1,583	
		81.000				23,280	
		81.000			16,020	26,877	42,897
		81.004	ISEL R00-125V8		0	744	
		81.004	ISEL 00112N	Seibel		2,077	
		81.004	420374226	Southeastern Univ Research Assoc		60	
		81.004	420374226	Southeastern Univ Research Assoc		21,320	
		81.004	01P006	Southeastern Univ Research Assoc		21,911	
		81.004			0	22,464	22,464
		81.009	16AC040200107	National Renewable Energy Lab	2,080,004	6,337	
		81.009	42002101100022223	Smithsonian Institution		83,800	
		81.009	42002101100022223	Smithsonian Institution		20,000	
		81.009	18FF020101011065	David University		23,760	
		81.009	27077	Smith National Laboratories		2,904	
		81.009	PC9 11411	Smith National Laboratories		89,425	
81.009	4200364093	Smith National Laboratories		(750)			
81.009			2,080,004	228,347	2,308,351		
U.S. Department of Energy	Technology Development Environmental Mgmt	81.104			8,334	24,329	
		81.104	1198	Smith National Laboratories		76,214	
		81.104	22904	Smith National Laboratories		449,613	
		81.104	DEFG000VY0078	University of Medicine & Dentistry		328,998	
		81.104	EP011336	University of Medicine & Dentistry		22,955	
		81.104	4200019040	Smith National Laboratories		1,102,009	
		81.104			8,334	1,380,893	1,389,227
Environmental Protection Agency	Pollution Prevention Grant Program	66.708			0	12,496	
		66.708	302-0014	Upland Corporation		12,496	
		66.708			0	12,496	12,496
Total Environmental Protection Agency				0	12,496	12,496	

The accompanying notes are an integral part of the schedule.
 See accompanying independent auditor's report on supplementary information.
 *Indicates major program.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Award Number	Flowthrough Entity	Direct	Flowthrough	Total
U.S. Department of Health & Human Services Centers for Medicare & Medicaid Services		93.000			0	3,918	
		93.000	404214783	Cent for Healthcare Quality	0	3,918	3,918
	Total CFDA	93.000			0	3,918	3,918
Administration for Children and Families Head Start Program		93.600			118,045	0	118,045
		93.600			118,045	0	118,045
	Total CFDA	93.600			118,045	0	118,045
Agency for Healthcare Research and Quality Research on Healthcare Costs, Quality and Outcomes		93.226	1801051020	University of Pittsburgh	1,328,139	7,856	1,336,000
		93.226	9720031384	Emory University	0	3,594	3,594
		93.226	8510031868	Johns Hopkins University	0	56,391	56,391
		93.226	1801050998-01A1	Harvard University	0	(2,216)	(2,216)
	Total CFDA	93.226			1,328,139	65,607	1,393,766
Substance Abuse and Mental Health Services Administration		93.000	613000883	Wright, Inc	0	7,285	7,285
		93.000	1906666	Berkshire Center of Nashville	0	21,524	21,524
	Total CFDA	93.000			0	28,809	28,809
Community Mental Health Services for Children		93.104			0	300,229	300,229
		93.104	CR-0413551-00	TN Dept of MOI CD	0	490	490
		93.104	CR-0314843-00	TN Dept of MOI CD	0	680,769	680,769
Total CFDA	93.104			0	981,488	981,488	
Consolidated Knowledge Development and Application Program		93.230			1,264,587	0	1,264,587
	Total CFDA	93.230			1,264,587	0	1,264,587
Mental Health Research Grants		93.242	187520208	State of California at Los Angeles	0	38,877	38,877
		93.242	8034016388	Pennsylvania State University	0	(475)	(475)
	Total CFDA	93.242			0	38,402	38,402
Total Substantive Above and Mental Health Services Admin				1,264,587	408,002	1,712,589	

The accompanying notes are an integral part of the schedule. See accompanying independent auditor's report on supplementary information.

Vanderbilt University
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

Program	Federal Sponsor/Project Title	CFDA	Funding Activity Number	Encumbrance Liability	Direct	Encumbrance	Total
Centers for Disease Control		93.000			11,964		
	Total CFDA	93.000			11,964	0	11,964
	Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118			(1,199)		
		93.118	612508	St. Jude Hospital		201,814	201,814
	Total CFDA	93.118			(1,199)	201,814	200,615
	Centers for Research & Demonstration for Health Promotion & Disease Pre	93.133			0		
		93.133	148333-016260	University of New Mexico		40,088	40,088
	Total CFDA	93.133			0	40,088	40,088
	Intervention Research Demonstration	93.183			905,834		
		93.183	179333-017260	Mathews-Walker Comprehensive		27,166	27,166
	Total CFDA	93.183			905,834	27,166	932,000
	Intervention Grants	93.208			0		
		93.208	179333-016127	TN Dept of Health		378,206	378,206
	Total CFDA	93.208			0	378,206	378,206
	Centers for Disease Control and Prevention Investigations	93.243			0		
		93.243	316-0223	Assoc of Teachers of Prev Med		55,314	55,314
		93.243	406255123 - 0131 - 0143 - 0153	TN Dept of Health		219,073	219,073
		93.243	406255173 - 0101	TN Dept of Health		744,460	744,460
	Total CFDA	93.243			0	1,018,847	1,018,847
	Total Centers for Disease Control				916,899	1,856,361	2,772,960
	Food and Drug Administration	93.103			923,620		
	Food and Drug Administration Research	93.107			923,620	0	923,620
	Total CFDA	93.107			923,620	0	923,620
	Total Food and Drug Administration				923,620	0	923,620
	Health Resource Services Administration	93.153			61,888		
	Coordinated HIV Services & Access to Research for Children	93.113			61,888	0	61,888
	Total CFDA	93.113			61,888	0	61,888
	Total Health Resource Services Administration				61,888	0	61,888

The accompanying notes are an integral part of this schedule.
 See accompanying independent auditor's report on supplementary information.
 *Indicates major program

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	GLDA	Encumbrance Award Number	Encumbrance Entry	Direct	Encumbrance	Total
	Special Institutes of Health				477,119		
93.000		93.000	484216024	Duke University		985	985
93.000		93.000	8014165712	Envy Corporation		485	485
93.000		93.000	501A120003	Verigen, Inc.		46,265	46,265
93.000		93.000	484216024	Mobile Tennessee State University		384	384
93.000		93.000	844 GAA DK 00071	Alantrex, Inc.		21,979	21,979
93.000		93.000	510CA70002	Duke University		137	137
93.000		93.000	502CP11013	Wetac, Inc.		125,227	125,227
93.000		93.000	911D065123	University of Kansas		47,282	47,282
93.000		93.000	15548031852-01	Children's National Med Ctr		481,178	481,178
93.000		93.000	1861A21542-01	Duke University		160,715	160,715
93.000		93.000	1504819182-01	Military Medical College		2,790	2,790
93.000		93.000	031D063393-02	State University of New York		180	180
93.000		93.000	4831260672	Oakland University		84,411	84,411
93.000		93.000	8105048294-01	University of Mississippi		23,324	23,324
93.000		93.000	7501CA70019-09	University of Alabama		23,324	23,324
93.000		93.000	1501CA70019-09	University of Wisconsin		83,331	83,331
93.000		93.000	1514C24411-01	University of Utah		182,250	182,250
93.000		93.000	1515835423-04	University of Texas		9,185	9,185
93.000		93.000	8015542172	Univ of California at Los Angeles		53,608	53,608
93.000		93.000	1540131198	Stanford University		2,616	2,616
93.000		93.000	1601042486-01	University of Illinois		43,495	43,495
93.000		93.000	1601042486-01	University of Illinois		125,499	125,499
93.000		93.000	1511446174-02	Mass State School of Medicine		1,445	1,445
93.000		93.000	15562400138	Univ of California San Diego		515,928	515,928
93.000		93.000	113C7A0943	Children's Healthcare Group		83,843	83,843
93.000		93.000	18259814399	Univ of Md & Dentistry of Md		7,313	7,313
93.000		93.000	2801A43279	Univ of California San Francisco		53,453	53,453
93.000		93.000	1911265122-01	University of Kansas		36,359	36,359
93.000		93.000	1801027038-01A1	Mass Medical Center		25,101	25,101
93.000		93.000	481860015	State University of New York		1,809	1,809
93.000		93.000	1511063096-06	Mass Medical Center		14,594	14,594
93.000		93.000	1501401444-01	Johns Hopkins University		60,644	60,644
93.000		93.000	7911045750-05	University of Kansas		11,960	11,960
93.000		93.000	5601A195020-05	Univ of Cal at San Francisco		104,304	104,304
93.000		93.000	484860333	Massachusetts General Hospital		85,347	85,347
93.000		93.000	484790024	Lectra Cooperative Oncology		11,172	11,172
93.000		93.000	1534407175	Duke University		452,970	452,970
93.000		93.000	483330015	Duke University		10,000	10,000
93.000		93.000	801C47129	A. Erasmus Coll of Med at Yorktown Univ		19,487	19,487
93.000		93.000	1594102526-01	Stanford University		2,201	2,201
93.000		93.000	1594102526-01	Stanford University		445,123	445,123
93.000		93.000	484216024	Shelton University of Philadelphia		34,440	34,440
93.000		93.000	484216024	Scholar & Artists Programs, Inc.		34,440	34,440
93.000		93.000	484216024	Children's Hospital of Philadelphia		428,725	428,725
93.000		93.000	484216024	Orion Health & Science Univ		4,264	4,264
93.000		93.000	484216024	Duke University		3,290	3,290
93.000		93.000	02061161033	Military Medical College		48,380	48,380
93.000		93.000	841800025-01	HYPERISS, Inc.		12,984	12,984
93.000		93.000	2801AG06945-17	Cooper Institute		27,146	27,146
93.000		93.000	844C4184604	Cooper, Inc.		63,613	63,613
93.000		93.000	484216024	University of Washington		20,694	20,694

