



THE VANDERBILT UNIVERSITY

OMB Circular A-133 Reports

For the year ended June 30, 2003

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, 2003 and 2002, 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, 2003 and 2002, 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 18, 2003 on our consideration of The Vanderbilt University's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the 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 18, 2003



KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

Consolidated



Statements of Financial Position

As of June 30, 2003 and 2002 (in thousands)

	2003	2002
Assets		
Cash and cash equivalents	\$ 231,994	\$ 233,477
Collateral under security lending agreements	250,862	195,630
Accounts receivable	225,295	213,481
Prepaid expenses and other assets	73,589	67,384
Contributions receivable	102,034	127,482
Student loans receivable	34,022	33,401
Investments	2,334,223	2,386,432
Property, plant, and equipment	1,203,019	1,098,315
Interest in trusts held by others	46,047	44,173
Total assets	\$4,501,085	\$4,399,775
Liabilities		
Accounts payable and accrued expenses	\$ 425,042	\$ 370,504
Payable under security lending agreements	250,862	195,630
Portion of debt scheduled for payment within one year	11,449	12,087
Deferred revenue	31,669	29,862
Actuarial liability of annuities payable	33,859	39,736
Government advances for student loans	15,136	15,407
Long-term debt, net of portion scheduled for payment within one year	598,485	609,554
Total liabilities	1,366,502	1,272,780
Net Assets		
Unrestricted	2,404,649	2,394,818
Temporarily restricted	161,719	213,519
Permanently restricted	568,215	518,658
Total net assets	3,134,583	3,126,995
Total liabilities and net assets	\$4,501,085	\$4,399,775

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

Statements of Activities

As of June 30, 2003 and 2002 (in thousands)

	2003	2002
Changes in Unrestricted Net Assets		
REVENUES		
Tuition and educational fees	\$ 263,634	\$ 242,606
Room and board	37,694	34,520
Less: Financial aid	(98,595)	(85,346)
Net tuition, fees, room, and board	202,733	191,780
Government grants and contracts	196,830	156,296
Facilities and administrative costs recovery	76,193	61,591
Gifts, private grants, and contributions	54,659	52,999
Endowment distributions	102,277	93,406
Investment income	17,043	14,016
Health care services	1,065,118	929,997
Auxiliary services	45,235	45,132
Other sources	25,635	28,224
Net assets released from restrictions	12,812	16,944
Total revenues	1,798,535	1,590,385
EXPENSES		
Instruction, departmental research, and other related programs	250,619	221,921
Organized research	234,452	191,869
Health care services	991,356	864,420
Academic support	94,782	90,848
Institutional support	59,119	59,303
Student support services	23,326	21,408
Public service	22,670	25,521
Room, board, and other auxiliary services	89,154	83,671
Total expenses	1,765,478	1,558,961
Change in unrestricted net assets from operating activities	33,057	31,424
OTHER UNRESTRICTED ACTIVITY		
Gifts and contributions for plant facilities	4,432	5,133
Donor designation changes	(4,000)	—
Net assets released from restrictions for plant facilities	14,038	12,426
Change in appreciation, net of endowment distributions	(27,996)	(209,485)
Other non-operating items	(12,864)	(3,420)
Change in estimate for discontinued operations provision	3,164	3,000
Change in unrestricted net assets from other unrestricted items	(23,226)	(192,346)
Increase (decrease) in unrestricted net assets	9,831	(160,922)
Changes in Temporarily Restricted Net Assets		
Contributions and other	7,680	122,325
Donor designation changes	(13,202)	(19,654)
Net gain (loss) on contributions receivable	(9,452)	4,515
Endowment distributions	2,608	2,487
Investment losses	(12,584)	(10,525)
Net assets released from restrictions	(26,850)	(29,370)
Increase (decrease) in temporarily restricted net assets	(51,800)	69,778
Changes in Permanently Restricted Net Assets		
Contributions and other	32,489	27,530
Donor designation changes	17,202	19,654
Endowment distributions	99	182
Investment losses	(233)	(8,124)
Increase in permanently restricted net assets	49,557	39,242
Increase (decrease) in total net assets	\$ 7,588	\$ (51,902)
Net assets at beginning of year	3,126,995	3,178,897
Net assets at end of year	\$ 3,134,583	\$ 3,126,995

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

Consolidated



Statements of Cash Flows

As of June 30, 2003 and 2002 (in thousands)

	2003	2002
Cash Flows from Operating Activities		
Increase (decrease) in total net assets	\$ 7,588	\$ (51,902)
Adjustments to reconcile increase (decrease) in total net assets to net cash provided by operating activities:		
Non-operating items		
Gifts for plant expansion and endowment	(68,189)	(64,084)
Net realized investment losses	30,839	9,812
Noncash items		
Gifts of securities	(5,391)	(104,654)
Depreciation and amortization	88,247	80,680
Provisions for doubtful accounts	92,463	70,391
Net decrease (increase) in unrealized appreciation	(51,436)	164,703
Present value adjustment on annuities payable	(5,877)	(1,776)
Net increase (decrease) in interest in trusts held by others	(1,874)	5,235
Discontinued operations		
Change in estimate for discontinued operations provision	(3,164)	(3,000)
Incurred gains, net of depreciation	849	3,386
Change in operating assets and liabilities		
Decrease (increase) in:		
Accounts receivable	(103,924)	(80,516)
Prepaid expenses and other assets	(6,205)	1,016
Contributions receivable	25,097	(5,491)
Increase (decrease) in:		
Non-construction accounts payable and accrued expenses	44,024	22,024
Deferred revenue	1,807	(3,218)
Net cash provided by operating activities	44,854	42,606
Cash Flows from Investing Activities		
Purchases of investments	(976,019)	(1,416,604)
Proceeds from the sale of investments	1,054,216	1,509,738
Acquisition of property, plant, and equipment	(194,378)	(281,212)
Disposal of property, plant, and equipment	1,427	3,868
Student loans disbursed	(6,352)	(4,835)
Principal collected on student loans	5,729	5,375
Net cash used in investing activities	(115,377)	(183,670)
Cash Flows from Financing Activities		
Gifts for plant expansion and endowment	68,189	64,084
Increase (decrease) in construction-related payables	12,829	(3,202)
Increase (decrease) in government advances for student loans	(271)	616
Proceeds from the issuance of bonds	40,155	100,000
Payments to retire or defease debt	(51,862)	(11,689)
Net cash provided by financing activities	69,040	149,809
Net increase (decrease) in cash and cash equivalents	\$ (1,483)	\$ 8,745
Cash and cash equivalents at beginning of year	233,477	224,732
Cash and cash equivalents at end of year	\$ 231,994	\$ 233,477

The accompanying notes are an integral part of 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 healthcare system. The University provides educational services to approximately 6,300 undergraduate and 4,600 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 spending 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

to the Consolidated Financial Statements

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 are 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.

Life Income, Gift Annuities, 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 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 whenever 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 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 grants and contracts are recognized as 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% and 51.5% in fiscal 2003 and 2002, respectively. The federal F&A cost recovery rate is 51.0% for fiscal 2004 and subject to negotiation with the federal government for fiscal 2005 and beyond.

Notes to the Consolidated Financial Statements

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 marketable securities are stated at the fair value of the underlying securities with significant changes in fair value separately reported as a non-operating item.

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 total return endowment spending 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, private grants, and contributions 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 proceeds of the external debt.

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.

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):

	2003	2002
Patient care	\$ 270,707	\$ 234,133
Students and others	73,436	71,398
Accrued investment income	7,364	10,762
Accounts receivable	<u>351,507</u>	<u>316,293</u>
Less: Allowance for uncollectible accounts	<u>126,212</u>	<u>102,812</u>
Accounts receivable, net	<u>\$ 225,295</u>	<u>\$ 213,481</u>

4. CONTRIBUTIONS RECEIVABLE

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

	2003	2002
Unconditional promises expected to be collected in:		
Less than one year	\$ 21,750	\$ 36,375
One year to five years	91,441	102,917
More than five years	<u>1,286</u>	<u>1,598</u>
Total unconditional promises	114,477	140,890
Less: Unamortized discount	8,987	10,303
Allowance for uncollectible promises	<u>3,456</u>	<u>3,105</u>
Contributions receivable, net	<u>\$ 102,034</u>	<u>\$ 127,482</u>

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Since November 1998, the Martha and Bronson Ingram family, including gifts through the Ingram Charitable Fund, Inc. (ICF), has pledged or distributed to the University 16.3 million shares of Ingram Micro, Inc. Class A common stock, of which 3.3 million shares are held by the ICF and 5.5 million shares were held by the University as of June 30, 2003.

Included in temporarily restricted contributions receivable is the fair value of pledged undistributed shares held by the ICF as of June 30:

	<u>2003</u>	<u>2002</u>
Undistributed Ingram Micro shares held by the ICF	3,325,000	3,575,000
Market price per share	\$ 11.00	\$ 13.75
Fair value (in thousands)	\$ 36,575	\$ 49,156

During fiscal 2002, new pledges of 3.2 million shares donated to the ICF were reported as contributions receivable at the year-end market value, net of the decline since the pledge was received. Net changes on shares pledged in prior years due to fair value changes for the underlying stock are reported separately as a non-operating gain or loss on contributions receivable in the Consolidated Statements of Activities.

In addition to pledges reported as contributions receivable, the University had received bequest intentions of approximately \$113 million as of June 30, 2003. 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, which is funded by gifts, endowment income, and externally sponsored aid, to students based upon need and merit.

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

	<u>2003</u>	<u>2002</u>
Institutional scholarships	\$ 82,781	\$ 71,325
Endowed scholarships	9,977	9,039
External financial aid	5,837	4,982
Total financial aid	<u>\$ 98,595</u>	<u>\$ 85,346</u>

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 \$3.1 million for June 30, 2003 and 2002.

