

**The University of Michigan**  
**Reports on Federal Awards in Accordance**  
**with OMB Circular A-133**  
**For the Year Ended June 30, 2005**

**The University of Michigan**  
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## Report of Independent Auditors

The Regents of The University of Michigan

In our opinion, the accompanying consolidated statement of net assets and the related consolidated statement of revenues, expenses and changes in net assets and cash flows, present fairly, in all material respects, the financial position of The University of Michigan (the "University") at June 30, 2005 and 2004 and its consolidated revenues, expenses and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Management's Discussion and Analysis ("MD&A") on pages 3 to 22 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. The MD&A has been reviewed in accordance with standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion on the information.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2005 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2005. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2005 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic statement and, in our opinion, is fairly stated in all material respects in relation to the basic statements taken as a whole.

*PricewaterhouseCoopers LLP*

August 30, 2005

## THE UNIVERSITY OF MICHIGAN

### Management's Discussion and Analysis (Unaudited)

#### Introduction

The following discussion and analysis provides an overview of the financial position of The University of Michigan (the "University") at June 30, 2005 and 2004 and its activities for the three fiscal years ended June 30, 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University is a comprehensive public institution of higher learning with approximately 54,000 students and 5,600 faculty members on three campuses in southeast Michigan. The University offers a diverse range of degree programs from baccalaureate to post-doctoral levels, through a framework of 139 departmental units in 19 schools, colleges and divisions, and contributes to the state and nation through related research and public service programs. The University, in total, employs more than 46,000 permanent and temporary staff. The University also maintains one of the largest health care complexes in the world through its Hospitals and Health Centers (the "HHC"). HHC consists of three hospitals, 30 health centers and more than 120 outpatient clinics. HHC is an integral part of the University's Health System which also includes the University's Medical School; Michigan Health Corporation, a wholly-owned corporation created to pursue joint venture and managed care initiatives; and M-CARE, a wholly-owned health maintenance organization.

The University consistently ranks among the nation's top universities by various measures of quality, both in general academic terms, and in terms of strength of offerings in specific academic disciplines and professional subjects. Excellence in research is another crucial element in the University's high ranking among educational institutions. Research is central to the University's mission and permeates its schools and colleges. In addition to the large volume of research conducted within the academic schools, colleges, and departments, the University has more than a dozen large-scale research institutes outside the academic units that conduct, in collaboration with those units, full-time research focused on long-term interdisciplinary matters. The University's Health System also has a tradition of excellence in teaching, advancement of medical science and patient care, consistently ranking among the best health care systems in the nation.

## THE UNIVERSITY OF MICHIGAN

### Management's Discussion and Analysis (Unaudited)--Continued

#### Financial Highlights

The University's financial position remains strong, with assets of \$10.8 billion and liabilities of \$2.0 billion at June 30, 2005, compared to assets of \$9.5 billion and liabilities of \$1.8 billion at June 30, 2004. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased \$1.1 billion in fiscal 2005, to \$8.8 billion at June 30, 2005. Changes in net assets represent the University's results of operations and are summarized for the years ended June 30, 2005 and 2004 as follows:

	<u>2005</u>	<u>2004</u>
	(in millions)	
Operating revenues and state educational appropriations	\$ 3,935.6	\$ 3,740.7
Total expenses	<u>4,047.8</u>	<u>3,902.1</u>
	(112.2)	(161.4)
Net investment income	874.6	714.6
Gifts and other nonoperating revenues	<u>318.0</u>	<u>216.5</u>
Increase in net assets	<u>\$ 1,080.4</u>	<u>\$ 769.7</u>

Net assets increased \$1.1 billion in 2005 and increased \$770 million in 2004. The \$311 million improvement between 2005 and 2004 resulted primarily from an increase in net investment income of \$160 million and increased private giving of \$111 million. Net assets also increased due to a continued focus on cost containment throughout the University. Operating revenues and state educational appropriations increased 5 percent, or \$195 million, while total expenses only increased 4 percent, or \$146 million.

The University invests its financial assets to maximize total return, with an appropriate level of risk. While the University's working capital is invested in relatively short duration assets, the University invests its endowment with a strategy that seeks to maximize total return over the long term. The success of this long-term investment strategy is evidenced by strong returns over sustained periods of time and the University's ability to limit losses in the face of challenging markets.

#### Using the Financial Statements

The University's financial report includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole.

THE UNIVERSITY OF MICHIGAN

Management's Discussion and Analysis (Unaudited)--Continued

Statement of Net Assets

The statement of net assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities — net assets — is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A comparison of the University's assets, liabilities and net assets at June 30, 2005 and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in millions)	
Current assets	\$ 2,248	\$ 2,158
Noncurrent assets:		
Endowment, life income and other investments	5,196	4,349
Capital assets, net	3,105	2,839
Other	<u>235</u>	<u>150</u>
Total assets	<u>10,784</u>	<u>9,496</u>
Current liabilities	754	741
Noncurrent liabilities	<u>1,220</u>	<u>1,025</u>
Total liabilities	<u>1,974</u>	<u>1,766</u>
Net assets	<u>\$ 8,810</u>	<u>\$ 7,730</u>

A review of the statement of net assets at June 30, 2005 and 2004 shows that the University continues to maintain and protect its strong financial foundation. This financial health reflects the prudent utilization of financial resources, including careful cost controls, preservation of endowment funds, conservative utilization of debt and adherence to a long range capital plan for the maintenance and replacement of the physical plant.