The accompanying notes are an integral part of the schedule

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*This was major program

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Division	Federal System/Project Title	CFDA	Pass-through Award Number	Pass-through Entity	Direct	Flow-through	Total
		03.000	422400102	Microarray, Inc.		12,127	
		03.000	406274763	University of North Carolina		113,072	
		03.000	38014147367-65	Marshall's Children Research Inc		24,664	
		03.000	434000203	Texas University		22,854	
		03.000	110718172431	Milberry Medical College		22,092	
		03.000	8018172427	University of Texas		146,247	
		03.000	28016228011-61	University of Washington		41,085	
		03.000	5101021115408	Louisiana State University		5,000	
		03.000	18018831610-61	University of Wisconsin		27,102	
		03.000	1822CA30722	Ohio State University		77,086	
		03.000	1327CA30494	John Hopkins University		(150)	
		03.000	1801CA10444-61	Boyer College		634	
		03.000	1801HL7575-61	Chickadee Children's Hosp Rch Fdn		6,737	
		03.000	1803HL7623-61	Milberry Medical College		036	
		03.000	1803HL7623-61	Univ of Cal at San Francisco		12,644	
		03.000	462610063	Stanford University		7,229	
		03.000	111010722841	Children's National Med Ctr		26,287	
		03.000	400306013	Univ of California Los Angeles		94	
		03.000	502795-02	University of Wisconsin		21,072	
		03.000	7010A130792	Univ of Wisconsin		1,224	
		03.000	10101010889	Socil & Scientific Systems, Inc		1,473	
		03.000	90107010404	Research Triangle Institute		1,873	
		03.000	431330023	Northwestern State University		62,263	
		03.000	431330023	Washington State Univ		98,998	
		03.000	1750A00616481	Medical College of Ohio		5,184	
		03.000	282191101846-05	Marx Egn for Med Ed & Rch		133,286	
		03.000	210202661188-03	Univ of California Berkeley		14,070	
		03.000	9801CA80702-61	Univ of Texas Southwestern Med Ctr		40,233	
		03.000	9801080002				
		03.000			427,219	1,507,468	1,934,687
		03.113			1,861,890	(5,073)	1,856,817
		03.113	544124-016-61	Deere & C, Inc.	1,861,890	(5,073)	1,856,817
		03.113			477,728	0	477,728
		03.114			477,728	0	477,728
		03.121			426,734	0	426,734
		03.122			426,734	0	426,734
		03.172			398,220	0	398,220
		03.172			398,220	0	398,220

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*Indicates major program.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Disbursement Award Number	Disbursement Entity	Direct	Disbursement	Total
Research Related to Diseases and Communicable Disorders		93.173			3,383,720		
		93.173	801DC6412	Mount Zion School of Medicine		67,420	
		93.173	801DC644	Purdue University		245,308	
Total CFDA				3,451,140	312,728	2,223,848	
Research & Training in Complementary and Alternative Medicine		93.213			201,233		
		93.213			201,233	0	201,233
Mental Health Research Grants		93.242			7,401,144		
		93.242	4P50MH18156-13	University of Pittsburgh		126,842	
		93.242	101MH181971	University of Tennessee		128,971	
		93.242	801MH181842	Cornell University		95,648	
Total CFDA				7,607,144	351,461	7,792,352	
Alcohol Research Programs		93.273			684,183		
		93.273	1301AA13041	Wake Forest University		41,346	
		93.273	604270003	Texas Tech University		24	
		93.273	101AA13361	Wake Forest University		13,197	
Total CFDA				684,183	54,567	740,750	
Drug Abuse Research Programs		93.279			2,052,846		
		93.279	404100104	University of North Dakota		1,706	
		93.279	1801DA11110	University of North Dakota		24,763	
Total CFDA				2,052,846	30,129	2,083,175	
Mental Health Research Career Scientific Development Award		93.281			849,836		
		93.281			849,836	0	849,836
Biomedical Imaging Research		93.286			2,232,089		
		93.286			2,232,089	0	2,232,089
Comparative Medicine Program		93.306			107,726		
		93.306			107,726	0	107,726
Clinical Research		93.333			3,099,483		
		93.333			3,099,483	0	3,099,483
Nursing Research		93.361			332,927		
		93.361			332,927	0	332,927

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*Indicates major program.

Vanderbilt University

Schedule of Expenditures of Federal Funds

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Expenditure Account Number	Expenditure Entity	Direct	Indirect	Total
Biomedical Technology		93.371	843888124	Nurodiagnostics, Inc. Hypox, Inc.	0	59,454	
		93.371	843888127				52,651
	Total CFDA				0	112,122	112,122
Minority Biomedical Research Support		93.375	5831812111	Midway Medical College	0	11,219	
		93.375				0	11,219
	Total CFDA				0	22,438	22,438
Research Infrastructure		93.389			7,671,270	0	7,671,270
		93.389				5,072,270	0
	Total CFDA				12,743,540	0	12,743,540
Cancer Cause and Prevention Research		93.393	4811CA3212*	Kaiser Permanente Cancer Site Site of Nebraska Medical Center	10,027,393	1,098,792	11,126,185
		93.393	811CA3910*			10,027,393	33,109
	Total CFDA				20,054,786	1,131,901	21,186,687
Cancer Detection and Diagnosis Research		93.394			1,326,590	0	1,326,590
		93.394				1,230,180	0
	Total CFDA				2,562,770	0	2,562,770
Cancer Treatment Research		93.395	464300015	Former Science and Technology Anast. Coll of Radiology Bldg	3,496,312	3,361	3,499,673
		93.395	464500014			282,660	282,660
	Total CFDA				3,778,972	3,641	3,782,613
Cancer Biology Research		93.396	3118CA3144	American Coll of Radiology Southwest Oncology Group	14,387	6,882	21,269
		93.396	3118CA3149			138,096	138,096
	Total CFDA				152,463	144,978	297,441
Cancer Research Support		93.397	464750033	Washington Univ in St Louis	3,496,312	452,349	3,948,661
		93.397	821CA3135			11,144,502	58,568
	Total CFDA				14,642,814	510,917	15,153,731
Cancer Research Support		93.397	601CA4621	Ohio State University Southwest Oncology Group	9,672,239	0	9,672,239
		93.397	611CA3210			11,218,122	13,052
	Total CFDA				20,884,471	13,052	20,897,523
Cancer Research Support		93.398			1,874,003	0	1,874,003
		93.398				1,874,003	0
	Total CFDA				3,748,006	0	3,748,006