Government advances to qualified students are funded principally with federal loans 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):

	<u>2003</u>	<u>2002</u>
Short-term securities	\$ 120,089	\$ 142,639
Bonds	420,467	445,016
Stocks	1,049,278	1,118,091
Partnership investments	587,150	538,288
Mortgages	12,950	18,145
Real estate, net	127,768	108,802
Other	17,469	18,104
Net payables for unsettled trades by investment managers	<u>(948)</u>	<u>(2,653)</u>
Total fair value	<u>\$ 2,334,223</u>	<u>\$ 2,386,432</u>
Total cost	<u>\$ 2,327,953</u>	<u>\$ 2,433,847</u>

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

	<u>2003</u>	<u>2002</u>
Unrestricted	\$ 1,778,430	\$ 1,827,679
Temporarily restricted	89,981	97,897
Permanently restricted	<u>465,812</u>	<u>460,856</u>
Total fair value	<u>\$ 2,334,223</u>	<u>\$ 2,386,432</u>

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, 2003, investment securities with a market value of \$326.6 million were loaned to various approved brokers under this program with collateral having a total market value of \$335.4 million, including cash and cash equivalents of \$250.9 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.

to the Consolidated Financial Statements

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 2003 and 2002 were based on 4.5% of the previous three years' average year-end market values plus, in 2003, the use of \$5.2 million of funds functioning as endowment for operating expenses of transinstitutional initiatives.

Further, \$17.2 million of unrestricted funds functioning as endowment were utilized for capital needs of transinstitutional initiatives in fiscal 2003. 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):

	2003	2002
Operating:		
Endowment distributions	\$ 102,277	\$ 93,406
Investment income	17,043	14,016
Total operating return	<u>119,320</u>	<u>107,422</u>
Non-operating:		
Unrestricted:		
Endowment appreciation utilized	(104,984)	(96,075)
Investment income (losses)	76,988	(113,410)
Temporarily restricted:		
Endowment distributions	2,608	2,487
Investment losses	(12,584)	(10,525)
Permanently restricted:		
Endowment distributions	99	182
Investment losses	(233)	(8,124)
Total non-operating return	<u>(38,106)</u>	<u>(225,465)</u>
Total investment return	<u>\$ 81,214</u>	<u>\$ (118,043)</u>

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

	2003	2002
Net unrestricted interest and dividends on endowment assets	\$ 44,284	\$ 29,525
Other interest, dividends, and partnership income	16,333	26,947
Net realized losses from original cost	(30,839)	(9,812)
Net unrealized gain (losses)	<u>51,436</u>	<u>(164,703)</u>
Total investment return	<u>\$ 81,214</u>	<u>\$ (118,043)</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*.

Endowment and long-term investment net assets functioning as endowment and the reconciliation to related asset components as of June 30 were as follows (in thousands):

	2003	2002
Unrestricted Net Assets:		
Funds functioning as endowment, at cost	\$ 1,490,047	\$ 1,593,426
Net unrealized depreciation on investments	(2,521)	(49,618)
Exclude net unrealized losses allocable to other investments	<u>35,167</u>	<u>21,835</u>
Subtotal-funds functioning as endowment	<u>1,522,693</u>	<u>1,565,643</u>
Permanently Restricted Net Assets:		
True endowment	502,979	458,223
Exclude portion allocable to contributions receivable and other	<u>(37,862)</u>	<u>(34,174)</u>
Subtotal-managed true endowment	<u>465,117</u>	<u>424,049</u>
Total fair value of managed endowment investments	<u>\$ 1,987,810</u>	<u>\$ 1,989,692</u>

9. PROPERTY, PLANT, AND EQUIPMENT

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

	2003	2002
Land	\$ 47,657	\$ 47,416
Buildings and improvements	1,317,911	1,253,418
Moveable equipment	462,957	437,637
Construction in progress	<u>244,758</u>	<u>157,812</u>
Property, plant, and equipment	<u>2,073,283</u>	<u>1,896,283</u>
Less: Accumulated depreciation	<u>870,264</u>	<u>797,968</u>
Property, plant, and equipment, net	<u>\$ 1,203,019</u>	<u>\$ 1,098,315</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, 2003, the estimated replacement cost for library collections, including processing costs to properly identify, catalog, and shelve materials, exceeds \$228 million. For fiscal 2003 and 2002, \$1.9 million and \$4.1 million, respectively, of capitalized interest was added to construction in progress. Internally developed software costs of \$1.1 million in 2003 and \$0.7 million in 2002 were capitalized.

to the Consolidated Financial Statements

10. DEBT

Bonds and other obligations as of June 30 were as follows (in thousands):

	Remaining Years to Maturity	Average Interest Rate	Outstanding Principal	
			2003	2002
Variable-rate debt:				
1985 Series A	12	1.5%	\$ 45,250	\$ 45,250
2000 Series A	28	1.5%	65,500	66,500
2000 Series B	28	1.5%	65,500	66,500
2000 Series C	28	1.5%	90,000	90,000
2002 Series A	30	1.5%	22,400	22,400
2002 Series B	30	1.5%	77,600	77,600
2003 Series A	16	1.6%	40,155	—
Total variable-rate debt			406,405	368,250
Fixed-rate debt:				
1991 Series B	1	6.0%	1,240	2,410
1992 Series A	—	5.4%	—	1,445
1993 Series A	—	5.1%	—	41,380
1996 Series A	6	5.2%	6,165	7,015
1997 Series A	16	5.3%	27,160	28,230
1998 Series A	13	5.6%	23,805	25,040
1998 Series B	26	5.0%	36,560	37,255
1998 Series C	12	4.7%	21,050	21,220
2001 Series A	13	4.8%	16,670	17,590
2001 Series B	20	4.9%	59,735	60,025
HUD bonds	6	3.0%	1,199	1,454
Note payable	6	7.3%	9,509	9,826
Other obligations	6	3.0%	436	501
Total fixed-rate debt			203,529	253,391
Total long-term debt			609,934	621,641
Less: portion of debt scheduled for payment within one year			<u>11,449</u>	<u>12,087</u>
Long-term debt, net of portion scheduled for payment within one year			\$ 598,485	\$ 609,554

Hospital (patient care) bonds are issued under a Master Trust Indenture and are payable from Hospital revenue. In addition, the University has unconditionally guaranteed the timely debt service of such bonds.

Selected debt-related information follows (in millions):

	2003	2002
Interest cost paid on bonded debt, other other obligations, and interest rate swap arrangements	\$ 22.8	\$ 21.1
Interest cost expensed on bonded debt, other obligations, and interest rate swap arrangements	\$ 19.5	\$ 16.4
Assets held by trustees for subsequent debt service as of June 30	\$ 8.0	\$ 8.6

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

2004	\$ 11.4	2007	\$ 18.9
2005	\$ 17.3	2008	\$ 20.1
2006	\$ 18.0	Thereafter	\$ 524.2

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.

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. 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.

In June 2002, the University issued Series 2002 A and B variable-rate bonds aggregating \$100 million. The bonds were issued to finance the construction, expansion, and renovation of various University facilities and related equipment, most notably a children's hospital outpatient tower and the Vanderbilt Bill Wilkerson Center for Otolaryngology and Communication Sciences, and the Musculoskeletal Institute.

In May 2003, the University issued 2003 Series A revenue refunding bonds, the proceeds of which were deposited into an irrevocable trust to advance refund the 1993 Series A bonds. Neither the principal balance of the defeased bonds nor the refunding trust assets are reflected in the Consolidated Statements of Financial Position as of June 30, 2003; an advance refunding accounting loss of \$1.9 million was included as a non-operating item in the Consolidated Statements of Activities for fiscal 2003.

11. INTEREST RATE SWAP ARRANGEMENTS

To manage variable interest rate exposure for its debt portfolio, the University entered into two swap arrangements with a major financial institution in fiscal 2002. Under both agreements, the University receives variable payments based on 70% of LIBOR. The individual notional amounts were \$66.5 million for each of these two swap arrangements. 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 arrangement that is scheduled to expire in October 2030, the University pays a fixed rate of 4.175%. Under the second swap arrangement, the University pays a fixed rate of 3.8%, and commencing October 2012, the counterparty has the option to terminate the contract without a termination payment.

These agreements, having an aggregate notional amount of \$131.0 million at June 30, 2003, effectively create a synthetic fixed rate of interest on the Series 2000 A and B bond issues, resulting in \$3.9 million and \$1.5 million of additional interest expense for fiscal 2003 and 2002, respectively.

to the Consolidated Financial Statements

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, 2003, the estimated cumulative fair value loss of these swap arrangements was \$16.3 million, and is included in accounts payable and accrued expenses. Changes in the fair value for these contracts, which for fiscal 2003 and 2002 amounted to unrealized losses of \$12.9 million and \$3.4 million, respectively, are recorded as other non-operating items in the Consolidated Statements of Activities.

12. NET ASSETS

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

Unrestricted net assets are internally designated into six groups described:

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 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):

	<u>2003</u>	<u>2002</u>
Designated for operations	\$ 154,511	\$ 110,366
Designated gifts and grants	139,524	125,811
Designated for student loans	27,954	28,443
Funds functioning as endowment	1,490,047	1,593,426
Net unrealized appreciation on investments	(2,521)	(49,618)
Designated for plant facilities	<u>595,134</u>	<u>586,390</u>
Total	<u>\$ 2,404,649</u>	<u>\$ 2,394,818</u>

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

	<u>2003</u>	<u>2002</u>
Gifts and pledges	\$ 140,169	\$ 193,736
Interest in trusts held by others	7,095	6,883
Life income and gift annuities	<u>14,455</u>	<u>12,900</u>
Total	<u>\$ 161,719</u>	<u>\$ 213,519</u>

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

	<u>2003</u>	<u>2002</u>
Student scholarships	\$ 732	\$ 844
Instruction	3,268	2,438
Capital improvements	28,806	28,556
Subsequent period operations and other	<u>128,913</u>	<u>181,681</u>
Total	<u>\$ 161,719</u>	<u>\$ 213,519</u>

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

	<u>2003</u>	<u>2002</u>
True endowment	\$ 502,979	\$ 458,223
Interest in trusts held by others	38,952	37,290
Life income and gift annuities	<u>26,284</u>	<u>23,145</u>
Total	<u>\$ 568,215</u>	<u>\$ 518,658</u>

13. NATURAL CLASSIFICATION OF EXPENSES

Operating expenses incurred in the fiscal years ended June 30, 2003 and 2002, were as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Salaries, wages, and benefits	\$ 1,042,008	\$ 934,364
Professional services	91,837	80,878
Supplies and materials	394,262	343,730
Depreciation and amortization	88,247	80,680
Interest expense	19,530	16,391
Other expenses	<u>129,594</u>	<u>102,918</u>
Total	<u>\$ 1,765,478</u>	<u>\$ 1,558,961</u>

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, 2003, 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.

Notes to the Consolidated Financial Statements

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 2003 and 2002, were \$29.3 million and \$25.7 million, respectively.