Current assets consist primarily of cash and cash equivalents, operating and capital investments, and accounts receivable. Total current assets increased \$90 million, to \$2.2 billion at June 30, 2005. Cash and cash equivalents and operating investments totaled \$1.1 billion at June 30, 2005, which represents approximately three months of total expenses, excluding depreciation.

Current liabilities consist primarily of accrued compensation and accounts payable, which totaled \$464 million at June 30, 2005 and \$403 million at June 30, 2004. Current liabilities also include deferred revenue, commercial paper and the current portion of bonds payable and insurance and benefits reserves. Total current liabilities increased \$13 million, to \$754 million at June 30, 2005. This increase is due primarily to a \$32 million increase in accrued compensation and a \$29 million increase in accounts payable, offset by a \$45 million decrease in commercial paper.

THE UNIVERSITY OF MICHIGAN

Management's Discussion and Analysis (Unaudited)--Continued

**Endowment, Life Income and Other Investments**

The University's endowment, life income and other investments increased \$848 million, to \$5.2 billion at June 30, 2005. This increase primarily resulted from favorable investment performance and the receipt of new endowment funds through gifts and transfers, offset by endowment distributions to beneficiary units for operations. The composition of the University's endowment, life income and other investments at June 30, 2005 and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in millions)	
Endowment investments	\$ 4,931	\$ 4,163
Noncurrent portion of insurance and benefits reserves and managed care investments	178	105
Life income investments	<u>87</u>	<u>81</u>
	<u>\$ 5,196</u>	<u>\$ 4,349</u>

The University's endowment funds consist of both permanent endowments and funds functioning as endowments. Permanent endowments are those funds received from donors with the stipulation that the principal remain inviolate and be invested in perpetuity to produce income that is to be expended for the purposes specified by the donors. Funds functioning as endowment consist of amounts (restricted gifts or unrestricted funds) that have been allocated by the University for long-term investment purposes, but are not limited by donor stipulations requiring the University to preserve principal in perpetuity. Programs supported by endowment funds include scholarships, fellowships, professorships, research efforts, and other important programs and activities.

The University uses its endowment funds to support operations in a way that strikes a balance between generating a predictable stream of annual support for current needs and preserving the purchasing power of the endowment funds for future periods. The major portion of the endowment is maintained in the University Endowment Fund, which is invested in the University's Long Term Portfolio, a single diversified investment pool. The University's endowment spending rate policy provides for an annual distribution of 5 percent of the one-quarter lagged, three-year moving average fair market value of University Endowment Fund assets, with distributions limited to 5.3 percent of current market value. Any capital gains or income generated above the spending rate are reinvested so that in lean times funds will be available. Because the spending rate is based on a three-year moving average fair market value, the percent distributed for operating purposes is different when stated in the context of current fair market value. Actual distributions were 4.2 percent, 4.7 percent and 5.3 percent of the market value of the endowment at June 30, 2005, 2004 and 2003, respectively.



## THE UNIVERSITY OF MICHIGAN

### Management's Discussion and Analysis (Unaudited)--Continued

#### Capital and Debt Activities

One of the critical factors in continuing the quality of the University's academic, research and clinical programs is the development and renewal of capital assets. The University continues to implement its long-range plan to modernize its complement of older teaching, research and clinical facilities, along with balanced investment in new construction.

Capital asset additions totaled \$524 million in 2005, as compared to \$463 million in 2004. Capital asset additions primarily represent replacement, renovation and new construction of academic, research and clinical facilities, as well as significant investments in equipment, including information technology. Current year capital asset additions were primarily funded with gifts and net assets designated for capital purposes of \$448 million, as well as debt proceeds of \$69 million and state capital appropriations of \$7 million.

Construction in process, which totaled \$648 million at June 30, 2005 as compared to \$386 million at June 30, 2004, includes important new facilities for life sciences and medical research, instruction and patient care.

The Biomedical Science Research Building, whose construction commenced in 2002, will serve as an entry to the Medical Campus from the Central Campus and is located across from the Palmer Drive Life Sciences Development. This new state-of-the-art facility is designed to foster multidisciplinary collaborations and interaction between students, faculty and scientists to profoundly impact science and clinical care. The University expects this facility to be completed by December 2005. Construction also continues on the Undergraduate Science Building, which will house teaching laboratories and instructional space for undergraduate students, as part of the Palmer Drive Life Sciences Development.

The Cardiovascular Center, which began construction in 2004, will be one of the nation's first fully comprehensive cardiovascular treatment centers, with operating rooms, patient rooms, clinics, classrooms and laboratories. In addition to giving cardiovascular patients an all-in-one location for their care, this new clinical building will help meet the surging demand for cardiovascular services and bring together specialized services and facilities that are now located throughout the University's health system. The University expects this facility to be completed in 2007. To provide parking for patients and staff, a 465-space parking structure will also be constructed as part of this project.