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*Indicates major program

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal/Spansian/Project Title	CFDA	Encumbrance Award Number	Encumbrance Entity	Direct	Encumbrance	Total
Cancer Research Support		93.399			2,394,000		
Total CFDA		93.399			2,394,000	0	2,394,000
Cell Biology and Biophysics Research		93.821	290006001*	Medary Medical College		14,771	
		93.821	931026665*	Purdue Univ University		76,234	
Total CFDA		93.821			2,330,079	91,005	2,421,084
Heart and Vascular Research		93.837	613756-01	Duke University	20,221,418	2,237	
		93.837	6031024143	Medary Medical College		769	
		93.837	6031026672	Univ of Mississippi Med Cn		27,965	
		93.837	6031019424	Baylor & Women's Hospital		16,734	
		93.837	603102618-05	Medary Medical College		2,933	
		93.837	6031020248	University of Tuck		15,480	
		93.837	759610266	University of Washington		148,836	
Total CFDA		93.837			20,221,418	214,664	20,436,082
Lung Diseases Research		93.838	5102104837	University of Colorado	7,025,514	83,264	
		93.838	6146678-02	University of Illinois		318,887	
		93.838	50210161991	Children's Hospital of Philad		14,252	
		93.838	27561016397	Children's Hospital of Philad		48,538	
Total CFDA		93.838			7,025,514	453,922	7,479,436
Renal Diseases and Nephrology Research		93.839	50110167714-01	Medary Medical College	3,348,060	6,339	
Total CFDA		93.839			3,348,060	6,339	3,354,400
Arthritis, Musculoskeletal & Skin Diseases Research		93.846	10110168529	University of Minnesota	1,980,209	4,061	
Total CFDA		93.846			1,980,209	4,061	1,984,270
Diabetes, Endocrinology and Metabolism Research		93.847	404310273	University of South Carolina	17,019,099	2,179	
		93.847	1011016376-01A1	University of Minnesota		42,886	
		93.847	604310253	Cornell University		18,652	
		93.847	604310264	Cornell University		110,899	
		93.847	604310268	Cornell University		8,598	
		93.847	604310266	Cornell University		43,817	
		93.847	604310265	Cornell University		1,219	
Total CFDA		93.847			17,019,099	210,656	17,229,755

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 *Indicates major program.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Expend. Account/Project Title	CFDA	Expend. Award Number	Expend. Entity	Direct	Indirect	Total
Digestive Diseases & Nutrition Research		03.848	4047901-65	Cow Western University	74,643		
		03.848	DK-99-008	Oregon Science & Health Univ.	1,259		
		03.848	1R01DK58452b	University Hospitals of Cleveland	15,944		
Total CFDA				91,846		9,493,423	
Kidney Diseases, Urology and Hematology		03.849	3R01DK56819-02	Univ of Mississippi Medical Co	19,617		
		03.849	3R01DK30411	Maine Medical Center	112,313		
Total CFDA				13,495,120		13,495,990	
Clinical Research Related Neurological		03.853	8R01NS39887	NI Jewish Medical & Resrch Ctr	(823)		
		03.853	8R01NS39887	University of Colorado	20,093		
Total CFDA				9,173,710		9,174,363	
Biological Basis Research in Neuroscience		03.854	NS28799	Univ of California San Francisco	33,886		
		03.854	NS27912	Newcastle University	(23)		
		03.854	8R01NS34930	Merck-Nordisk & Division Co	33,024		
		03.854	1U54NS44071	Merrill Medical College	134,693		
		03.854	8R01NS28171-01	Columbia State Community Coll	19		
		03.854			203,717		
Total CFDA				1,667,837		1,865,403	
Allergy, Immunology and Transplantation		03.855			3,665,597		
		03.855			1,665,897		
Total CFDA				13,061,422		13,061,422	
Microbiology and Infectious Diseases Research		03.856	U01AI41530	Univ of Alabama at Birmingham	55,541		
		03.856	2U91AI08858	Social & Scientific Systems, Inc	352,036		
		03.856	5U1AI52403	Massachusetts General Hospital	87,642		
		03.856	5U1AI446747	Fred Hutchinson Cancer Resch Ctr	(81)		
		03.856	8R25AI09098	Meharry Medical College	31,397		
		03.856	4R44A0013	Social & Scientific Systems, Inc	98,636		
		03.856	4R44A0023	Social & Scientific Systems, Inc	2,273		
		03.856	8R11020146-12	University of Virginia	17,097		
		03.856	4R45S2054	Southern University	5,265		
		03.856	8R11021462	Social & Scientific Systems, Inc	718,239		
		03.856	4R45S2079	Southern University	16,327		
		03.856	4R4800203	Rutger College	34		
		03.856	5R11AI40791	Social & Scientific Systems, Inc	216,227		
		03.856	4R45S2084	University of Virginia	13,280		
		03.856	8R11A1989	Social & Scientific Systems, Inc	110,107		
		03.856	4R45S2144	Social & Scientific Systems, Inc	72,656		
03.856	8R11A1298	Massachusetts Inst of Technology	201,116				
Total CFDA				17,061,422		17,061,422	
Total				31,861,802		31,861,802	

The accompanying notes are an integral part of the schedule.
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*Subcontract major program

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Division	Federal Sponsor/Project Title	CFDA	Expendishment Award Number	Expendishment Entity	Direct	Expendishment	Total
	Pharmacology - Physiology & Biological Chemistry Research	93.839			9,704,438	20,648	
	Total CFDA	93.839	405(PA)0270	New York University	9,704,438	20,648	9,725,086
	Genetics & Developmental Biology Research	93.862			3,963,802	0	
	Total CFDA	93.862			3,963,802	0	3,963,802
	Population Research	93.864			2,500,918	0	
	Total CFDA	93.864			2,500,918	0	2,500,918
	Research For Mothers and Children	93.865			4,062,793		
		93.865	240(HD)2330	University of Virginia		(5,170)	
		93.865	580(HD)0608	Washington University		21,012	
		93.865	PG01(D)0624	State of Texas H&S, Civ or Human		49,315	
		93.865	0901(D)0424	University of Texas		141,169	
		93.865	5354(HD)3994	University of Kansas		361,661	
	Total CFDA	93.865			4,062,793	167,999	4,630,792
	Ageing Research	93.866			2,221,897		
		93.866	1801(G)1877	Duke University		397,170	
		93.866	1801(G)2013	Duke University		114,123	
		93.866	1841(G)1074	DATA Company		15,716	
	Total CFDA	93.866			2,221,897	527,009	2,748,906
	Violence Research	93.867			3,626,604		
		93.867	8Y12118	Duke University		604,107	
		93.867	404950663	Vanderbilt		3,080	
		93.867	1824(E)12894	Western Michigan University		191,252	
		93.867	801(E)13093	University of Illinois		33,733	
		93.867	801(E)10886	Texas University		112,904	
	Total CFDA	93.867			3,626,604	947,076	6,573,680
	Medical Library Assistance	93.879			1,335,303		
	Total CFDA	93.879			1,335,303	0	1,335,303
	Resource and Manpower Dev in Environmental Health Sciences	93.894			1,424,300		
	Total CFDA	93.894			1,424,300	0	1,424,300
	Faculty Internal Research Collaborations	93.934			132,204		
	Total CFDA	93.934			132,204	0	132,204

The accompanying notes are an integral part of the schedule.
See accompanying independent auditors' report on supplementary information.

*Indicates major program.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Individual-Sponsored/Project Title	CFDA	Pass-through Award Number	Pass-through Entity	Began	Encumbrance	Total
Special Memory Resources		93-900			316,837		
	Total CFDA	93-900			316,837	0	316,837
	Senior International Fellowships				51,369		
		Total CFDA	93-909			51,369	0
Total National Institutes of Health				208,719,209	15,803,144		224,522,353
	Total Department of Health and Human Services			213,333,167	15,877,132		229,210,299
Department of the Interior		15-000			0	1,493	
		15-000	HR2003200006	BIM	0	1,493	
	Total CFDA	15-000			0	1,493	1,493
U. S. Geological Survey	National Cooperative Geologic Mapping Program	15-810			9,147	0	9,147
	Total CFDA	15-810			9,147	0	9,147
Total U. S. Geological Survey					9,147	0	9,147
	Total Department of the Interior				9,147	1,493	10,640
U.S. Department of Justice	Juvenile Justice and Delinquency Prevention Allocation to States	16-540			0	143,098	
		16-540	FO02402148	State of North Carolina	0	143,098	143,098
	Total CFDA	16-540			0	143,098	143,098
National Institute Justice & Delinquency Prevention		16-542			198,258	0	198,258
	Total CFDA	16-542			198,258	0	198,258
Violence Against Women Formula Grants		16-398			154,816	0	154,816
	Total CFDA	16-398			154,816	0	154,816
Total U.S. Department of Justice				153,354	143,098	296,452	