16. COMMITMENTS AND CONTINGENCIES

(A) *Construction.* At June 30, 2003, approximately \$90.4 million was committed for projects under construction and equipment purchases, to be financed primarily from 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 2003 and 2002 was \$18.2 million and \$15.3 million, respectively. Future minimum rentals on non-cancelable operating leases with lease terms in excess of one year as of June 30, 2003, were as follows (in thousands):

2004	\$	14,841
2005		12,785
2006		9,931
2007		6,297
2008		3,887
2009 and after		4,994
Total future minimum rentals	\$	52,735

(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 \$3,000,000 per occurrence, not to exceed an annual aggregate of \$17,000,000. 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, 2000.

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 \$316.2 million of commitments to venture capital, real estate, and distressed security investments as of June 30, 2003. These funds may be drawn down over the next several years upon request by the general partners. As of June 30, 2003, \$34.8 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, 2003, the balance of the guaranteed debt was \$19.4 million.

(I) *Working Capital Line of Credit.* Effective July 31, 2001, the University entered into a commitment for a \$20 million unsecured working capital line of credit with a major commercial bank, replacing an earlier credit line of \$40 million that had expired. 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, 2003 and 2002.

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 2003 and 2002, the University had related party transactions approximating \$26.7 million and \$24.4 million, respectively.

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
<i>Type A:</i> *Research							
	U.S. Department of Agriculture Agriculture	10.000	2002-38814-12598	Tennessee State University		\$7,455	7,455
	<i>Total CFDA</i>	<i>10.000</i>				<i>7,455</i>	
	Grants for Agricultural Research	10.206	2001-35102-10045	Michigan State University	26,823	38,539	
		10.206	GEISINGER	Pennsylvania State University		86,510	
		10.206		University of Akron		100,284	
	<i>Total CFDA</i>	<i>10.206</i>			<i>26,823</i>	<i>225,333</i>	<i>252,156</i>
	Total U.S. Department of Agriculture				26,823	232,788	259,611
	U.S. Department of Commerce Measurement and Engineering Research and Standards	11.609			17,253		
	<i>Total CFDA</i>	<i>11.609</i>			<i>17,253</i>	<i>0</i>	<i>17,253</i>
	Total U.S. Department of Commerce				17,253	0	17,253
	U.S. Department of Defense: ARPA Basic and Applied Scientific Research	12.300	531-0187-01	Purdue University		54,277	
	<i>Total CFDA</i>	<i>12.300</i>			<i>0</i>	<i>54,277</i>	<i>54,277</i>
	Research and Technology Development	12.910	F30602-01C-0078	University of Illinois	3,403,551	113,408	
		12.910	F3361500C1631USC/06218	University of Southern California		331,059	
		12.910	DAAD190110509	University of California at Berkeley		376,137	
		12.910	PO#285912D	Lockheed/Martin Marietta Corp		319,897	
	<i>Total CFDA</i>	<i>12.910</i>			<i>3,403,551</i>	<i>1,140,501</i>	<i>4,544,052</i>
	Total ARPA				3,403,551	1,194,778	4,598,329
	National Reconnaissance Basic and Applied Scientific Research	12.300			127		
	<i>Total CFDA</i>	<i>12.300</i>			<i>127</i>	<i>0</i>	<i>127</i>
	Total National Reconnaissance				127	0	127

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

*Indicates major program.

(Continued)

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Program</u>	<u>Federal Sponsor/Project Title</u>	<u>CFDA</u>	<u>Flow-through Award Number</u>	<u>Flow-through Entity</u>	<u>Direct</u>	<u>Flow-through</u>	<u>Total</u>
Defense Secretary							
Basic and Applied Scientific Research		12.630		Science Applications Intl Comp	0	(5,167)	
		12.630	DASW0195D0024		0	(5,167)	(5,167)
	<i>Total CFDA</i>	12.630			0	(5,167)	(5,167)
Total Defense Secretary					0	(5,167)	(5,167)
Air Force							
Basic, Applied & Advanced Research		12.630			3,201,157	0	3,201,157
		12.630			3,201,157	0	3,201,157
Air Force Defense Research Sciences Program		12.800			2,033,475	109	2,033,584
		12.800	F09650-00-D-0018	S & K Technologies, Inc		64,994	64,994
		12.800	4206304103	S & K Technologies, Inc		929	929
		12.800	42063114193	S & K Technologies, Inc		125	125
		12.800	F0960397D0050	NCI Information Systems		(4,434)	(4,434)
		12.800	4206324103	NCI Information Systems		51,327	51,327
		12.800	4224204233	Mission Research Corporation		165,008	165,008
		12.800	F2960101C0173-958077	Jaycor			
	<i>Total CFDA</i>	12.800			2,033,475	278,038	2,311,513
Research & Technology Development		12.910				298,786	298,786
		12.910	F30602-02-2-0206	DARPA		171,739	171,739
		12.910	F30602-02-2-0202	DARPA			
	<i>Total CFDA</i>	12.910			0	470,525	470,525
Total Air Force					5,234,632	748,583	5,983,215
Army							
Military Medical Research & Development		12.420			2,239,265	7,144	2,246,409
		12.420	4045104003	McHenry Medical College			
	<i>Total CFDA</i>	12.420			2,239,265	7,144	2,246,409
Basic Scientific Research		12.431			1,280,432	16,502	1,296,934
		12.431	DASG60-02-P-0245	Physitron, Inc.		14,740	14,740
		12.431	DASG60-02-P-0104	Physitron, Inc.		41,927	41,927
		12.431	4206304023	Fisk University		18,552	18,552
		12.431	GS00K97AFD2197GSAFAST	US Robotech, Inc		8,839	8,839
		12.431	4224104083	US Robotech, Inc.		(8,444)	(8,444)
		12.431	DAAH0494C0009	Kulite Corporation			
	<i>Total CFDA</i>	12.431			1,280,432	92,116	1,372,548
Total Army					3,519,697	99,260	3,618,957

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

*Indicates major program.

(Continued)

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Program</u>	<u>Federal Sponsor/Project Title</u>	<u>CFDA</u>	<u>Flow-through Award Number</u>	<u>Flow-through Entity</u>	<u>Direct</u>	<u>Flow-through</u>	<u>Total</u>
Navy	Basic and Applied Scientific Research	12.300	N000140110616	Auburn University	1,686,751	5,593	
		12.300	N000140010951	State University of New York		204,862	
		12.300	N0016402D6599	Mission Research		3,998	
		12.300	4224203763	Mission Research		71,887	
		12.300	N0016497D0013	Mission Research		890,833	
		12.300	MRC-SC6599020012	Mission Research		8,465	
		12.300	4224223753	Mission Research		89,707	
		12.300	4206303853	Tristan Technologies, Inc.		604	
	<i>Total CFDA</i>	<i>12.300</i>			<i>1,686,751</i>	<i>1,275,949</i>	<i>2,962,700</i>
	Research & Technology Development	12.910			594,670		
		12.910	N0001400G0058	University of Southern California		105,843	
	<i>Total CFDA</i>	<i>12.910</i>			<i>594,670</i>	<i>105,843</i>	<i>700,513</i>
	Total Navy				2,281,421	1,381,792	3,663,213
National Imagery and Mapping Agency		12.300					
Defense		12.300	PO #RF00922937	Ohio State University		118,374	
	<i>Total CFDA</i>	<i>12.300</i>			<i>0</i>	<i>118,374</i>	<i>118,374</i>
	Total National Imagery and Mapping Agency				0	118,374	118,374
Total U.S. Department of Defense					14,439,428	3,537,620	17,977,048
U.S. Department of State		19.300					
Program for Study of Eastern Europe		19.300	NCEEER816-1G	Natl Council for EEE Research	0	34,378	
	<i>Total CFDA</i>	<i>19.300</i>			<i>0</i>	<i>34,378</i>	<i>34,378</i>
	Total U.S. Department of State				0	34,378	34,378
U.S. Department of Education		84.000					
Education		84.000	4264162033	Temple University	0	21,612	
	<i>Total CFDA</i>	<i>84.000</i>			<i>0</i>	<i>21,612</i>	<i>21,612</i>
	Special Education Innovation & Development	84.023			17,834		
	<i>Total CFDA</i>	<i>84.023</i>			<i>17,834</i>	<i>0</i>	<i>17,834</i>

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, 2003

<u>Program</u>	<u>Federal Sponsor/Project Title</u>	<u>CFDA</u>	<u>Flow-through Award Number</u>	<u>Flow-through Entity</u>	<u>Direct</u>	<u>Flow-through</u>	<u>Total</u>
	National Institute on Disabilities and Rehab Research	84.133			105,079		
	<i>Total CFDA</i>	84.133			105,079	0	105,079
	Technology, Educational Media and Materials for Individuals with Disabilities	84.180	RD97124001	University of Maryland	0	(4,580)	
	<i>Total CFDA</i>	84.180			0	(4,580)	(4,580)
	National Institute of Student Achievement	84.305			749,621		
		84.305	4262102443	State of Wisconsin		228,016	
		84.305	4264162015	Westat, Inc.		139,850	
		84.305	4264162003	Rand Corporation		10,423	
	<i>Total CFDA</i>	84.305			749,621	378,289	1,127,910
	Special Education Research & Innovation	84.324			2,373,657		
	<i>Total CFDA</i>	84.324			2,373,657	0	2,373,657
	Special Education Personnel Prep to Improve Services	84.325			0		
		84.325	TSU OSEP	Tennessee State University		55,951	
	<i>Total CFDA</i>	84.325			0	55,951	55,951
	Special Education Technical Assistance & Dissemination	84.326			0		
		84.326	4262332193	University of Virginia		6,173	
	<i>Total CFDA</i>	84.326			0	6,173	6,173
	Special Education Tech & Media Services for Disabled	84.327			204,414		
	<i>Total CFDA</i>	84.327			204,414	0	204,414
	National Assessment of Educational Program	84.902			63,108		
	<i>Total CFDA</i>	84.902			63,108	0	63,108
	Minority Outreach Project	84.920			494		
	<i>Total CFDA</i>	84.920			494	0	494
	Total U.S. Department of Education				3,514,207	457,445	3,971,652

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

*Indicates major program

(Continued)