## THE UNIVERSITY OF MICHIGAN

### **Management's Discussion and Analysis (Unaudited)--Continued**

The Computer Science and Engineering Building, whose construction commenced in 2004, will be a state-of-the-art academic facility to provide learning spaces for students and support computer science and information technology. Located on North Campus, this new facility will also house the College of Engineering's computer science and engineering faculty, as well as accompanying technical and support staff. Also located on North Campus, the Advanced Technology Laboratories building is undergoing a renovation and expansion to accommodate growth in cellular and molecular biotechnology engineering activities and to provide space for new undergraduate degree programs in biomedical engineering. The University expects these facilities to be completed in 2006.

Significant renovation projects in process at June 30, 2005 include the School of Public Health and Literature, Science and Arts ("LSA") buildings. The School of Public Health renovation project will provide modernization of building systems and additional space, through replacement of the east-west wing of the Henry F. Vaughan Public Health Building with modern laboratories, classrooms, conference rooms and community focused research space. The addition will also connect to the Thomas Francis Jr. Building to form one public health complex. Overall, the project aims to better equip public health for newly emerging priorities such as bioterrorism preparedness, understanding new genetic technologies and the globalization of health, as well as to provide needed laboratory space. The LSA Building, which was constructed in 1948, is in need of significant infrastructure improvements. The LSA Building renovation project will provide a complete upgrade of mechanical, plumbing, electrical and life safety systems, and improve accessibility throughout the building. The University expects these projects to be completed in 2006.

The University takes seriously its financial stewardship responsibility and works hard to manage its financial resources effectively, including the prudent use of debt to finance capital projects. A strong debt rating is an important indicator of the University's success in this area. In January 2005, Standard & Poor's Ratings Services upgraded the University to its highest rating (AAA) for bonds backed by a broad revenue pledge. This upgrade reflects the University's national reputation for excellence, strong financial performance and manageable debt burden and capital plan. Moody's Investors Service also reaffirmed its highest credit rating (Aaa) based on the University's strong credit fundamentals, including superior financial resources, strong market position and excellent operating results derived from a well diversified revenue base. Only two other public university systems have received the highest credit ratings from both Moody's and Standard & Poor's.

THE UNIVERSITY OF MICHIGAN

Management's Discussion and Analysis (Unaudited)--Continued

Long-term debt activity for the year ended June 30, 2005, and the type of revenue it is supported by, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
	(in millions)			
Commercial Paper:				
General revenues	\$ 76	\$ 121	\$ 166	\$ 31
Bonds and Notes:				
General revenues	194	90	9	275
Hospital revenues	308	150	7	451
Faculty Group Practice revenues	100		2	98
Student residences revenues	16		1	15
Student fee revenues	<u>37</u>		<u>32</u>	<u>5</u>
	<u>\$ 731</u>	<u>\$ 361</u>	<u>\$ 217</u>	<u>\$ 875</u>

The University maintains a combination of fixed and variable rate debt, with effective interest rates that averaged 3.22 percent in 2005, 2.74 percent in 2004 and 2.82 percent in 2003. Consistent with the University's capital and debt financing plans, total outstanding debt increased \$144 million, or 20 percent, to \$875 million at June 30, 2005, while interest expense increased 12 percent, to \$22 million.

The University utilizes commercial paper, backed by a general revenue pledge, to provide interim financing for its capital improvement program. Outstanding commercial paper is converted to long-term debt financing, as appropriate, within the normal course of business. At June 30, 2005 and 2004, commercial paper totaled \$31 million and \$76 million, respectively, and is included in current liabilities.

In March 2005, the University issued \$86 million in fixed and variable rate general revenue bonds, with a net original issue premium of \$4 million. Proceeds from this bond issue were used to convert \$30 million of commercial paper to long-term debt, refund \$29 million of student fee bonds and provide \$20 million of funds for renovations of the LSA Building and new construction of various capital projects on the Ann Arbor and Dearborn campuses. Proceeds from this bond issue will also be used to refund \$11 million of housing revenue bonds in November 2006. As a result of the debt refunding portion of this bond issue, the University will reduce its aggregate debt service payments over the next 13 years by approximately \$5 million to obtain an economic gain (present value savings) of \$4 million. Of the total bond issue, \$38 million (Series 2005A) is fixed rate debt and \$48 million (Series 2005B) is variable rate debt.

In June 2005, the University issued \$150 million in variable rate hospital revenue bonds to provide \$94 million of funds for new construction of the Cardiovascular Center and improvements to the electrical substation and underground distribution system, as well as convert \$56 million of commercial paper to long-term debt. Of the total bond issue, \$69 million (Series 2005A) is variable rate debt and \$81 million (Series 2005B) is variable rate debt with a corresponding swap to fixed rate.

THE UNIVERSITY OF MICHIGAN

Management's Discussion and Analysis (Unaudited)--Continued

Net Assets

Net assets represent the residual interest in the University's assets after liabilities are deducted. The composition of the University's net assets at June 30, 2005 and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in millions)	
Invested in capital assets, net of related debt	\$ 2,342	\$ 2,122
Restricted:		
Nonexpendable:		
Permanent endowment corpus	818	749
Expendable:		
Net appreciation of permanent endowments	804	612
Funds functioning as endowment	1,062	944
Restricted for operations and other	504	391
Unrestricted	<u>3,280</u>	<u>2,912</u>
	<u>\$ 8,810</u>	<u>\$ 7,730</u>

Net assets invested in capital assets represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The \$220 million net increase reflects the University's continued development and renewal of its capital assets in accordance with its long-range capital plan.