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Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Program	Federal-Sponsored Project Title	CFDA	Expenditure Award Number	Expenditure Entity	Direct	Indirect	Total
National Aeronautics and Space Administration NASA Research Grants		43.000	HST-GO-09141.01	Space Telescope Science Inst	2,664,132	(248)	
		43.000	HST-GO-09493.0A	Space Telescope Science Inst	8,311		
		43.000	HST-GO-09493.01	Space Telescope Science Inst	23,621		
		43.000	HST-GO-09872.02	Space Telescope Science Inst	20,133		
		43.000	HST-GO-09774.06	Space Telescope Science Inst	(242)		
		43.000	NAS3-02082	Jetair	51,797		
		43.000	HST-AR-0904.01-A	Space Telescope Science Inst	53,496		
		43.000	2000-G-10345	Univ of California Los Angeles	38,640		
		43.000	199624	Bioring	12,782		
		43.000			2,664,132	210,451	2,874,583
				2,664,132	210,451	2,874,583	
		45.101			72,797		
		45.101			72,797	0	72,797
		45.101			72,797	0	72,797
		47.000	C12801	The Technological University	95,712	8,311	
		47.000			85,712	8,311	100,223
		47.001			4,212,713	0	
		47.041	H0Y000210400124002	Perisyon	4,212,712	0	
		47.049	H0Y0122017	University of Florida	2,845,432	0	
		47.049	H0Y0301752	Cornell University	2,128	0	
		47.049	H0Y0907546	Texas A&M University	80,309	0	
		47.049			2,845,432	72,797	2,917,864
		47.050	180-F00070	Trinity A&M	219,473	0	
		47.050	H7-F000401001134	Trinity A&M	4,013	0	
		47.050	OC01204114-21014	Rutgers, The State Univ of New Jersey	61,770	0	
		47.050			249,473	0	
		47.050			249,473	0	249,473

The accompanying notes are an integral part of the schedule. See accompanying independent auditor's report for supplementary information. *Includes major program.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Division	Federal Sponsor/Division Title	CFDA	Has through Award Number	Expendable Entity	Direct	Indirect	Total		
Computer and Info Sciences & Engineering	Total CFDA	47-070	07041444	Univ of Colorado, Boulder	1,870,690	786,312	2,657,002		
		47-070	54410411007PG	Univ of Colorado, Boulder	13,028	13,028	26,056		
		47-070	1540214012	IBM International Corporation	2,461	2,461	4,922		
		47-070			1,876,119	801,801	2,677,920		
		Biological Sciences	Total CFDA	47-074	4028011403	University of Tennessee	1,090,001	78,222	1,168,223
				47-074			1,090,001	78,222	1,168,223
				47-075	55200904	Natl Bureau of Economic Resrch	1,028,320	5,410	1,033,730
				47-075			1,028,320	5,410	1,033,730
		Social, Behavioral & Economic Sciences	Total CFDA	47-076	130811712	University of Wisconsin	1,179,431	45,517	1,224,948
				47-076	076035667	University of Tennessee	25,227	25,227	50,454
				47-076	010027509	University of Wisconsin	43,893	43,893	87,786
				47-076	010000102	Tennessee Tech University	18,436	18,436	36,872
				47-076	04270362048607	University of Georgia	2,205	2,205	4,410
Educational and Human Resources	Total CFDA	47-078	070004219	Rice University	34,231	718	34,949		
		47-078			34,231	718	34,949		
		47-078			12,426,305	1,230,232	13,656,537		
U.S. Department of Transportation Highway Planning and Construction	Total CFDA	20-205	0704010620000	University of New Hampshire	0	30,328	30,328		
		20-205	08041002100	TN Dept of Transportation	0	207,706	207,706		
		20-205	0311421321	TN Dept of Transportation	0	7,277	7,277		
		20-205	0311411321281	TN Dept of Transportation	0	198,977	198,977		
		20-205			0	401,138	401,138		
		20-302	070300006	University of Tennessee	0	49,000	49,000		
		20-302			0	49,000	49,000		
		20-701	070400006	University of Tennessee	0	31,327	31,327		
		20-701			0	31,327	31,327		
		20-701				0	0	0	

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 *Includes major program.

Vanderbilt University
 Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Flowthrough Award Number	Flowthrough Excess	Direct	Flowthrough	Total
	Total CFDA	20-707			0	11,127	11,127
	Total U.S. Department of Transportation						
	Tennessee Valley Authority	62-001			442,709		442,709
	TVA Environmental Research Center	62-001			442,709	0	442,709
	Total CFDA				442,709	0	442,709
	Total Tennessee Valley Authority						
	Veteran Affairs	64-000			2,007		2,007
	Veteran Affairs	64-000			2,007	0	2,007
	Total CFDA				2,007	0	2,007
	Staring Specialized Medical Resources	64-018			(9,407)		(9,407)
	Total CFDA	64-018			(9,407)	0	(9,407)
	Total Veteran Affairs						
	Total Research				(7,400)	0	(7,400)
					247,968,797	26,254,999	274,223,796
Student Financial Aid							
	U.S. Department of Education	84-007			1,329,261	0	1,329,261
	Federal Supplemental ED Opportunity Grants	84-007			1,329,261	0	1,329,261
	Total CFDA				1,329,261	0	1,329,261
	Federal Family Education Loan Program	84-032			50,062,839	0	50,062,839
	Total CFDA	84-032			50,062,839	0	50,062,839
	Federal Work Study Program	84-033			1,374,843	0	1,374,843
	Total CFDA	84-033			1,374,843	0	1,374,843
	Federal Perkins Loan Program	84-038			4,094,882	0	4,094,882
	Total CFDA	84-038			4,094,882	0	4,094,882
	Federal Pell Grant Program	84-065			1,870,525	0	1,870,525
	Total CFDA	84-065			1,870,525	0	1,870,525
	Total U.S. Department of Education				29,132,470	0	29,132,470

The accompanying notes are an integral part of the schedule.

For accompanying independent auditor's report on supplementary information.

*Indicates major program.

YankeeBelt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Agency/Project Title	CIDA	Eligibility Award Number	Expenditures	Direct	Expenditures	Total
U.S. Department of Health and Human Services Nursing Student Loan Program Total CFDA		93,364			161,750	0	161,750
		93,364			161,750	0	161,750
					161,750	0	161,750
Total U.S. Department of Health and Human Services							
Total Student Financial Aid							
Other							
Commodity	Measurement and Engineering Research and Standards	11,600			(1)		(1)
	Total CFDA	11,600			(1)		(1)
Total Commerce							
Corporation For National Service		94,000	681104224	TS Department of France	4,308	578	4,886
	Total CFDA	94,000			4,308	578	4,886
Learn & Serve America - Higher Education		94,000			25,923	0	25,923
	Total CFDA	94,000			25,923	0	25,923
Apprentices		94,000			0		0
		94,000	68-06-13722-06	TS Dept of Economic & Comm		3,329	3,329
		94,000	68-10-13133	TS Dept of Economic & Comm		38	38
		94,000	68-10-14271	TS Dept of Economic & Comm		13,496	13,496
		94,000	68-05-14271-08	TS Department of France		173,724	173,724
		94,000	68-06-14902-06	TS Department of France		190,849	190,849
Total CFDA	94,000			32,231	191,427	223,658	
Total Corporation For National Service							
U.S. Department of Defense ARPA		12,800			104,461	0	104,461
	Total CFDA	12,800			104,461	0	104,461
Total ARPA					104,461	0	104,461

The accompanying notes are an integral part of the schedule.
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* Indicates major program

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Expenditure Award Number	Expenditure Limit	Start	End	Total
Army	Air Force	12-800			15,828		
	Air Force Defense Research & Innovation Program	12-800			15,828	0	15,828
	Total CFDA				15,828	0	15,828
Army	Total Air Force				92,447		92,447
	Total CFDA	12-000			92,447	0	92,447
	Military Medical Research & Development	12-420			50,884		
		12-420	04034015	Military Medical Group		(2,265)	
	Total CFDA	12-420			10,864	(2,265)	8,599
Total Army	Total U.S. Department of Defense	12-420			143,311	(2,265)	141,046
	U.S. Department of State	12-420			203,620	(2,265)	201,355
	Total CFDA				346,931	(4,530)	342,401
U.S. Department of Education	Total U.S. Department of State	12-420			85,195		85,195
	U.S. Department of Education	12-420			85,195	0	85,195
	Department of Education	84-000			203,714		
		84-000	Q875420000	Center for Civic Education		29,080	
	Total CFDA	84-000	430002005	Temple University		3,399	
National Science Council & Technology	Department of Education	84-000	420-02003	Temple University		127,860	
	Total CFDA	84-000			203,714	127,778	331,492
	National Science Council & Technology	84-014			99,860		99,860
Services For Children With Deep Disabilities	Total CFDA	84-021			99,860	0	99,860
	Services For Children With Deep Disabilities	84-021			0		0
	Total CFDA	84-021	08-01-0209	TN Dept of Education		31,832	
Total CFDA	24-021			0		31,832	