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
U.S. Department of Energy University Laboratory Cooperative Program		81.004	INEL K00-182918	Bechtel	0	1,291	
		81.004	00020661	Bechtel		1,721	
		81.004	4206374236	Southeastern Univ Research Assoc.		15,171	
		81.004	4206374266	Southeastern Univ Research Assoc.		1,488	
		81.004	01P0896	Southeastern Univ Research Assoc.		3,083	
		<i>81.004</i>			0	22,754	22,754
		<i>81.049</i>	DEAC3698G010337	National Renewable Energy Lab	1,864,045	39,267	
		81.049	4000007815OR22725	Battelle Memorial Institute		2,781	
		81.049	4000021031/00OR22725	Battelle Memorial Institute		46,477	
		81.049	4000014045	Battelle Memorial Institute		36,929	
	81.049	4206354253	Brookhaven National Lab		(208)		
	81.049	11745	Brookhaven National Lab		(258)		
	81.049	4206364353	Brookhaven National Lab		113		
	81.049	DEFG0201CH11085	Drexel University		28,837		
	81.049	14915	Stanford University		540		
	81.049	4500008133	Lockheed		(4,305)		
	81.049	PO# 31411	Sandia National Laboratories		44,578		
	81.049	4206364393	Sandia National Laboratories		(2,699)		
	<i>81.049</i>			1,864,045	192,032	2,056,097	
	Technology Development Environmental Mgmt			40,050			
		81.104	DOC #61764	Sandia National Laboratories		4,880	
		81.104	16130 DEFG3601G011029	Berkau and Associates, Inc.		4,983	
		81.104	1198	Sandia National Laboratories		95,677	
		81.104	DEFG2600NT40938	University of Medicine & Demistry		799,471	
			4000019869	Battelle Memorial Institute		42,040	
	<i>81.104</i>			40,050	947,051	987,101	
	Total U.S. Department of Energy			1,904,095	1,161,857	3,065,952	
	Environmental Protection Agency						
	Environmental Protection Consolidated Research	66.500			5,882		
		66.500	8825512-01-0	New Jersey Institute of Technology		1,398	
	<i>66.500</i>				5,882	7,280	
	Pollution Prevention Grants Program	66.708			0		
		66.708	D02-0014	Upjohn Corporation		7,532	
	<i>66.708</i>				0	7,532	
	Total Environmental Protection Agency			5,882	8,930	14,812	

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

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Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
U.S. Department of Health & Human Services: Centers for Medicare & Medicaid Services Medical Assistance Program		93.778	GR-01-14009-00	TN Dept of Finance & Admin	0	51,293	51,293
		93.778			0	51,293	51,293
	<i>Total CFDA</i>				0	51,293	51,293
Total Centers for Medicare & Medicaid Services							
Administration for Children and Families Head Start Program		93.600			166,055		
	<i>Total CFDA</i>	93.600			166,055	0	166,055
Total Administration for Children and Families							
Agency for Healthcare Research and Quality Research on Healthcare Costs, Quality and Outcomes		93.226	IR01HS11620	University of Pittsburgh	909,995	7,309	
		93.226	5P20HS11588	Emory University		57,253	
		93.226	5R18HS11868	Johns Hopkins University		52,013	
		93.226	IR01HS09958-01A1	Harvard University		19,452	
	<i>Total CFDA</i>	93.226			909,995	136,027	1,046,022
Total Agency for Healthcare Research and Quality							
Substance Abuse and Mental Health Services Administration Community Mental Health Services for Children		93.104	GR-00-12936-02	TN Dept of MH/DD	0	8,341	
		93.104	GR-03-14845-00	TN Dept of MH/DD		414,392	
	<i>Total CFDA</i>	93.104			0	422,733	422,733
Consolidated Knowledge Development and Application Program							
University of Michigan		93.230	5UD1 SM52227-03	University of Michigan	1,392,253	9,256	
		93.230			1,392,253	9,256	1,401,509
	<i>Total CFDA</i>	93.230			1,392,253	9,256	1,401,509
Mental Health Research Grants		93.242	0875GDC008	Univ of California at Los Angeles	0	39,360	
		93.242	R01MH62988	Pennsylvania State University		9,585	
	<i>Total CFDA</i>	93.242			0	48,945	48,945
Total Substance Abuse and Mental Health Services Admin							
					1,392,253	480,934	1,873,187

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

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Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
Centers for Disease Control Acquired Immunodeficiency Syndrome (AIDS) Activity		93.118					
		93.118	A132908	St. Jude Hospital	(144)	176,601	
	<i>Total CFDA</i>				(144)	176,601	176,457
Immunization Research Demonstration		93.185					
		93.185	USOCCU417280 UR6CCU41766703	Matthew Walker Comprehensive Emory University	967,369	90,168 8,100	
	<i>Total CFDA</i>				967,369	98,268	1,065,637
Centers for Disease Control and Prevention Investigations		93.283					
		93.283	TS-0825	Assoc. of Teachers of Prev Med		82,447	
		93.283	4046255123, -5133, -5143, -5153	TN Dept of Health		1,151,402	
<i>Total CFDA</i>				0	1,233,849	1,233,849	
Microbiology and Infectious Diseases Research		93.856					
		93.856	CCU92701-01	Kaiser Foundation	0	34,577	
	<i>Total CFDA</i>				0	34,577	34,577
Total Centers for Disease Control				967,225	1,543,295	2,510,520	
Food and Drug Administration Food and Drug Administration Research		93.103					
		93.103			692,961	0	692,961
	<i>Total CFDA</i>				692,961	0	692,961
Total Food and Drug Administration				0	355	355	
Health Resource Services Administration Grants for Preventive Medicine		93.117					
		93.117	2D31AH70061-04	Meharry Medical College	0	355	
	<i>Total CFDA</i>				0	355	355
Coordinated HIV Services & Access to Research for Children				72,959	0	72,959	
<i>Total CFDA</i>				72,959	0	72,959	
Total Health Resource Services Administration				72,959	355	73,314	

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

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Vanderbilt University

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Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
National Institutes of Health					539,294		
		93.000	4042310024	Duke University		2,078	
		93.000	4042310054	University of Kentucky		16,817	
		93.000	R01 HB67132	Ennes Corporation		(421)	
		93.000	R44 GM DK60071	Anatrace, Inc.		64,978	
		93.000	N01CP11015	Westat, Inc.		105,099	
		93.000	4043620054	Social & Scientific Systems, Inc.		7,726	
		93.000	4043621464	Social & Scientific Systems, Inc.		10,896	
		93.000	4043750012	Biostratum, Inc.		511,536	
		93.000	N44-ES-054-63	Detroit R & D, Inc.		28,722	
		93.000	4043790014	Eastern Cooperative Oncology		21,011	
		93.000	4043790024	Eastern Cooperative Oncology		12,588	
		93.000	4043860035	State University of New York		1,991	
		93.000	4044501144	Oregon Health & Science Univ		2,042	
		93.000	4045100074	Univ of North Dakota		5,666	
		93.000	020911IAG153	Meharry Medical College		52,199	
		93.000	4045274763	University of North Carolina		88,963	
		93.000	USMP99002 40 0	University of Miami		3,503	
		93.000	4045610003	Univ of Cal at San Francisco		47,616	
		93.000	4045980015	Children's National Med Ctr		51,111	
		93.000	N01CP0100438	Research Triangle Institute		1,506	
		93.000	4046250073	Meharry Medical College		(9,738)	
		93.000	N01MH90003	University of Texas		83,475	
		93.000			539,294	1,109,364	1,648,658
	Biological Response to Environmental Health Hazards	93.113			2,877,451		
	Total CFDA	93.113			2,877,451	0	2,877,451
	Applied Toxicological Research and Testing	93.114			495,473		
	Total CFDA	93.114			495,473	0	495,473
	Biometry & Risk Estimation Health Risks from Environmental	93.115			(379)		
	Total CFDA	93.115			(379)	0	(379)
	Acquired Immunodeficiency Syndrome	93.118			0		
	93.118		A132908-11	St. Jude Hospital		76,325	
	Total CFDA	93.118			0	76,325	76,325
	Oral Diseases and Disorders Research	93.121			166,936		
	Total CFDA	93.121			166,936	0	166,936

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

*Indicates major program.

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Year ended June 30, 2003

Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
Human Genome Research		93.172			65,046		
<i>Total CFDA</i>		93.172			65,046	0	65,046
Research Related to Deafness and Communication Disorders		93.173	R01DC04212	Mount Sinai School of Medicine	2,287,821	79,943	
		93.173	IR01DC04544	Purdue University		310,947	
<i>Total CFDA</i>		93.173			2,287,821	390,890	2,678,711
Mental Health Research Grants		93.242			9,063,155		
		93.242	R10MH51135	Tufts University		158,505	
		93.242	5P50MH54156-13	University of Pittsburgh		74,203	
		93.242	U01MH61971	University of Tennessee		122,711	
		93.242	R01MH63852	Columbia University		105,117	
<i>Total CFDA</i>		93.242			9,063,155	460,536	9,523,691
Alcohol Research Programs		93.273			663,985		
		93.273	1U01AA13641	Wake Forest University		101,409	
		93.273	4042700013	Texas Tech University		(24)	
		93.273	U01AA13501	Wake Forest University		54,340	
		93.273	R21AA13610	Wake Forest University		23,266	
<i>Total CFDA</i>		93.273			663,985	178,991	842,976
Drug Abuse Research Programs		93.279			2,666,358	(2,725)	
		93.279	IR01DA13147	University of North Dakota			
<i>Total CFDA</i>		93.279			2,666,358	(2,725)	2,663,633
Mental Health Research Career Scientist Development Award		93.281			373,366		
<i>Total CFDA</i>		93.281			373,366	0	373,366
Biomedical Imaging Research		93.286			830,367		
<i>Total CFDA</i>		93.286			830,367	0	830,367
Comparative Medicine Program		93.306			335,101		
<i>Total CFDA</i>		93.306			335,101	0	335,101
Clinical Research		93.333			4,866,278		
<i>Total CFDA</i>		93.333			4,866,278	0	4,866,278