Restricted nonexpendable net assets represent the historical value (corpus) of gifts to the University's permanent endowment funds. The \$69 million increase primarily represents new gifts. Restricted expendable net assets are subject to externally imposed stipulations governing their use. This category of net assets includes net appreciation of permanent endowments, funds functioning as endowment and net assets restricted for operations, facilities and student loan programs. Restricted expendable net assets totaled \$2.4 billion at June 30, 2005, as compared to \$1.9 billion at June 30, 2004.

Although unrestricted net assets are not subject to externally imposed stipulations, all of the University's unrestricted net assets have been designated for various academic and research programs and initiatives, as well as capital projects. In addition, unrestricted net assets include funds functioning as endowment of \$2.1 billion and \$1.8 billion at June 30, 2005 and 2004, respectively.

THE UNIVERSITY OF MICHIGAN

Management's Discussion and Analysis (Unaudited)--Continued

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents the University's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or nonoperating. A comparison of the University's revenues, expenses and changes in net assets for the three years ended June 30, 2005 is summarized as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
		(in millions)	
Operating revenues:			
Student tuition and fees, net of scholarship allowances	\$ 619.0	\$ 599.4	\$ 557.9
Sponsored programs	808.3	792.7	762.9
Patient care revenues and managed care premiums	1,841.2	1,712.3	1,569.3
Other	<u>292.2</u>	<u>279.4</u>	<u>261.0</u>
	3,560.7	3,383.8	3,151.1
Operating expenses	<u>4,026.1</u>	<u>3,882.7</u>	<u>3,705.5</u>
Operating loss	<u>(465.4)</u>	<u>(498.9)</u>	<u>(554.4)</u>
Nonoperating and other revenues (expenses):			
State educational appropriations	374.9	356.9	401.1
Private gifts	107.2	71.8	62.3
Net investment income	874.6	714.6	234.4
Interest expense	(21.7)	(19.4)	(22.3)
State capital appropriations	7.0	31.9	33.7
Endowment and capital gifts and grants	197.2	121.6	105.3
Other, net	<u>6.6</u>	<u>(8.8)</u>	<u>(9.1)</u>
Nonoperating and other revenues, net	<u>1,545.8</u>	<u>1,268.6</u>	<u>805.4</u>
Increase in net assets	1,080.4	769.7	251.0
Net assets, beginning of year	<u>7,729.9</u>	<u>6,960.2</u>	<u>6,709.2</u>
Net assets, end of year	<u>\$ 8,810.3</u>	<u>\$ 7,729.9</u>	<u>\$ 6,960.2</u>

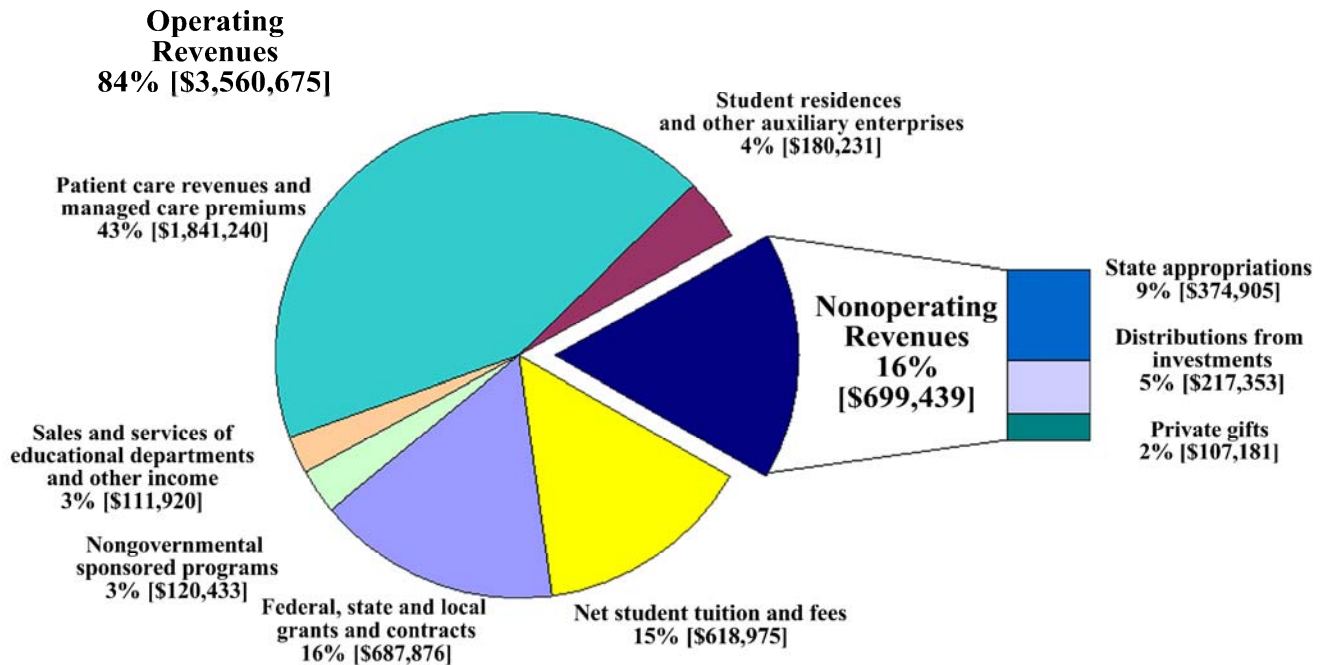
THE UNIVERSITY OF MICHIGAN

Management's Discussion and Analysis (Unaudited)--Continued

One of the University's greatest strengths is the diverse streams of revenue that supplement its student tuition and fees, including voluntary private support from individuals, foundations and corporations, along with government and other sponsored programs, state appropriations and investment income. As in the past, the University continues to aggressively seek funding from all possible sources consistent with its mission to supplement student tuition and to prudently manage the financial resources realized from these efforts to fund its operating activities.