The accompanying notes are an integral part of this schedule.
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*Excludes major programs.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Program	Federal Sponsor/Project Title	CFDA	Encumbrance Award Number	Encumbrance Entity	Direct	Encumbrance	Total
Special Education Grants to States		84.027	044709493	TN Dept. of Education	0	(1,301)	
		84.027	08.02.1499A	TN Dept. of Education	13%	1,534	
		84.027	08.02.1499B	TN Dept. of Education	(7%)	(220)	
		84.027	08.04.1923.00	TN Dept. of Education	66,997	246,120	
		84.027	08.04.1949.00	TN Dept. of Education	0	203,662	339,602
Total CFDA					539,602		
Special Education Personnel Development		84.029			13%		
	Total CFDA				(7%)	0	(6%)
Fund for the Improvement of Postsecondary Education		84.110	420202073	Howard University	66,997	18,135	
	Total CFDA				66,997	18,135	85,132
Rehabilitation Services - Vocational Rehab		84.126			0	73,001	
	Total CFDA		08.00.1266	TN Dept of Human Services	0	73,001	73,001
Jayne Fellowships		84.170			32,657	0	
	Total CFDA				32,657	0	32,657
Special Education Grants for Infants & Families with Disabilities		84.181	08.04.1582	TN Dept. of Education	0	181,426	
		84.181	08.02.1509B	TN Dept. of Education	0	105,212	
		84.181	08.00.1719.00	TN Dept. of Education	32,657	(33)	
		84.181	08.04.1597	TN Dept. of Education	32,657	1,966,090	
	Total CFDA				0	2,252,875	2,252,875
Graduate Assistance in Areas of National Need		84.200			246,265	0	
	Total CFDA				246,265	0	246,265
Special Education Research & Innovation		84.324			82,656	0	
	Total CFDA				82,656	0	82,656
Spec. Ed - Personnel Prep to Improve Svcs for Disabled Children		84.325	424042261	University of Florida	3,137,980	(284)	
	Total CFDA				3,137,980	(284)	3,137,696

The accompanying notes are an integral part of the schedule. See accompanying independent auditors' report for supplementary information.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Program	Federal Agency/Project Title	CFDA	Expenditure Award Number	Flowthrough Entity	Direct	Flowthrough	Total
	Spec Ed - Technical Assistance & Dissemination to Improve SACS	84.326	08020020-01	University of Chicago	107,600	83,213	
		84.326			107,600	83,213	190,813
	Total CFDA	84.326			1,198,645	0	1,198,645
	Granting Early Awareness & Readiness for Undergraduate Program	84.334			1,198,645	0	1,198,645
	Total CFDA	84.334			1,198,645	0	1,198,645
	Preparing Tomorrow's Teachers with Technology	84.342			257,039	0	257,039
	Total CFDA	84.342			257,039	0	257,039
	Improving Teacher Quality State Grants	84.367			0	50,963	50,963
		84.367	3470317020	University of New Mexico	0	50,963	50,963
	Total CFDA	84.367			0	50,963	50,963
	Minority Outreach Project	84.020			818,132	0	818,132
	Total CFDA	84.020			818,132	0	818,132
	Total U.S. Department of Education				6,051,646	3,230,919	9,282,565
	U.S. Department of Energy	81.000			0	5,618	5,618
		81.000	080454772	Oak Ridge Associated Universities	0	5,618	5,618
	Total CFDA	81.000			0	5,618	5,618
	Total U.S. Department of Energy				0	5,618	5,618
	U.S. Department of Health & Human Services Centers for Medicare and Medicaid Services	93.000			0	137,444	137,444
		93.000	080424970	City for Healthcare Quality	0	137,444	137,444
	Total CFDA	93.000			0	137,444	137,444
	Developmental Disabilities Basic Support	93.030			0	148,623	148,623
		93.030	08-04-1307	TN Dept of HHS/DDS	0	148,623	148,623
		93.030	08-04-1002-00	TN Dept of HHS/DDS	0	(877)	(877)
	Total CFDA	93.030			0	147,746	147,746
	Total U.S. Department of Health & Human Services				0	147,746	147,746

The accompanying notes are an integral part of the schedule. For accompanying independent auditors' reports on supplementary information.

*Indicates major program.

Vanderbilt University

Schedule of Disbursements of Federal Awards

Year ended June 30, 2014

Program	Federal Sponsor/Project Title	CFDA	Disbursement Award Number	Disbursement Units	Direct	Indirect	Total
Medical Assistance Program		83.778	GR-04-15873-00	TS Bureau of Trans-Care	0	0	966,368
		83.778	GR-03-11164-00	TS Bureau of Trans-Care	0	0	132,798
		83.778	4042319433	TS Dept of Health	0	0	72,619
		83.778	GR-02-14482-00	TS Dept of Health	0	0	698,769
	Total CFDA				0	0	1,790,554
Total Centers for Medicare and Medicaid Services Administration for Children and Families Developmental Disabilities Basic Support		93.020	GR-03-19890-00	TS Dept of HHS/ODD	0	0	10,963
		93.020	Z-00-094131-00	TS Dept of HHS/ODD	0	0	30
		93.020	Z-01-008707-00	TS Dept of HHS/ODD	0	0	30
		93.020	GR-04-15191-00	TS Dept of HHS/ODD	0	0	78,728
		Total CFDA				0	0
Total Administration for Children and Families Agency for Healthcare Research and Quality Research on Healthcare Costs, Quality and Outcomes		93.226			138,137	0	138,137
		Total CFDA				138,137	138,137
Total Agency for Healthcare Research and Quality Substance Abuse and Mental Health Services Administration		93.000	1P76344420	NIH CI on Family Homelessness	0	0	60,305
		Total CFDA				0	60,305
Total Substance Abuse & Mental Health Services Admin Center for Disease Control		93.000	1U9CC3-421173	Mathews Walker Comp Hlth Ctr	0	0	67,752
		Total CFDA				0	67,752
CDC and Prevention - Investigations and Technical Assistance		93.283	3U7CC3-611185	University of North Carolina	0	0	35,174
		93.283	604P096034	University of North Carolina	0	0	(18)
		Total CFDA				0	35,156
Total Center for Disease Control		93.283			0	0	35,156
		Total CFDA				0	35,156

The accompanying notes are an integral part of the schedule.
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*Includes major program.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Funds/Grant/Award Number	Expenditures/Entity	Direct	Indirect/Amount	Total		
Health Resource Services Administration	Health Resource Services Administration	93.000			299,483				
		93.000	52148P0050	Melary Medical College		6,097			
		93.000	4964500211.0041.001	Vanderbilt University		232,023			
		93.000	CR-00-18020-00	Melary Medical College		254			
		Total CFDA			299,483	238,474		537,957	
		Public Health & Social Services Emergency Fund	Public Health & Social Services Emergency Fund	93.000	496790021		0		
				93.000	CR-04-13771-00	TN Department of Health		6,294	
				93.000	4968000213	TN Department of Health		84,200	
				93.000	2-04-019600-00	TN Department of Health		3,842	
				93.000	4968000212	TN Department of Health		4,708	
93.000				TN Department of Health		92,982			
Total CFDA			0	174,029		174,029			
Mental Health Planning and Demonstration Projects	Mental Health Planning and Demonstration Projects	93.110			562,564	11,456			
		93.110	31504C000212	Wake Forest Sch of Med		11,456			
		Total CFDA			562,564	11,456		574,020	
		Emergency Medical Services for Children	Emergency Medical Services for Children	93.127			0		
				93.127			0		
				93.127			0		
				93.127			0		
		National AIDS Education and Training Center	National AIDS Education and Training Center	93.143			0		
				93.143	1324899002	Melary Medical College		317	
				93.143			0		
93.143					0				
Total CFDA			0	317		317			
Advanced Education Nursing Grant Program	Advanced Education Nursing Grant Program	93.247			651,271				
		93.247	1011099006	Melary Medical College		86,152			
		93.247			651,271	86,152			
		93.247			250,635	0			
Total CFDA			250,635	256,835	0	507,470			
National Prison Control System Stabilization	National Prison Control System Stabilization	93.251			181,223				
		93.251			181,223				
		93.251			181,223				
		93.251			181,223				
Total CFDA			181,223	181,223	0	362,446			
Professional Nurse Traineeships	Professional Nurse Traineeships	93.339			322,972				
		93.339			322,972				
		93.339			322,972				
		93.339			322,972				
Total CFDA			322,972	322,972	0	645,944			