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

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Vanderbilt University

Schedule of Expenditures of Federal Awards

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<u>Program</u>	<u>Federal Sponsor/Project Title</u>	<u>CFDA</u>	<u>Flow-through Award Number</u>	<u>Flow-through Entity</u>	<u>Direct</u>	<u>Flow-through</u>	<u>Total</u>
Nursing Research		93.361			714,054		
<i>Total CFDA</i>		93.361			714,054	0	714,054
Biomedical Technology		93.371	SP2ORR11808	Tennessee State University	0	699	
		93.371	R43RR16124	Nanodelivery, Inc.		52,852	
		93.371	R43RR16157	Hypres, Inc.		50,969	
		93.371	RR01243	University of Washington		37,593	
<i>Total CFDA</i>		93.371			0	142,113	142,113
Minority Biomedical Research Support		93.375			0		
<i>Total CFDA</i>		93.375	4044251104	Westaim Biomedical Corp		494	494
Research Infrastructure		93.389			458,905		
<i>Total CFDA</i>		93.389			458,905	0	458,905
Cancer Cause and Prevention Research		93.393	SR01CA92447	Southern Community Cohort Study	9,215,867	2,616,366	
		93.393	R01CA76049	Univ of Nebraska Medical Center		54,307	
<i>Total CFDA</i>		93.393			9,215,867	2,670,673	11,886,540
Cancer Detection and Diagnosis Research		93.394			1,511,806		
<i>Total CFDA</i>		93.394			1,511,806	0	1,511,806
Cancer Treatment Research		93.395			3,009,483		
		93.395	4045000615	Frontier Science and Technology		3,052	
		93.395	U01CA66531	Ohio State University		58,585	
		93.395	4046500014	Amer Coll of Radiology/Imag		87,177	
		93.395	4046750144	American Coll of Radiology		4,044	
		93.395	3U10CA37429	Southwest Oncology Group		150,906	
		93.395	4047750033	Southwest Oncology Group		101,003	
		93.395	R21CA91352	Washington Univ in St Louis		77,108	
<i>Total CFDA</i>		93.395			3,009,483	481,875	3,491,358

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

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Vanderbilt University

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Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
Cancer Biology Research		93.396	U10CA98543	Childrens Oncology Group	9,921,990	28,184	10,121,930
		93.396	5R01CA85862	University of Wisconsin		48,657	
		93.396	1R21CA30722	Ohio State University		3,623	
		93.396	CA21115	Frontier Science & Technology		8,998	
		93.396	U01CA94986	John Hopkins University		81,109	
		93.396	U01CA66531	Ohio State University		5,827	
		93.396	5U10CA12102	Southwest Oncology Group		23,542	
	<i>Total CFDA</i>		93.396			199,940	
	Cancer Centers Support		93.397		8,573,739		
	<i>Total CFDA</i>		93.397		8,573,739	0	8,573,739
Cancer Research Manpower		93.398		591,745			
<i>Total CFDA</i>		93.398		591,745	0	591,745	
Cancer Research Manpower		93.399		237,936			
<i>Total CFDA</i>		93.399		237,936	0	237,936	
Cell Biology and Biophysics Research		93.821	2S06GM08037	Meharry Medical College	3,439,181		
		93.821	P01GM64676	Florida State University		85,292	
<i>Total CFDA</i>		93.821		3,439,181	135,629	3,574,810	
Heart and Vascular Research		93.837	HL55766-01	Duke University	18,576,321		
		93.837	4043330015	Duke University		1,800	
		93.837	1K01HL04143	Meharry Medical College		6,743	
		93.837	1R01HL66072	Univ of Mississippi Med Ctr		9,132	
		93.837	1R01HL39424	Brigham & Women's Hospital		30,845	
		93.837	5P50HL62177	Children's Hosp of Philadelphia		17,397	
		93.837	R01HL63349	University of Utah		137,025	
		93.837	HL61284	University of California - SF		7,700	
		93.837	R01HL72427	University of Texas		11,517	
		93.837	P50HL61006	University of Washington		856	
<i>Total CFDA</i>		93.837		18,576,321	310,231	18,886,552	
Lung Diseases Research		93.838	5U01HL64857	University of Colorado	4,015,958		
		93.838	HL6678-02	University of Illinois		69,817	
		93.838	5R01HL61991	Cincinnati Children's Hosp Rarch		384,977	
		93.838	2P50HL56387	Cincinnati Children's Hosp Rarch		23,123	
<i>Total CFDA</i>		93.838		4,015,958	521,201	4,537,159	

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

*Indicates major program.

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Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
Blood Diseases and Resources Research		93.839	5K01HL03141	Mellary Medical College	5,187,671	1,438	
<i>Total CFDA</i>		93.839			5,187,671	1,438	5,189,109
Arthritis, Musculoskeletal & Skin Diseases Research		93.846	IR01AR48529	University of Minnesota	2,062,045	321	
		93.846	5R01AR45255	University of Tennessee		11,263	
<i>Total CFDA</i>		93.846			2,062,045	11,584	2,073,629
Diabetes, Endocrinology, and Metabolism Research		93.847			14,009,045		
		93.847	4043510273	University of South Carolina		80	
		93.847	IR01DK58356-01A1	University of Minnesota		40,431	
		93.847	4043510264	University of South Carolina		908	
		93.847	N01DK62203	Case Western University		172,039	
<i>Total CFDA</i>		93.847			14,009,045	213,458	14,222,503
Digestive Diseases & Nutrition Research		93.848			7,681,463		
		93.848	4042700243	Case Western University		71,278	
		93.848	DK-99-008	Oregon Science & Health Univ		9,155	
		93.848	4043550063	University of Texas		92,567	
		93.848	IR03DK61426	University Hospitals of Cleveland		19,326	
		93.848	SU01DK57132-03	Oregon Science & Health Univ		17,495	
<i>Total CFDA</i>		93.848			7,681,463	209,821	7,891,284
Kidney Diseases, Urology and Hematology		93.849			12,478,038		
		93.849	5R01DK56835-02	Univ of Mississippi Medical Ctr		15,443	
		93.849	7P01DK53763	University of Kansas		225,218	
		93.849	5R01DK53413	Maine Medical Center		16,268	
<i>Total CFDA</i>		93.849			12,478,038	256,929	12,734,967
Clinical Research Related Neurological		93.853			4,528,684		
		93.853	5R01NS19587	Natl Jewish Medical & Resch Ctr		23,236	
		93.853	R01NS42372	Univ of Cal at Los Angeles		21,468	
<i>Total CFDA</i>		93.853			4,528,684	44,704	4,573,388
Biological Basics Research in Neuroscience		93.854			3,061,147		
		93.854	NS26799	University of California - SF		83,338	
		93.854	NS37912	Northwestern University		172,879	
		93.854	R01NS33430	Metco Nashville & Davidson Co		13,658	
		93.854	R01NS31153	Duke University		38,253	
		93.854	1U54NS41071	Mellary Medical College		128,087	
		93.854	R01NS38564	University of Michigan		3,314	
<i>Total CFDA</i>		93.854			3,061,147	439,529	3,500,676

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

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Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
	Allergy, Immunology and Transplantation	93.855	R41AH9692	Transkaryotic Therapies, Inc.	2,679,042	3,045	
	<i>Total CFDA</i>	93.855			2,679,042	3,045	2,682,087
	Microbiology and Infectious Diseases Research	93.856	GR-99-12521-00	TN Dept of Health			
		93.856	R01AH1197	Univ of Alabama at Birmingham		91,061	
		93.856	U01AH1530	Univ of Alabama at Birmingham		46,826	
		93.856	N01AI65306	Univ of Alabama at Birmingham		(7,965)	
		93.856	2U01AI38858	Social & Scientific Systems, Inc		475,896	
		93.856	5U01AH6747	Fred Hutchinson Cancer Resh Ctr		192,962	
		93.856	5R01AH9096	Mecharry Medical College		39,504	
		93.856	4043440013	Social & Scientific Systems, Inc		73,669	
		93.856	1R43AI00321	Viro Pharmaceuticals, Inc.		(2,345)	
		93.856	N01AL25462	Stanford University		59,789	
		93.856	4046060203	Baylor College		1,097,285	
		93.856	5R01AI140350	Miriam Hospital		175,685	
		93.856	R01AH9989	University of Virginia		124,717	
		93.856	R01AH7299	Massachusetts Inst of Technology		88,423	
		93.856	R43AH9634	NanoDelivery, Inc.		6,918	
	<i>Total CFDA</i>	93.856			10,820,308	2,462,425	13,282,733
	Pharmacology, Physiology & Biological Chemistry Research	93.859	R01GM21249	Case Western University	6,696,104	(26)	
		93.859	5U54GM62114	University of Texas		184,295	
		93.859	R01GM63270	New York University		18,547	
	<i>Total CFDA</i>	93.859			6,696,104	202,816	6,898,920
	Genetics & Developmental Biology Research	93.862			4,519,837	0	4,519,837
	<i>Total CFDA</i>	93.862			4,519,837	0	4,519,837
	Population Research	93.864			2,395,245	0	2,395,245
	<i>Total CFDA</i>	93.864			2,395,245	0	2,395,245
	Research For Mothers and Children	93.865	2R01HD18160	University of Virginia	3,026,260	55,950	
		93.865	5R01HD36069	Washington University		16,684	
		93.865	5U54HD33994	University of Kansas		223,326	
	<i>Total CFDA</i>	93.865			3,026,260	295,960	3,322,220

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*Indicates major program.

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Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
Aging Research		93.866			1,381,387		
		93.866	IR01AG19757	Duke University		245,013	
		93.866	IR01AG20135	Duke University		179,054	
		93.866	5R01AG15720	Beckman Research Institute		4,038	
		93.866	IR41AG19576	TKTX Company		39,888	
	93.866	4045320044	University of Kentucky		(3)		
<i>Total CFDA</i>		93.866			1,381,387	467,990	1,849,377
Vision Research		93.867			4,515,645		
		93.867	EY12118	Duke University		537,670	
		93.867	4044506963	Valtech		4,129	
		93.867	IR24EY12894	Western Michigan University		187,227	
		93.867	RO1EY10886	Tufts University		97,019	
<i>Total CFDA</i>		93.867		4,515,645	826,045	5,341,690	
Medical Library Assistance		93.879			487,998	(220)	
		93.879	5R01LM06591	LDS Hospital			
<i>Total CFDA</i>		93.879			487,998	(220)	487,778
Resource and Manpower Dev in Environmental Health Sciences		93.894			1,261,958		
<i>Total CFDA</i>		93.894			1,261,958	0	1,261,958
Fogarty Internat Research Collaborative		93.934			58,920		
<i>Total CFDA</i>		93.934			58,920	0	58,920
Special Minority Initiatives		93.960			250,585		
<i>Total CFDA</i>		93.960			250,585	0	250,585
Total National Institutes of Health					172,598,619	12,111,061	184,709,680
Total Department of Health and Human Services					176,800,067	14,322,965	191,123,032
Department of the Interior		15.000			0	48,395	48,395
Interior		15.000	NBCHC0200056	IBM	0	48,395	48,395
<i>Total CFDA</i>		15.000			0	48,395	48,395
Total Department of the Interior					0	48,395	48,395