The following is a graphic illustration of revenues by source (both operating and nonoperating), which are used to fund the University's operating activities for the year ended June 30, 2005 (amounts are presented in thousands of dollars). Significant recurring sources of the University's revenues are considered nonoperating, as defined by GASB, such as state appropriations, private gifts and distributions from investments.

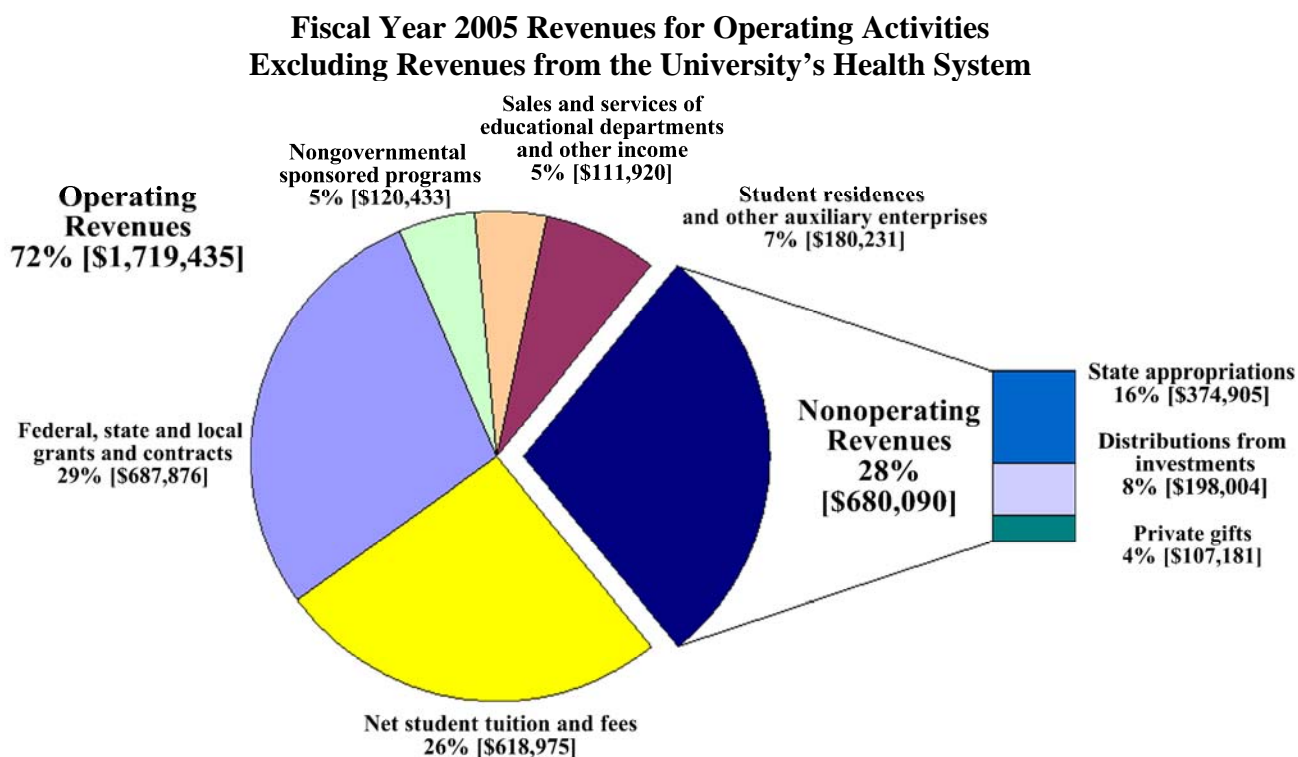
Fiscal Year 2005 Revenues for Operating Activities



THE UNIVERSITY OF MICHIGAN

Management's Discussion and Analysis (Unaudited)--Continued

The University measures its performance both for the University as a whole and for the University without its hospitals, health centers and similar activities. The exclusion of the University's Health System allows a clearer view of the operations of the schools and colleges, as well as the central administration. The following is a graphic illustration of University revenues by source (both operating and nonoperating), which are used to fund operating activities other than the hospitals, health centers and similar activities, for the year ended June 30, 2005 (amounts are presented in thousands of dollars).



Tuition and state appropriations are the primary sources of funding for the University's academic programs. There is a direct relationship between the growth or reduction in state support and the University's ability to restrain tuition fee increases. Together, net student tuition and fees and state appropriations only increased 4 percent, or \$38 million, to \$994 million in 2005 and decreased 0.3 percent, or \$3 million, to \$956 million in 2004. During the last four years of declining state appropriations, the University's tuition increases have been among the lowest in the state and in the Big Ten, which reflects a commitment to affordable higher education for Michigan families. At the same time, the University has also increased scholarship allowances to benefit students in financial need.