The accompanying notes are an integral part of this schedule. See accompanying independent auditors' report on supplementary information. *Indicates major program.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Expenditure Award Number	Expenditure Entity	Direct	Expenditure	Total
Maternal and Child Health Services Block		03 994	GR-02-1427-00	TN Dept of Health	0	737	
		03 994	GR-03-1269-00	TN Dept of Health		101	
		03 994	GR-04-1372-00	TN Dept of Mental Hlth & ED		623,936	
		03 994	60490233	TN Dept of Health		(308)	
		03 994	GR-01-1360-00	TN Dept of Health		4	
	Total CFDA	03 994			0	626,470	626,470
Biomedical Training and Curriculum Development Programs		03 996			253,133		
		03 996			253,133	0	253,133
	Total CFDA				2,812,493	1,144,196	3,656,689
Total Health Resources Services Administrations							
National Institutes of Health		03 000			34,486		
		03 000	604229014	Bozell & Scientific Systems, Inc.		257,991	
		03 000	60242666139	Indiana Medical College		11,704	
		03 000	602729034	American Psychiatric Assoc		266,699	
	Total CFDA	03 000			74,466	266,699	341,165
Medical Reserve Corps Small Grants Program		03 006			18,072		
		03 006			18,072	0	18,072
Research Related To Diabetes and Communication Disorders		03 173			17,488		
		03 173			17,488	0	17,488
Mental Health Research Grants		03 242			6,391		
		03 242			6,391	0	6,391
Alcohol National Research Service Awards		03 272			1,245		
		03 272			1,245	0	1,245
Drug Abuse National Research Service Award		03 278			106,356		
		03 278			106,356	0	106,356
Mental Health Research Career Scientist Development Awards		03 281			168,095		
		03 281			168,095	0	168,095

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Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Expenditure Award Number	Expenditure Entity	Direct	Indirect	Total
	Merit Health National Research Service Awards	93-242	0425041536	Medical College	1,861,606	18,999	1,880,605
	Total CFDA	93-242			1,861,606	18,999	1,880,605
	Biomedical Imaging Research	93-246			77,632	0	77,632
	Total CFDA	93-246			77,632	0	77,632
	Nursing Research	93-361			2,332	0	2,332
	Total CFDA	93-361			2,332	0	2,332
	Minority Biomedical Research Support	93-375			513,333	0	513,333
	Total CFDA	93-375			513,333	0	513,333
	Research Infrastructure	93-389	04252003	Univ of Med & Dentistry of New Jersey	95,543	16,146	111,689
	Total CFDA	93-389			95,543	16,146	111,689
	Cancer Cause and Prevention Research	93-393			91	0	91
	Total CFDA	93-393			91	0	91
	Cancer Treatment	93-398			307	0	307
	Total CFDA	93-398			307	0	307
	Cancer Research Manpower	93-398	96000002	University of Kentucky	2,217,941	87,242	2,305,183
	Total CFDA	93-398			2,217,941	87,242	2,305,183
	Cell Biology and Biophysics Research	93-621			1,087,248	0	1,087,248
	Total CFDA	93-621			1,087,248	0	1,087,248
	Heart and Vascular Diseases Research	93-837			1,601,316	0	1,601,316
	Total CFDA	93-837			1,601,316	0	1,601,316
	Lung Diseases Research	93-838			690,085	0	690,085
	Total CFDA	93-838			690,085	0	690,085

The accompanying notes are an integral part of the schedule. For accompanying independent auditors' report on supplementary information.

*Includes major program

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Program	Federal Sponsor/Project Title	CFDA	Expenditures Award Number	Interborough Entity	Direct	Indirect	Total
	Blood Diseases and Resuscitation Research	93.039	16010L0711-01	Midway Medical College	609,271	827	610,098
	Total CFDA	93.039			609,271	827	610,098
	Arthritis, Musculoskeletal & Skin	93.046			104,054	0	104,054
	Total CFDA	93.046			104,054	0	104,054
	Diabetes, Endocrinology and Metabolism Research	93.047			997,744	0	997,744
	Total CFDA	93.047			997,744	0	997,744
	Digestive Diseases & Nutrition Research	93.048			326,088	0	326,088
	Total CFDA	93.048			326,088	0	326,088
	Kidney Diseases, Urology and Hematology	93.049			317,846	0	317,846
	Total CFDA	93.049			317,846	0	317,846
	Clinical Research Related Neurological Disorders	93.053			460,049	0	460,049
	Total CFDA	93.053			460,049	0	460,049
	Microbiology and Infectious Diseases Research	93.056			731,577	1,448	733,025
	Total CFDA	93.056	115A07377	Midway Medical College	731,577	1,448	733,025
	Pharmacology - Physiology & Biomedical Chemistry Research	93.059			1,758,564	0	1,758,564
	Total CFDA	93.059			1,758,564	0	1,758,564
	Genetics and Developmental Biology Research	93.062			176,833	0	176,833
	Total CFDA	93.062			176,833	0	176,833
	Population Research	93.064			103,463	0	103,463
	Total CFDA	93.064			103,463	0	103,463
	Research For Mothers and Children	93.065			895,976	0	895,976
	Total CFDA	93.065			895,976	0	895,976
	Vision Research	93.067			520,337	0	520,337
	Total CFDA	93.067			520,337	0	520,337

The accompanying notes are an integral part of the schedule.
See accompanying independent auditors' report for supplementary information.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Expenditures Award Number	Expenditures Entity	Direct	Indirect	Total
	Medical Library Administration	93.879 93.879	488000021	University of Maryland	710,077	12,118	722,195
	Total CFDA	93.879			710,077	12,118	722,195
	Maternity Access To Research Careers	93.890			87,733	0	87,733
	Total CFDA	93.890			87,733	0	87,733
	Research and Management Dev. in Environmental Health Sciences	93.894			638,133	0	638,133
	Total CFDA	93.894			638,133	0	638,133
	Special Minority Initiatives	93.960			131,010	0	131,010
	Total CFDA	93.960			131,010	0	131,010
	Senior International Fellowships	93.980 93.980	2047040008	Cornell University	32,364	96,041	128,405
	Total CFDA	93.980			32,364	96,041	128,405
	Total National Institutes of Health				1,528,266	108,159	1,636,425
	Total U.S. Department of Health & Human Services				1,528,266	108,159	1,636,425
	Housing and Urban Development Community Outreach Partnership Center Program	14.311 14.311			125,766	0	125,766
	Total CFDA	14.311			125,766	0	125,766
	Total Housing and Urban Development				125,766	0	125,766
	Department of Justice National Institute of Justice	16.542 16.542			124,356	0	124,356
	Total CFDA	16.542			124,356	0	124,356
	Total Department of Justice				124,356	0	124,356
	National Aeronautics Space Administration NASA Grants	43.000 43.000 43.000	HST EO 0857 04-A HST EO 0248 031-A	Space Telescope Science Institute Space Telescope Science Institute	521,059	1,453 12,068	533,520
	Total CFDA	43.000			521,059	13,521	534,580
	Total National Aeronautics Space Administration				521,059	13,521	534,580

The accompanying notes are an integral part of the schedule.
See accompanying independent auditor's report on supplementary information.

*Indicates major program.

Yanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	Federal Sponsor/Project Title	CFDA	Expenditure Award Number	Expenditure Line	Direct	Expenditure	Total
Education National Foundation for the Arts and Humanities National Endowment For The Humanities Promotion of The Humanities Division of Preparation and Access Total CFDA		45-149			13,395		
		45-149			12,895	0	12,895
		45-151			114,752		
		45-151			114,752	0	114,752
		45-309			45,309		
		45-309			45,309	0	45,309
		45-151			176,716	0	176,716
		45-151			22,744		
		45-151			22,744	0	22,744
		45-151			22,744	0	22,744
				201,460	0	201,460	
Total National Endowment for the Humanities Institute of Museum Services - Institute of Museum and Library Services Total CFDA Total Institute of Museum Services Total National Foundation for the Arts and Humanities National Science Foundation Engineering Grants Total CFDA		47-101			112,077		
		47-041			112,077	0	112,077
		47-109			13,658		
		47-109		PG 152140	9,560	9,560	19,218
		47-069			11,653		
		47-069			6,010		
		47-069			6,050		
		47-069			43,425		
		47-070			93,421	22,333	115,754
		47-074			31,823		
	47-074			31,823	0	31,823	
Total National Foundation for the Arts and Humanities National Science Foundation Engineering Grants Total CFDA Mathematics & Physical Sciences Total CFDA Geosciences Total CFDA Computer and Info Sciences & Engineering Total CFDA Biological Sciences Total CFDA		47-101			112,077		
		47-041			112,077	0	112,077
		47-109			13,658		
		47-109		PG 152140	9,560	9,560	19,218
		47-069			11,653		
		47-069			6,010		
		47-069			6,050		
		47-069			43,425		
		47-070		CCR022610	93,421	22,333	115,754
		47-074			31,823		
	47-074			31,823	0	31,823	

The accompanying notes are an integral part of this schedule for accompanying independent auditors' report on supplementary information.