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

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Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
U.S. Department of Justice Juvenile Justice and Delinquency Prevention Allocation to States		16.540	4348004783	State of North Carolina	0	25,433	
		16.540	POHEP4038148	State of North Carolina		94,506	
	<i>Total CFDA</i>	<i>16.540</i>			<i>0</i>	<i>119,939</i>	<i>119,939</i>
	National Institute Juvenile Justice & Delinquency Prevention	16.542			128,515	0	128,515
<i>Total CFDA</i>	<i>16.542</i>			<i>128,515</i>	<i>0</i>	<i>128,515</i>	
Violence Against Women Formula Grants	16.588			169,941		169,941	
<i>Total CFDA</i>	<i>16.588</i>			<i>169,941</i>	<i>0</i>	<i>169,941</i>	
Total U.S. Department of Justice				298,456	119,939	418,395	
National Aeronautics Space Administration NASA Research Grants		43.000	NASS-98051	Universities Space Research Assoc.	1,493,693		
		43.000	4206313613	Magnesiums, Inc.		73,235	
		43.000	GO-09141.01	Space Telescope Science Inst.		(623)	
		43.000	GO-09104.02	Space Telescope Science Inst.		37,130	
		43.000	GO-09489.01	Space Telescope Science Inst.		6,586	
		43.000	GO-08726.06	Space Telescope Science Inst.		50,924	
		43.000	NASS-02082	Space Telescope Science Inst.		6,507	
		43.000	NCC9309	Jaycor		118,700	
		43.000	JY9624	University of Houston		7,262	
		43.000		Boeing		6,830	
<i>Total CFDA</i>		<i>43.000</i>			<i>1,493,693</i>	<i>306,551</i>	<i>1,800,244</i>
Total National Aeronautics Space Administration					1,493,693	306,551	1,800,244
National Science Foundation Engineering Grants		47.041	9960744/PHY00744	Physitron	3,475,830		
		47.041	PHY00662/DM1012862	Physitron		1,869	
		47.041	EEC9732369	Carnegie Mellon University			
<i>Total CFDA</i>		<i>47.041</i>			<i>3,475,830</i>	<i>1,869</i>	<i>3,477,699</i>
Mathematical & Physical Sciences		47.049	PHY0098746	Syracuse University	1,899,402		
<i>Total CFDA</i>		<i>47.049</i>			<i>1,899,402</i>	<i>1,351</i>	<i>1,900,753</i>
Geosciences		47.050	180-F000970	Texas A&M	244,126		
		47.050	197-F001454/F001538	Texas A&M		1,231	
		47.050	OCE0120453 #4-25018	Rutgers, The State Univ of New Jersey		11,795	
<i>Total CFDA</i>		<i>47.050</i>			<i>244,126</i>	<i>79,661</i>	<i>336,813</i>

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

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Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Program</u>	<u>Federal Sponsor/Project Title</u>	<u>CFDA</u>	<u>Flow-through Award Number</u>	<u>Flow-through Entity</u>	<u>Direct</u>	<u>Flow-through</u>	<u>Total</u>
	Computer and Info Sciences & Engineering	47.070	CCR0223610	Univ of California, Berkeley	1,001,461	250,507	
		47.070	C-F0682	SRI International Corporation		(240)	
		47.070	EIA0124012	SRI International Corporation		80,158	
	<i>Total CFDA</i>	47.070			1,001,461	330,425	1,331,886
	Biological Sciences	47.074	00-137	Arizona State University	903,952	11,256	
		47.074	MCB0114653	University of Tennessee		87,016	
	<i>Total CFDA</i>	47.074			903,952	98,272	1,002,224
	Social, Behavioral & Economic Sciences	47.075	SB20326-0	Univ of Cal, Santa Barbara	750,268	2,081	
		47.075	SES0095943	Natl Bureau of Economic Rsrch		11,526	
	<i>Total CFDA</i>	47.075			750,268	13,607	763,875
	Educational and Human Resources	47.076	ES10119732	University of Wisconsin	965,872	824	
		47.076	#C12907	Tennessee Tech University		14,481	
		47.076	RR229208/2000807	University of Georgia		119,923	
	<i>Total CFDA</i>	47.076			965,872	135,228	1,101,100
	Polar Programs	47.078	OPP0082715	Rice University	81,454	12,949	
	<i>Total CFDA</i>	47.078			81,454	12,949	94,403
	Total National Science Foundation				9,322,365	686,388	10,008,753
	U.S. Department of Transportation	20.205	DTFH61-98-X-00095	University of New Hampshire	0	(22,335)	
	Highway Planning and Construction	20.205	RES1162;CUT2	TN Dept of Transportation		49,068	
		20.205	RES1234;CUT281	TN Dept of Transportation		379,840	
	<i>Total CFDA</i>	20.205			0	406,573	406,573
	Federal Transit Grants for Universities	20.502	DTRS95G0004	University of Tennessee	0	33,600	
	<i>Total CFDA</i>	20.502			0	33,600	33,600
	Total U.S. Department of Transportation				0	440,173	440,173

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* Indicates major program

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Vanderbilt University
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Year ended June 30, 2003

Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
	Tennessee Valley Authority TVA Environmental Research Center	62.001			346,418		346,418
	<i>Total CFDA</i>	<i>62.001</i>			<i>346,418</i>	<i>0</i>	<i>346,418</i>
	Total Tennessee Valley Authority				346,418	0	346,418
	Veteran Affairs	64.000			85,187		
	<i>Total CFDA</i>	<i>64.000</i>			<i>85,187</i>	<i>0</i>	<i>85,187</i>
	Sharing Specialized Medical Resources	64.018			944		
	<i>Total CFDA</i>	<i>64.018</i>			<i>944</i>	<i>0</i>	<i>944</i>
	Total Veteran Affairs				86,131	0	86,131
	Total Research				208,254,818	21,357,429	229,612,246
Student Financial Aid							
	U.S. Department of Education Federal Supplemental ED Opportunity Grants	84.007			1,323,834		
	<i>Total CFDA</i>	<i>84.007</i>			<i>1,323,834</i>	<i>0</i>	<i>1,323,834</i>
	Federal Family Education Loan Program	84.032			52,157,080		
	<i>Total CFDA</i>	<i>84.032</i>			<i>52,157,080</i>	<i>0</i>	<i>52,157,080</i>
	Federal Work-Study Program	84.033			1,858,382		
	<i>Total CFDA</i>	<i>84.033</i>			<i>1,858,382</i>	<i>0</i>	<i>1,858,382</i>
	Federal Perkins Loan Program	84.038			3,512,536		
	<i>Total CFDA</i>	<i>84.038</i>			<i>3,512,536</i>	<i>0</i>	<i>3,512,536</i>
	Federal Pell Grant Program	84.063			1,722,294		
	<i>Total CFDA</i>	<i>84.063</i>			<i>1,722,294</i>	<i>0</i>	<i>1,722,294</i>
	Total U.S. Department of Education				60,574,126	0	60,574,126
	U.S. Department of Health and Human Services Health Professions Student Loan Program	93.342			153,525		
	<i>Total CFDA</i>	<i>93.342</i>			<i>153,525</i>	<i>0</i>	<i>153,525</i>

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

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Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
	Nursing Student Loan Program	93.364			1,376,254	0	1,376,254
	Total CFDA	93.364			1,529,779	0	1,529,779
	Total U.S. Department of Health and Human Services				62,103,905	0	62,103,905
Type B:	Total Student Financial Aid						
Other	U.S. Department of Agriculture Child and Adult Care Food Program	10.558 10.558	Child Care Program 034764100-00-2	TN Dept of Human Services	0	3,940	3,940
	Total CFDA	10.558			0	3,940	3,940
	Total U.S. Department of Agriculture Corporation For National Service Learn & Serve America - Higher Education	94.005 94.005			0	3,940	3,940
	Total CFDA	94.005			55,068	0	55,068
	Americorps	94.006			1,442	(1,084)	
		94.006	GR-01-13722-00	TN Dept of Economic & Comm Greater Nashville Regional Coun	9,889		
		94.006	4081105183	TN Dept of Economic & Comm	19,341		
		94.006	GR-02-14253	TN Dept of Economic & Comm	140,644		
		94.006	4081105214	TN Dept of Economic & Comm	8,348		
		94.006	4081105234	Greater Nashville Regional Coun			
	Total CFDA	94.006			1,442	177,138	178,580
	Training & Technical Assistance	94.009 94.009	4081105224	TN Dept of Finance & Admin	0	2,274	
	Total CFDA	94.009			0	2,274	2,274
	Total Corporation For National Service				56,510	179,412	235,922
	U.S. Department of Defense: ARPA	12.800			133,229	0	133,229
	Air Force Defense Research Sciences Program				133,229	0	133,229
	Total CFDA	12.800			133,229	0	133,229
	Total ARPA				133,229	0	133,229

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

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Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Program</u>	<u>Federal Sponsor/Project Title</u>	<u>CFDA</u>	<u>Flow-through Award Number</u>	<u>Flow-through Entity</u>	<u>Direct</u>	<u>Flow-through</u>	<u>Total</u>
Air Force	Air Force Defense Research Sciences Program	12.800			36,467		
	<i>Total CFDA</i>	12.800			36,467	0	36,467
Total Air Force					36,467	0	36,467
Army	Military Medical Research & Development	12.420			62,591		
		12.420	4064534013	Meaharry Medical College		13,513	
		12.420	DAMD17-99-1928	Meaharry Medical College		73,067	
	<i>Total CFDA</i>	12.420			62,591	86,580	149,171
Total Army					62,591	86,580	149,171
Total U.S. Department of Defense					232,287	86,580	318,867
U.S. Department of State	College and University Partnerships Program	19.405			145,020		
	<i>Total CFDA</i>	19.405			145,020	0	145,020
Total U.S. Department of State					145,020	0	145,020
U.S. Department of Education	Department of Education	84.000			56,875		
	<i>Total CFDA</i>	84.000			56,875	0	56,875
National Resource Centers & Fellowship		84.015			91,389		
	<i>Total CFDA</i>	84.015			91,389	0	91,389
Services For Children With Deaf-Blindness		84.025			0		
		84.025	GR-03-15208	TN Dept. of Education		182,921	
		84.025	FA97124900	TN Dept. of Education		(4,586)	
		84.025	GR-02-14529-00	TN Dept. of Education		55,105	
	<i>Total CFDA</i>	84.025			0	233,440	233,440

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* Indicates major program.