THE UNIVERSITY OF MICHIGAN

**Management's Discussion and Analysis (Unaudited)--Continued**

Net revenues from state educational appropriations decreased \$26 million, or 7 percent, over the past three years to \$375 million in 2005. For the three years ended June 30, 2005, state educational appropriations revenue consisted of the following components:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(in millions)		
Base appropriations	\$ 366.6	\$ 374.1	\$ 415.6
Net restoration (rescission)	<u>8.3</u>	<u>(17.2)</u>	<u>(14.5)</u>
	<u>\$ 374.9</u>	<u>\$ 356.9</u>	<u>\$ 401.1</u>

Downturns in state tax revenues continue to put pressure on the state budget. Consequently, base appropriations have declined 12 percent, or \$49 million, over the past two years to \$367 million in 2005. Due to volatility in the state budget, the University's base appropriations have also been subject to mid-year rescission and restoration over the last three years. The net restoration in 2005 primarily represents the return of a portion of the 2004 mid-year rescission because the University limited its 2005 resident undergraduate tuition increases to inflation. This also enabled the University to experience a more moderate cut, of two percent, in base appropriations in 2005.

To offset the decrease in state appropriations, net student tuition and fees revenue has increased 11 percent, or \$61 million, over the past three years to \$619 million in 2005. For the three years ended June 30, 2005, net student tuition and fees revenue consisted of the following components:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(in millions)		
Student tuition and fees	\$ 765.2	\$ 731.2	\$ 687.4
Scholarship allowances	<u>(146.2)</u>	<u>(131.8)</u>	<u>(129.5)</u>
	<u>\$ 619.0</u>	<u>\$ 599.4</u>	<u>\$ 557.9</u>

In 2005, net student tuition and fees revenue increased 3 percent, or \$20 million, to \$619 million, which reflects a 5 percent, or \$34 million, increase in gross tuition and fee revenues offset by an 11 percent, or \$14 million, increase in scholarship allowances. Tuition rate increases in 2005 were 2.8 percent for resident undergraduate students, with a 5 percent increase in most other tuition rates including those for nonresidents, with a modest growth in the number of students.

In 2004, net student tuition and fees revenue increased 7 percent, or \$42 million, to \$599.4 million, which reflects a 6 percent, or \$44 million, increase in gross tuition and fee revenues offset by a 2 percent, or \$2 million, increase in scholarship allowances. Tuition rate increases in 2004 averaged 6.5 percent for undergraduate programs and 6.0 percent for graduate level programs, with a modest growth in the number of students.



THE UNIVERSITY OF MICHIGAN

**Management's Discussion and Analysis (Unaudited)--Continued**

While tuition and state appropriations fund a large percentage of University costs, private support is becoming increasingly essential to the University's academic distinction. Private gift revenues for operations totaled \$107 million in 2005, as compared to \$72 million in 2004, and \$62 million in 2003.

The University receives revenues for sponsored programs from various government agencies and private sources, which normally provide for both direct and indirect costs to perform these sponsored activities. Revenues for sponsored programs increased 2 percent, or \$16 million, to \$808 million in 2005. For 2004, revenues for sponsored programs increased 4 percent, or \$30 million, to \$793 million. A significant portion of the University's sponsored programs revenues relate to federal research and its growth is consistent with the national trend of stabilized federal research activity.

Patient care revenues and managed care premiums increased 7.5 percent, or \$129 million, to \$1.8 billion in 2005, as compared to an increase of 9 percent, or \$143 million, to \$1.7 billion in 2004. The majority of these revenues relate to patient care services, which are principally generated within the University's hospitals and ambulatory care facilities under contractual arrangements with governmental payers and private insurers. Increased revenues primarily resulted from a growth in both outpatient and inpatient volume, as well as increased reimbursement rates from third party payers.

Net investment return for the three years ended June 30, 2005 is summarized as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
		(in millions)	
Interest and dividends, net	\$ 195.9	\$ 142.4	\$ 128.1
Increase in fair value of investments	<u>678.7</u>	<u>572.2</u>	<u>106.3</u>
Net investment income	<u>\$ 874.6</u>	<u>\$ 714.6</u>	<u>\$ 234.4</u>

Net investment income totaled \$875 million in 2005, as compared to \$715 million in 2004 and \$234 million in 2003. The improvement in net investment income is primarily due to improved market conditions resulting in increased realized and unrealized gains for both equity and alternative type investments. As discussed previously, the University's endowment investment policies are designed to maximize long-term total return, while its income distribution policy is designed to preserve the value of the endowment and generate a predictable stream of spendable income.

With the Michigan Difference capital campaign well underway, endowment and capital gifts and grants increased \$76 million, to \$197 million, in 2005. Of this increase, capital gifts and grants increased \$69 million, to \$119 million and endowment gifts increased \$7 million, to \$78 million. For 2004, endowment and capital gifts and grants increased \$16 million, to \$122 million. Of this increase, capital gifts and grants increased \$10 million, to \$50 million and endowment gifts increased \$6 million, to \$72 million. The continued growth in capital gifts and grants primarily relates to gifts received in support of Ross School of Business, Health System, Intercollegiate Athletics and College of Engineering capital projects.