*Indicates major program

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Program	FEDERAL AWARD PROJECT TITLE	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
	Social, Behavioral and Economic Sciences	47-075			34,349		
	Total CFDA	47-075			34,349	0	34,349
	Education and Human Resources	47-078	0840017429-V-01	Tennessee State University	1,391,281	53,414	
		47-078	8327902007	Sullivan State Tech College		3,308	
	Total CFDA	47-078			1,391,281	56,722	1,448,003
	Total National Science Foundation				1,714,000	60,008	1,803,448
	U.S. Department of Transportation	20-600			0	7,837	
	State And Community Highway Safety	20-600	2-01-011819-00	TN Dept of Transportation	0	7,837	7,837
	Total CFDA	20-600			0	7,837	7,837
	Total U.S. Department of Transportation				0	7,837	7,837
	Tennessee Valley Authority	62-001			152		
	TVA Environmental Research Center	62-001			152	0	152
	Total CFDA	62-001			152	0	152
	Total Tennessee Valley Authority				152	0	152
	Other Federal Agencies	99-000			0	60,376	
	Homeland Security	99-000	400800011-0013	Ready Response Initiative	0	60,376	60,376
	Total CFDA	99-000			0	60,376	60,376
	Total Other Federal Agencies				0	60,376	60,376
	Total Other				28,805,045	7,096,898	36,156,942
	Total Federal Awards				\$38,123,062	\$33,751,897	\$309,874,058

The accompanying notes are an integral part of the schedule. See accompanying independent auditor's report on supplementary information.

*This was major program

THE VANDERBILT UNIVERSITY

Notes to the Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2004

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of The Vanderbilt University (the University) under federal programs for the year ended June 30, 2004. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the University.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The awards are classified into Type A and Type B programs in accordance with the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Clustered award categories are as follows.

Research and Development – Includes awards for systematic study directed toward fuller scientific knowledge or understanding of the subject studied, and are funded primarily by The National Institutes of Health.

Student Financial Aid – Includes certain awards to provide financial assistance to eligible students, primarily under the Federal Work-Study Program (FWS), Scholarship Program for Students of Exceptional Financial Need (EFN), Federal Pell Grant, and Federal Supplemental Educational Opportunity Grant (FSEOG) of the U.S. Departments of Education and Health and Human Services. The University also receives awards to make loans to eligible students under certain federal student loan programs (Federal Perkins Loan, Health Profession Student Loan, Loans to Disadvantaged Students, and Federal Nursing Student Loan). Guaranteed Loans (Stafford, Unsubsidized Stafford, Supplemental Loans to Students, and Parent Loans for Undergraduate Students) are issued to eligible students of the University or their parents by various financial institutions. Current year loan disbursements for these loan programs are included in the federal expenditures in the Schedule (see note 3).

(2) Summary of Significant Accounting Policies for the Schedule

For purposes of the Schedule, expenditures for federal programs are recognized on the accrual basis of accounting.

Expenditures for federal student financial aid programs are recognized as incurred and include Federal Pell program grants to students, the federal share of students' FSEOG program grants, FWS program earnings, loans to students under federally guaranteed programs and certain other federal financial assistance grants for students and administrative cost allowances, where applicable.

Expenditures for other federal awards of the University are determined using the cost accounting principles and procedures set forth in OMB Circular A-21, *Cost Principles for Educational Institutions*. Under these cost principles, certain expenditures are not allowable or are limited as to reimbursement.

THE VANDERBILT UNIVERSITY

Notes to the Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2004

Expenditures for non-financial aid awards include indirect costs. Indirect costs allocated to such awards for the year ended June 30, 2004 were based on predetermined fixed rates negotiated with the University's cognizant federal agency, the U.S. Department of Health and Human Services. Indirect costs and recoveries of those costs under sponsored programs are classified as unrestricted expenditures and revenues, respectively, in the University's financial statements.

Negative balances represent programs with unfunded expenditures prior to normal close-out procedures, which were subsequently cost-shared or transferred to nonfederal cost centers.

(3) Federal Student Financial Assistance Programs

Federal student financial assistance made available by the University to eligible students or utilized by the University for allowable administrative expenses under grant, work-study and student loan programs and guaranteed loans offered to students of the University or their parents by financial institutions during the year ended June 30, 2004 are summarized as follows:

Grant and work-study based programs:	
FWS	\$ 1,574,843
Pell	1,870,525
FSEOG	<u>1,529,381</u>
Total	\$ <u>4,974,749</u>
Direct loans disbursed:	
Federal Perkins	\$ 4,094,882
Health Profession Student Loan	—
Primary Care Loan	—
Federal Nursing Student Loan	<u>161,750</u>
Total	\$ <u>4,256,632</u>
Guaranteed loans disbursed:	
Federal Stafford	\$ 19,586,810
Federal Unsubsidized Stafford	21,392,923
Federal Parent Loans for Undergraduate Students	<u>9,083,106</u>
	\$ <u>50,062,839</u>

THE VANDERBILT UNIVERSITY

Notes to the Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2004

The Perkins, Health Profession Student Loan (HPSL), Nursing Student Loan (NSL) and Loans for Disadvantaged Students (LDS) programs are administered directly by the University and balances and transactions relating to these programs are included in the loan funds of the University's financial statements. Balances of loans outstanding at June 30, 2004 are as follows:

Perkins	\$	16,775,228
HPSL		822,469
NSL		838,016
LDS		<u>4,374</u>
	\$	<u>18,440,087</u>

The University is responsible for the performance of certain administrative duties with respect to the guaranteed loan programs. It is not practical to determine the balance of loans outstanding to students and former students of the University under these programs for the year ended June 30, 2004. These loans are not included in the University's consolidated financial statements.



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

Board of Trust
The Vanderbilt University;

We have audited the consolidated financial statements of The Vanderbilt University as of and for the year ended June 30, 2004, and have issued our report thereon dated September 14, 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 Vanderbilt University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the consolidated financial statements. The reportable condition noted is described in the accompanying schedule of findings and questioned costs as Finding 04-1.

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 consolidated 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving internal control over financial reporting which we have reported to management of The Vanderbilt University in a separate letter dated September 14, 2004.



Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trust, the audit committee, management, the U.S. Department of Health and Human Services and other legislative or regulatory bodies governing the federal funds received by The Vanderbilt University and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

September 14, 2004



KPMG LLP
1900 Nashville City Center
511 Union Street
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Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Trust
The Vanderbilt University:

Compliance

We have audited the compliance of The Vanderbilt 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 its major federal programs for the year ended June 30, 2004. The Vanderbilt 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 its major federal programs is the responsibility of The Vanderbilt University's management. Our responsibility is to express an opinion on The Vanderbilt University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Vanderbilt 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 on The Vanderbilt University's compliance with those requirements.