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Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Program</u>	<u>Federal Sponsor/Project Title</u>	<u>CFDA</u>	<u>Flow-through Award Number</u>	<u>Flow-through Entity</u>	<u>Direct</u>	<u>Flow-through</u>	<u>Total</u>
Special Education Grants to States		84-027	4045705493	TN Dept. of Education		304,949	
		84-027	GR-02-14366-00	TN Dept. of Education		7	
		84-027	GR-03-15095	TN Dept. of Education		269,684	
		84-027	GR-03-15096	TN Dept. of Education		51,413	
		84-027	GR-98-11514	TN Dept. of Education		(269)	
		84-027	GR-02-14412-00	TN Dept. of Education		(1,080)	
		84-027	GR-02-14494-00	TN Dept. of Education		13	
<i>Total CFDA</i>		84-027			0	624,717	624,717
Special Education Personnel Development		84-029			176,868		
<i>Total CFDA</i>		84-029			176,868	0	176,868
Fund for the Improvement of Postsecondary Education		84-116	4207202073	Howard University	70,800	12,113	
<i>Total CFDA</i>		84-116			70,800	12,113	82,913
Rehabilitation Services - Vocational Rehab		84-126			0	(252)	
		84-126	GR-99-11858	TN Dept of Human Services		80,677	
		84-126	GR-00-12686-03	TN Dept of Human Services		(1,720)	
		84-126	GR-00-12686-02	TN Dept of Human Services		(1,961)	
		84-126	GR-00-12686-01	TN Dept of Human Services			
<i>Total CFDA</i>		84-126			0	76,744	76,744
Javits Fellowships		84-170			31,227		
<i>Total CFDA</i>		84-170			31,227	0	31,227
Special Education Grants For Infants & Families with Disabilities		84-181			0	161,005	
		84-181	GR-02-14382-00	TN Dept. of Education		1,924,259	
		84-181	GR-01-13739-01	TN Dept. of Education		(2,266)	
		84-181	GR-00-13739-00	TN Dept. of Education		8,886	
		84-181	331.36 059	TN Dept. of Education			
<i>Total CFDA</i>		84-181			0	2,091,884	2,091,884
Graduate Assistance In Areas Of National Need		84-200			142,299		
<i>Total CFDA</i>		84-200			142,299	0	142,299
Fund for the Improvement of Education		84-215			0	(10)	
		84-215	Project Grad	Project Grad		(10)	
<i>Total CFDA</i>		84-215			0	(10)	(10)

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*Indicates major program.

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Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
Capacity Building for Traditionally Underserved Populations		84.315			73,740		
<i>Total CFDA</i>		84.315			73,740	0	73,740
Special Education Research & Innovation		84.324			8,278		
<i>Total CFDA</i>		84.324			8,278	0	8,278
Spec Ed - Personnel Prep to Improve Svcs for Disabled Children		84.325		University of Florida	2,354,274	16,127	
<i>Total CFDA</i>		84.325	4261002063		2,354,274	16,127	2,370,401
Spec Ed - Technical Assistance & Dis		84.325		University of Colorado	0	27,747	
<i>Total CFDA</i>		84.325	080210028D-01		0	27,747	27,747
Gaining Early Awareness & Readiness for Undergraduate Program		84.334			923,663		
<i>Total CFDA</i>		84.334			923,663	0	923,663
Preparing Tomorrow's Teachers with Technology		84.342			617,173		
<i>Total CFDA</i>		84.342			617,173	0	617,173
Minority Outreach Project		84.920			958,742		
<i>Total CFDA</i>		84.920			958,742	0	958,742
Total U.S. Department of Education					5,505,328	3,082,762	8,588,090
U.S. Department of Energy		81.049			1,424		
Office of Energy Research Financial Assistance Program							
<i>Total CFDA</i>		81.049			1,424	0	1,424
Total U.S. Department of Energy					1,424	0	1,424
Environmental Protection Agency		66.500			5,000		
Environmental Protection Consolidated							
<i>Total CFDA</i>		66.500			5,000	0	5,000
Total Environmental Protection Agency					5,000	0	5,000

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*Indicates major program.

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Vanderbilt University

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Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total	
U.S. Department of Health & Human Services: Health Care Financing Administration		93.000			0	11,677		
		93.000	4046254783	Ctr for Healthcare Quality	0	11,677	11,677	
	<i>Total CFDA</i>				0		11,677	
	Developmental Disabilities Basic Support		93.630	Z-02-007099-00	TN Dept of MH/DD	0	(4,304)	
			93.630	GR-03-19892-00	TN Dept of MH/DD	0	117,212	
		<i>Total CFDA</i>				0	112,908	112,908
		Medical Assistance Program		93.778	GR-01-13700-00	TN Dept of Health	0	
			93.778	GR-02-04266	TN Bureau of TennCare	0	(3,858)	
			93.778	GR-03-15186-00	TN Bureau of TennCare	0	972,309	
			93.778	404255013	TN Dept of Health	0	(1)	
	93.778		GR-02-14482-00	TN Dept of Health	0	725,772		
<i>Total CFDA</i>					0	1,694,222	1,694,222	
Total Health Care Financing Administration				0	1,818,807	1,818,807		
Administration for Children and Families Developmental Disabilities Basic Support		93.630	GR-03-19890-00	TN Dept of MH/DD	0	86,067		
		93.630	Z-01-098707-00	TN Dept of MH/DD	0	115		
		93.630	Z-01-098702-00	TN Dept of MH/DD	0	247		
		93.630	Z-02-007098-00	TN Dept of MH/DD	0	128		
		93.630	Z-02-007113-00	TN Dept of MH/DD	0	4		
	<i>Total CFDA</i>				0	86,561	86,561	
	Development Disabilities Projects of National Significance		93.631	Z-02-007109-00	TN Dept of MH/DD	0	(3,400)	
			93.631	Z01098713-00	TN Dept of MH/DD	0	(1,781)	
		<i>Total CFDA</i>				0	(5,181)	(5,181)
	Total Administration for Children and Families				0	81,380	81,380	
Administration on Aging Special Programs for the Aging		93.043	4081105173	TN Dept of Health	0	5,119		
		93.043			0	5,119	5,119	
	<i>Total CFDA</i>				0	5,119	5,119	
Total Administration on Aging				0	5,119	5,119		

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* Indicates major program.

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Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
Substance Abuse and Mental Health Services Administration		93.000			0		
		93.000	H79SM54920	Natl Ctr on Family Homelessness		28,686	28,686
<i>Total CFDA</i>		93.000			0	28,686	28,686
Mental Health Planning and Demos Projects		93.125			10,986		
<i>Total CFDA</i>		93.125			10,986	0	10,986
Total Substance Abuse & Mental Health Services Admin					10,986	28,686	39,672
Center for Disease Control Immunization Grants		93.268	GR-00-13173-00	TN Dept of Health	0	(1,471)	(1,471)
<i>Total CFDA</i>		93.268			0	(1,471)	(1,471)
CDC and Prevention - Investigations and Technical Assistance		93.283	U27CCU413185	University of North Carolina	0	24,566	24,566
		93.283	4045980634	University of North Carolina		7,914	7,914
<i>Total CFDA</i>		93.283			0	32,480	32,480
Total Center for Disease Control					0	31,009	31,009
Health Resource Services Administration		93.000	4D31HP70061	Mcharry Medical College	10,000	12,489	22,489
		93.000	ID31HP80004	Mcharry Medical College		39,780	39,780
		93.000	US2MP990002 05 0	University of Miami		3,220	3,220
<i>Total CFDA</i>		93.000			10,000	55,489	65,489
Mental Health Planning and Demos Projects		93.110	4045980463, -0473, -0483	Wake Forest University	698,866		698,866
		93.110	5H30MC000212	Wake Forest Sch of Med		24,320	24,320
		93.110	2T83MC00008	Tennessee State University			
<i>Total CFDA</i>		93.110			698,866	24,320	723,186
Emergency Medical Services for Children		93.127			38,838	0	38,838
<i>Total CFDA</i>		93.127			38,838	0	38,838

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*Indicates major program.

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Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through	Total
	Advanced Education Nursing Grant Program	93.247			698,581	498,872	
		93.247	4064500013, 0023, 0033, 0043, 0053	Auburn University		2,700	
		93.247	5D36HP100050	Meharry Medical College		27,325	
		93.247	1D31HP80004	Meharry Medical College			
	<i>Total CFDA</i>				698,581	528,897	1,227,478
	National Poison Control Systems Stabilization & Enhancement	93.253			267,008		
	<i>Total CFDA</i>				267,008	0	267,008
	Nurse Practitioner and Nurse-Midwifery	93.298			8,801		
	<i>Total CFDA</i>				8,801	0	8,801
	Professional Nurse Traineeships	93.338			230,440		
	<i>Total CFDA</i>				230,440	0	230,440
	Basic Nurse Education and Practice Grant	93.359			25,705		
	<i>Total CFDA</i>				25,705	0	25,705
	Maternal and Child Health Services Block	93.994			0		
		93.994	GR-02-14257-00	TN Dept of Health		371,074	
		93.994	GR-01-13660-00	TN Dept of Health		(1,102)	
	<i>Total CFDA</i>				0	369,972	369,972
	Total Health Resource Services Administration				1,978,239	978,678	2,956,917
	National Institutes of Health	93.000			37,797		
		93.000	4043620034	Social & Scientific Systems, Inc.		12,417	
		93.000	4045290034	American Psychiatric Assoc		88,679	
		93.000	NO1CO01002-75	University of Kentucky		47,706	
	<i>Total CFDA</i>				37,797	148,802	186,599
	Public Health & Social Services Emergency Fund	93.003			0		
		93.003	4017905013	TN Department of Health		21,776	
	<i>Total CFDA</i>				0	21,776	21,776
	Mental Health Planning and Demo Projects	93.125			(4,207)		
	<i>Total CFDA</i>				(4,207)	0	(4,207)
	Research Related To Deafness and Communication Disorders	93.173			33,932		
	<i>Total CFDA</i>				33,932	0	33,932

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

* Indicates major program.