THE UNIVERSITY OF MICHIGAN

**Management's Discussion and Analysis (Unaudited)--Continued**

In addition to revenue diversification, the University continues to make cost containment an ongoing priority. This is necessary as the University continues to face significant financial pressure, particularly in the areas of compensation and benefits, which represent 64 percent of total expenses, as well as in the areas of technology and ongoing maintenance of facilities and infrastructure.

A comparative summary of the University's expenses for the three years ended June 30, 2005 is as follows (amounts in millions):

	<u>2005</u>		<u>2004</u>		<u>2003</u>	
Operating:						
Compensation and benefits	\$ 2,592.1	64%	\$ 2,484.7	64%	\$ 2,356.4	63%
Supplies and services	1,104.9	27	1,070.9	27	1,041.7	28
Depreciation	253.7	6	245.8	6	229.0	6
Scholarships and fellowships	<u>75.4</u>	<u>2</u>	<u>81.3</u>	<u>2</u>	<u>78.4</u>	<u>2</u>
	<u>4,026.1</u>	<u>99</u>	<u>3,882.7</u>	<u>99</u>	<u>3,705.5</u>	<u>99</u>
Nonoperating:						
Interest	<u>21.7</u>	<u>1</u>	<u>19.4</u>	<u>1</u>	<u>22.3</u>	<u>1</u>
	<u>\$ 4,047.8</u>	<u>100%</u>	<u>\$ 3,902.1</u>	<u>100%</u>	<u>\$ 3,727.8</u>	<u>100%</u>

The University is committed to recruiting and retaining outstanding faculty and staff and the compensation package is one way to successfully compete with peer institutions and nonacademic employers. The resources expended for compensation and benefits increased 4 percent, or \$107 million, to \$2.6 billion in 2005. Of this increase, compensation increased 5 percent, to \$2.02 billion, and employee benefits increased 1 percent, to \$570 million. For 2004, compensation increased 5 percent, to \$1.92 billion, and employee benefits increased 8 percent, to \$566 million.

The majority of the compensation increase occurred in the Health System, where nursing and other health professionals were added to support higher patient volume levels. Increases in wage rates also accounted for a significant portion of the expense growth, reflecting a high demand for nurses and other health professionals, and an industry-wide shortage of personnel in these fields. In addition, staffing levels were increased in many administrative and support areas, to further strengthen these areas and in response to an increasing regulatory burden borne by hospitals. In 2005, the Health System had a growth in compensation of 8 percent and a growth in employees of 4 percent, while the rest of the University had a growth in compensation of 3 percent and a decrease in employees of 1 percent.

Employee benefits grew at a slower rate than compensation in 2005, primarily as a result of favorable experience in self-insured benefit programs as well as proactive management of health benefit programs. Health benefits are one of the most significant employee benefits and the University has implemented several initiatives to better control its rate of increase over the past several years.

## THE UNIVERSITY OF MICHIGAN

### **Management's Discussion and Analysis (Unaudited)--Continued**

Following the implementation a 5 percent co-premium in January 2004 for most employees and retirees, the University moved to a more comprehensive premium sharing model. Prior to this, approximately 70 percent of employees and retirees did not contribute toward their health insurance premiums.

Commencing in January 2005, the University began to pay 95 percent of the average health insurance single coverage premiums of the two lowest-cost comprehensive plans, and 85 percent of the total aggregate premium for employees, retirees and covered dependents. At this time, the University also moved from a three-tier to a four-tier structure of coverage to reflect the lower health care costs of children. In addition, the University offered two new preferred provider organization (PPO) health plans to provide lower cost health coverage options to participants residing outside the health maintenance organization (HMO) service areas. These changes are designed to encourage employees to choose the lowest cost insurance plan that meets their needs and to share with employees a small portion of future health insurance cost increases.

The University also engaged a single pharmacy benefit manager to manage all pharmacy benefits with University oversight, commencing in January 2003. Utilizing this prescription drug “carve-out” structure has reduced administrative costs and increased discounts and rebates from pharmaceutical manufacturers.

These initiatives reflect the reality of the national landscape, while remaining true to the commitment we make to our employees for a robust benefits package, which is essential for recruiting and retaining faculty and staff.

Supplies and services expenses increased 3 percent, or \$34 million, to \$1.1 billion in 2005, as compared to a 3 percent, or \$29 million, increase in 2004. The University continued cost containment efforts, including sustained focus on reducing the cost of supplies and their related transaction costs.

THE UNIVERSITY OF MICHIGAN

Management's Discussion and Analysis (Unaudited)--Continued

In addition to their natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the University's expenses by functional classification for the three years ended June 30, 2005 is as follows (amounts in millions):