In our opinion, The Vanderbilt 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 Vanderbilt University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Vanderbilt 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 purposes of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with 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 Trust, the audit committee, management, the U.S. Department of Health and Human Services and other legislative or regulatory bodies governing the federal funds received by The Vanderbilt University and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 16, 2005

THE VANDERBILT UNIVERSITY
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2004

(1) Summary of Auditors' Results

- (a) The type of report issued on the consolidated financial statements: **Unqualified opinion**
- (b) Reportable conditions in internal control were disclosed by the audit of the consolidated financial statements: **See Finding 04-01**
 Material weaknesses: **None**
- (c) Noncompliance which is material to the consolidated financial statements: **None**
- (d) Reportable conditions in internal control over major programs: **None reported**
 Material weaknesses: **None**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **No**
- (g) Major programs:

CFDA#	Grantor	Program
Various	Various	Research and Development Cluster
84.325	Department of Education	Personnel Preparation to Improve Services and Results for Children with Disabilities

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

Finding 04-01: Reportable Condition - Contributions and Pledge Accounting

As noted in our letter of recommendations dated September 18, 2003, several internal control issues were noted during our 2003 financial statement audit pertaining to accounting for contributions, pledges receivable, and related allowances. During the 2004 fiscal year, significant effort was put forth on the part of the Development and Alumni Relations Office (DAR) and the Accounting Office to focus on and improve policies, procedures, and documentation regarding accounting for pledges. The efforts of DAR included a significant volume of cancellations of recorded pledges, improved coordination with the Office of Accounting; additional training in generally accepted accounting principles surrounding contributions and pledges, and significant efforts to improve documentation. During our audit of the June 30, 2004

THE VANDERBILT UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

financial statements, we noted the following weaknesses in internal control that have not been fully addressed:

Documentation

Lack of third party documentation for pledge amount, timing, and restrictions, if any, creates the potential for pledges to be recorded for inaccurate amounts, within the incorrect net asset class (i.e. unrestricted, temporarily restricted and permanently restricted) and/or in the incorrect period. In particular, arrangements with members of the Board of Trust and other significant donors are often informal and do not include clear guidance regarding the intention of the donor with respect to the amount, timing, and designation of the pledge. DAR should continue its efforts to obtain formal documentation of all contributions receivable (i.e., pledge cards or other external correspondence/ documentation). Such documentation should include: amount of pledge, date of pledge, and purpose of pledge as well as payment schedule. All pledges should be subject to these procedures, regardless of restriction, amount, or donor relationship with the University. Implementing such procedures may also enhance donor relations by eliminating miscommunication regarding pledge information.

Accounting Expertise

Compliance with Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* (SFAS 116) requires development offices to consider pledges from an accounting perspective (i.e., only legally enforceable pledges are assets), which differs from the relationship and campaign oriented approach employed in tracking pledge information from a development perspective. These requirements result in the need for accounting experience not currently integrated into the development area. KPMG noted instances while performing testwork during the current year where donor commitments to the capital campaign had been recorded on the University's books, but these commitments did not constitute a legally enforceable pledge on the part of the donor. In addition, KPMG noted an instance where a conditional pledge had been recorded, while no documentation existed to verify that the conditions stipulated by the donor had been met.

An individual with accounting expertise should be involved in examining DAR's process and policies for recording pledges. This layer of accounting expertise should be integrated into the process for recording and monitoring pledges in order to assist DAR in complying with its own policies regarding documentation and classification. Further, a periodic review of all pledges recorded for that period (monthly or quarterly) by an individual with accounting expertise should be considered, in order to better ensure that new pledges meet all requirements for recognition under generally accepted accounting principles.

THE VANDERBILT UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

When confirming a sample of pledge balances as part of our 2004 audit procedures, we noted several instances where the donor indicated large pledges had been fulfilled, while the University continued to maintain a small pledge balance on its books. These differences regarding the pledge balance were typically the result of pledge commitments fulfilled with donations of stock or a lack of clarity on the part of the donor in communicating whether a gift made was a new gift to the University or the fulfillment of an existing pledge commitment. Prospectively, the development area should increase its communication with donors, in combination with utilizing an individual with accounting expertise, to review existing pledges to identify and investigate items that may represent left over balances that should be removed from the University's books.

Assessing Collectibility

Management assesses the collectibility of pledges using a formulaic approach, applying reserve percentages to both future and past due pledges. These reserve percentages were initially based on research conducted in 1995, shortly after SFAS 116 was issued. The University has increased these reserve percentages in recent years, but they continue to be applied to the population of pledges without adequate analysis of the University's actual recent historical experience with pledge collections. Further, the analysis performed by the University each year in concluding on the reasonableness of the allowance for uncollectible pledges is based primarily on a review of cancelled pledges in recent prior periods. Over the past few years, the level of cancellations has fluctuated. It is important that the review of outstanding pledges be consistent from year to year, to avoid fluctuations for reasons other than donor-related cancellations. Determining the University's historical experience should involve performing an annual "look-back" migration analysis to assess what percentage of pledges on the books at the established measurement date were ultimately collected, and using that analysis to predict future collections

As the result of the above internal control weaknesses, the University recorded audit adjustments totaling \$8.5 million. In light of the audit adjustments identified, we believe the combination of the weaknesses above represent a reportable condition with regard to the University's ability to record, process, summarize, and report contributions receivable.

Management Response

Vanderbilt University disagrees with KPMG's finding of a reportable condition in regards to our ability to record, process, summarize, and report contributions receivable. The lack of third-party documentation, identified in last year's audit, has been addressed aggressively over the past year. The pledges identified in this year's audit that lacked documentation dated back several years, to a period when Vanderbilt did not require such documentation, particularly from its Board members. The accepted business practice at that time was predicated on relational contracts grounded in good will, a Board member's fiduciary role, and repeated follow-up with Board members by Development & Alumni Relations (DAR) staff. Even in this relational setting, contact reports as captured in the DAR database provided a basis for fully acceptable documentation of Vanderbilt's contributions receivable.

After discussions with KPMG last year and in light of the need to shift from a relational set of business practices to a more formally documented set of practices, we implemented policies in February of this year so that *going forward* there will no longer be a lack of written third-party documentation. A copy of the

THE VANDERBILT UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

policies implemented by Development & Alumni Relations has been made available to KPMG personnel. These policies were reviewed by the General Counsel's office and the Office of Accounting prior to being implemented.

Comments from last year's audit also pointed to a lack of communication and coordination on a regular basis between DAR and Accounting. Since then, regular meetings have been established between senior management of DAR, Accounting, and the Treasurer's office. In addition, the DAR staff responsible for reviewing and monitoring pledges is now more knowledgeable in the accounting perspective of conditional vs. unconditional pledges. We believe we have sufficient communications and working relationships in place to ensure that such issues, again pre-dating more robust and aggressive pledge documentation policies, will not recur.

KPMG's finding of approximate \$8.5 million in noted audit adjustments hinges entirely on a handful of *sui generis* pledges which fall into one of four categories. The first category of \$3.5 million is related to the discounted value of a single corporate pledge with grant-like features, arising in the Medical Center. This is an inherently dynamic area and in this instance, the pledge was reduced to a detailed document that had been reviewed extensively by our Office of General Counsel. The second category of approximately \$1.5 million represents two pledges where, in each case, a staff member no longer employed at Vanderbilt provided information about the donors' intentions that upon review with the donors turned out to inaccurately reflect their intent.

Approximately \$1.4 million (discounted value) relates to two pledges made by Board of Trust members who have already made payments against their overall verbal commitments but have specifically asked that these not be captured in writing. And the final category of approximately \$2.1 million is related to increases in the allowance percentages as requested by KPMG.

During fiscal 2004, a thorough assessment by DAR resulted in significant cancellations of outstanding pledges deemed uncollectible. Again, this was in response to discussions last year with KPMG about the need to begin tightening written documentation around pledges. In previous years, cancelled pledges have generally been about \$2 million per year. This year that dollar amount rose to slightly over \$5.4 million, but an analysis of the increase provides evidence that this is not of as great concern as it may at first seem.

Forty percent of the cancelled balance of \$5.4 million - \$2.25 million - is comprised of four pledges made by one couple (including a \$250,000 pledge that was over five years old), who then made a new commitment of \$1.5 million. This is not a reflection of their inability to complete their commitment, but of their changing priorities with regard to their support of Vanderbilt. The net effect, therefore, is a decrease of only \$750,000. Nearly 98% of the number of pledges cancelled had balances of less than \$10,000 (fully three-fourths had balances of *less than \$1,000*) and accounted for another 25% of the overall total amount cancelled. Finally, one-third of the cancelled pledges were five years old or older and accounted for almost \$2.1 million, or 39%, of the total \$5.4 million cancelled.

We accept the required increased allowance percentages as being within a reasonable range. However, we believe the allowance rates may be in the conservative end of that range, and we will monitor these percentages going forward as we continue to employ new written documentation policies.

THE VANDERBILT UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

We have already begun reviewing all open and overdue pledges, regardless of the dollar amount, on a quarterly basis. We have also instituted a more thorough review of all open and undocumented pledges of \$100,000 and over. Once that has been completed, we will prepare a similar review of those from \$50,000 to \$100,000, and should it be necessary, a review of those from \$25,000 to \$50,000. We believe these efforts, coupled with the more rigorous documentation requirements already in place and the increased coordination between DAR, Accounting, and Finance, will provide more hard data to better assess collectibility, and the concerns raised by KPMG will dissipate in the near term.

(3) Findings and Questioned Costs relating to Federal Awards:

None