(Continued)

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Program</u>	<u>Federal Sponsor/Project Title</u>	<u>CFDA</u>	<u>Flow-through Award Number</u>	<u>Flow-through Entity</u>	<u>Direct</u>	<u>Flow-through</u>	<u>Total</u>
Mental Health Research Grants		93.242			29,789		
<i>Total CFDA</i>		93.242			29,789	0	29,789
Alcohol National Research Service Awards		93.272			26,091		
<i>Total CFDA</i>		93.272			26,091	0	26,091
Drug Abuse National Research Service Awd		93.278			121,311		
<i>Total CFDA</i>		93.278			121,311	0	121,311
Mental Health Research Career/Scientist Development Awards		93.281			155,700		
<i>Total CFDA</i>		93.281			155,700	0	155,700
Mental Health National Research Service Awards		93.282	1R25MH63306	Meharry Medical College	1,171,123	20,975	
<i>Total CFDA</i>		93.282			1,171,123	20,975	1,192,098
Nursing Research		93.361			42,152		
<i>Total CFDA</i>		93.361			42,152	0	42,152
Minority Biomedical Research Support		93.375			396,179		
<i>Total CFDA</i>		93.375	5K14HL03141	Meharry Medical College	396,179	9,912	406,091
Research Infrastructure		93.389			626,850		
<i>Total CFDA</i>		93.389	404250053 404250054	Univ of Med & Denistry of New Jersey Univ of Med & Denistry of New Jersey	626,850	10,556	637,406
Cancer Cause and Prevention Research		93.393			(6,620)		
<i>Total CFDA</i>		93.393			(6,620)	0	(6,620)
Cancer Treatment		93.395			5,000		
<i>Total CFDA</i>		93.395			5,000	0	5,000
Cancer Research Manpower		93.398			2,320,277		
<i>Total CFDA</i>		93.398			2,320,277	0	2,320,277

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

* Indicates major program.

(Continued)

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Program</u>	<u>Federal Sponsor/Project Title</u>	<u>CFDA</u>	<u>Flow-through Award Number</u>	<u>Flow-through Entity</u>	<u>Direct</u>	<u>Flow-through</u>	<u>Total</u>
Job Opportunities and Basic Skills		93.561			0		
		93.561	4010539606	TN Department of Human Svcs		2,679	
<i>Total CFDA</i>		93.561				2,679	2,679
Cell Biology and Biophysics Research		93.821			635,228		
<i>Total CFDA</i>		93.821			635,228	0	635,228
Heart and Vascular Diseases Research		93.837			1,392,701	2,458	
		93.837	K01HL04038	McHerry Medical College			
<i>Total CFDA</i>		93.837			1,392,701	2,458	1,395,159
Lung Diseases Research		93.838			781,666		
<i>Total CFDA</i>		93.838			781,666	0	781,666
Blood Diseases and Resources Research		93.839			485,843	9,783	
		93.839	1K01HL67715-01	McHerry Medical College			
<i>Total CFDA</i>		93.839			485,843	9,783	495,626
Arthritis, Musculoskeletal & Skin		93.846			(7,064)		
<i>Total CFDA</i>		93.846			(7,064)	0	(7,064)
Diabetes, Endocrinology and Metabolism Research		93.847			890,329		
<i>Total CFDA</i>		93.847			890,329	0	890,329
Digestive Diseases & Nutrition Research		93.848			210,113		
<i>Total CFDA</i>		93.848			210,113	0	210,113
Kidney Diseases, Urology and Hematology		93.849			259,483		
<i>Total CFDA</i>		93.849			259,483	0	259,483
Clinical Research Related Neurological Disorders		93.853			351,944		
<i>Total CFDA</i>		93.853			351,944	0	351,944
Microbiology and Infectious Diseases Research		93.856			574,835	8,467	
		93.856	T15A107577	McHerry Medical College			
<i>Total CFDA</i>		93.856			574,835	8,467	583,302

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

* Indicates major program.

(Continued)

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Program</u>	<u>Federal Sponsor/Project Title</u>	<u>CFDA</u>	<u>Flow-through Award Number</u>	<u>Flow-through Entity</u>	<u>Direct</u>	<u>Flow-through</u>	<u>Total</u>
Pharmacology, Physiology & Biological Chemistry Research		93.859			1,618,538		
<i>Total CFDA</i>		93.859			1,618,538	0	1,618,538
Genetics and Developmental Biology Research		93.862			171,487		
<i>Total CFDA</i>		93.862			171,487	0	171,487
Population Research		93.864			232,091		
<i>Total CFDA</i>		93.864			232,091	0	232,091
Research For Mothers and Children		93.865			527,674		
<i>Total CFDA</i>		93.865			527,674	0	527,674
Vision Research		93.867			392,716		
<i>Total CFDA</i>		93.867			392,716	0	392,716
Medical Library Assistance		93.879		University of Maryland	420,607	23,029	
<i>Total CFDA</i>		93.879	4086950013	University of Maryland	420,607	23,029	443,636
Minority Access To Research Careers		93.880			26,460		
<i>Total CFDA</i>		93.880			26,460	0	26,460
Resource and Manpower Dev in Environmental Health Sciences		93.894			528,532		
<i>Total CFDA</i>		93.894			528,532	0	528,532
Special Minority Initiatives		93.960			276,730		
<i>Total CFDA</i>		93.960			276,730	0	276,730
Senior International Fellowships		93.989		Cornell University	20,090	96,776	
<i>Total CFDA</i>		93.989	2D43TW00018	Cornell University	20,090	96,776	116,866
Total National Institutes of Health					14,745,377	355,213	15,100,590
Total U.S. Department of Health & Human Services					16,734,602	3,298,892	20,033,494

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

* Indicates major program.

(Continued)

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Program</u>	<u>Federal Sponsor/Project Title</u>	<u>CFDA</u>	<u>Flow-through Award Number</u>	<u>Flow-through Entity</u>	<u>Direct</u>	<u>Flow-through</u>	<u>Total</u>
Housing and Urban Development Community Outreach Partnership Center Program <i>Total CFDA</i>		14.511 14.511			58,424 58,424	0 0	58,424 58,424
Total Housing and Urban Development					58,424	0	58,424
Department of Justice National Institute Juvenile Justice <i>Total CFDA</i>		16.542 16.542			66,496 66,496	0 0	66,496 66,496
Total Department of Justice					66,496	0	66,496
National Aeronautics Space Administration NASA Grants <i>Total CFDA</i>		43.000 43.000			541,937 541,937	0 0	541,937 541,937
Total National Aeronautics Space Administration					541,937	0	541,937
National Endowment For The Humanities Promotion of The Humanities Educ: Collabora <i>Total CFDA</i>		45.161 45.161			38,397 38,397	0 0	38,397 38,397
Promotion of The Humanities Educ Development & Demonstration <i>Total CFDA</i>		45.162 45.162	4404304552	American Social History Prod	0	27	27
Promotion of The Humanities - Seminars <i>Total CFDA</i>		45.163 45.163			41,635 41,635	0 0	41,635 41,635
Total National Endowment For The Humanities					80,032	27	80,059
National Science Foundation Engineering Grants <i>Total CFDA</i>		47.041 47.041			337,290 337,290	0 0	337,290 337,290
Mathematical & Physical Sciences <i>Total CFDA</i>		47.049 47.049	4206313132	University of Notre Dame	101,155	9,300	110,455
Total CFDA		47.049			101,155	9,300	110,455

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

* Indicates major program.

(Continued)

Vanderbilt University

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Program	Federal Sponsor/Project Title	CFDA	Flow-through Award Number	Flow-through Entity	Direct	Flow-through*	Total
	Computer and Info Sciences & Engineering	47.070			32,884		
	<i>Total CFDA</i>	47.070			32,884	0	32,884
	Biological Sciences	47.074			125,879		
	<i>Total CFDA</i>	47.074			125,879	0	125,879
	Social, Behavioral and Economic Sciences	47.075			50,425		
	<i>Total CFDA</i>	47.075			50,425	0	50,425
	Educational and Human Resources	47.076	NST9850307		1,131,379	39,678	
	<i>Total CFDA</i>	47.076			1,131,379	39,678	1,171,057
	Total National Science Foundation				1,179,012	48,978	1,827,990
	U.S. Department of Transportation Highway Training and Education	20.215			15,150		
	<i>Total CFDA</i>	20.215			15,150	0	15,150
	State And Community Highway Safety	20.600			0		
		20.600	SA-03-08	TN Dept of Transportation		12,143	
		20.600	Z-02-006353-00	TN Dept of Transportation		22,962	
		20.600	Z-02-096566-00	TN Dept of Transportation		20,002	
	<i>Total CFDA</i>	20.600			0	55,107	55,107
	Total U.S. Department of Transportation				15,150	55,107	70,257
	Tennessee Valley Authority TVA Environmental Research Center	62.001			120,360		
	<i>Total CFDA</i>	62.001			120,360	0	120,360
	Total Tennessee Valley Authority				120,360	0	120,360
	Total Other				25,341,582	6,755,698	32,097,280
	Total Federal Awards				\$295,700,505	\$28,113,127	\$323,813,631

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

*Indicates major program.

THE VANDERBILT UNIVERSITY

Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2003

(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, 2003. 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 Institute 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, 2003

Expenditures for non-financial aid awards include indirect costs. Indirect costs allocated to such awards for the year ended June 30, 2003 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, 2003 are summarized as follows:

Grant and work-study based programs:	
FWS	\$ 1,858,382
Pell	1,722,294
FSEOG	1,323,834
Total	<u>\$ 4,904,510</u>
Direct loans disbursed:	
Federal Perkins	\$ 3,512,536
Health Profession Student Loan	93,080
Primary Care Loan	60,445
Federal Nursing Student Loan	1,376,254
Total	<u>\$ 5,042,315</u>
Guaranteed loans disbursed:	
Federal Stafford	\$ 22,292,516
Federal Unsubsidized Stafford	21,662,548
Federal Parent Loans for Undergraduate Students	8,202,016
	<u>\$ 52,157,080</u>

THE VANDERBILT UNIVERSITY

Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2003

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, 2003 are as follows:

Perkins	\$	15,486,471
HPSL		1,382,049
NSL		1,150,348
LDS		<u>7,636</u>
	\$	<u><u>18,026,504</u></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, 2003. These loans are not included in the University's consolidated financial statements.



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**Report on Compliance and on Internal Control over
Financial Reporting 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, 2003, and have issued our report thereon dated September 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The 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 grants, 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 that are required to be reported under *Government Auditing Standards*.

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 assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 18, 2003.





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 18, 2003



KPMG LLP
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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 program for the year ended June 30, 2003. The Vanderbilt University's major federal program is 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 program 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, 2003.

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 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

September 18, 2003

THE VANDERBILT UNIVERSITY
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2003

(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: **None reported**
 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

- (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*:

None

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

None