	<u>2005</u>		<u>2004</u>		<u>2003</u>	
Operating:						
Instruction	\$ 669.6	17%	\$ 655.9	17%	\$ 643.2	17%
Research	522.8	13	506.4	13	509.3	14
Public service	102.5	2	97.6	2	85.0	2
Institutional and academic support	352.3	9	330.6	9	330.0	9
Auxiliary enterprises:						
Patient and managed care	1,719.3	42	1,605.7	41	1,475.4	40
Other	117.7	3	146.2	4	161.8	4
Operations and maintenance of plant	212.7	5	213.2	5	193.4	5
Depreciation	253.8	6	245.8	6	229.0	6
Scholarships and fellowships	<u>75.4</u>	<u>2</u>	<u>81.3</u>	<u>2</u>	<u>78.4</u>	<u>2</u>
	<u>4,026.1</u>	<u>99</u>	<u>3,882.7</u>	<u>99</u>	<u>3,705.5</u>	<u>99</u>
Nonoperating:						
Interest	<u>21.7</u>	<u>1</u>	<u>19.4</u>	<u>1</u>	<u>22.3</u>	<u>1</u>
	<u>\$ 4,047.8</u>	<u>100%</u>	<u>\$ 3,902.1</u>	<u>100%</u>	<u>\$ 3,727.8</u>	<u>100%</u>

Instruction, research and public service expenses increased 3 percent, or \$35 million, to \$1.3 billion in 2005, as compared to a 2 percent, or \$22 million, increase in 2004. These increases are consistent with the level of growth in the related revenue sources.

To measure its total volume of research expenditures, the University considers research expenses, included in the above table, as well as research related facilities and administrative expenses, research initiative and start-up expenses, and research equipment purchases. These amounts aggregated \$778 million in 2005, as compared to \$753 million in 2004 and \$749 million in 2003. This represents an increase of 4 percent, or \$29 million, from 2003 to 2005. The growth in this area is consistent with the growth in federal sponsored programs revenues.

Patient and managed care expenses increased 7 percent, or \$114 million, to \$1.7 billion in 2005, as compared to a 9 percent, or \$130 million increase in 2004. The growth in this area is consistent with the growth in related revenues.

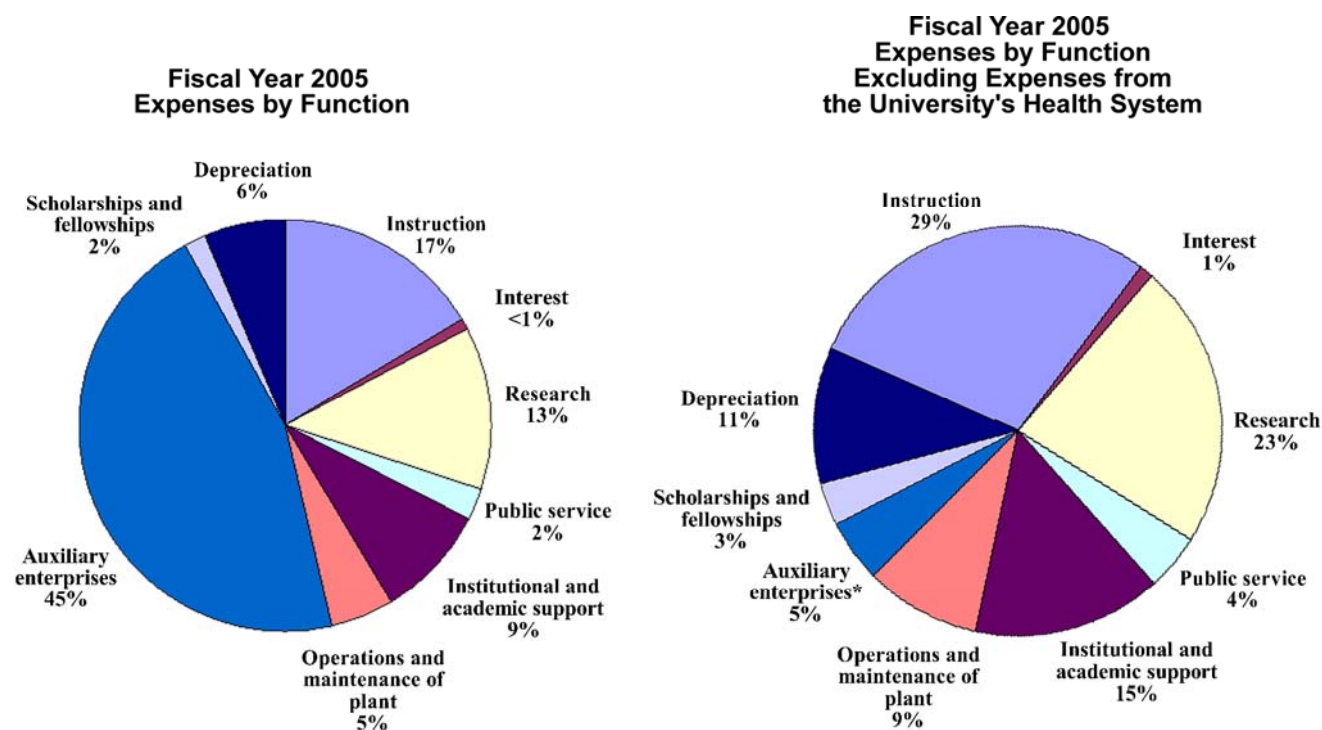
THE UNIVERSITY OF MICHIGAN

Management's Discussion and Analysis (Unaudited)--Continued

Total scholarships and fellowships provided to students aggregated \$236 million in 2005, as compared to \$227 million in 2004 and \$221 million in 2003, an increase of 7 percent. Tuition, housing and fees revenues are reported net of aid applied to students' accounts, while amounts paid directly to students are reported as scholarship and fellowship expense. Scholarships and fellowships for the three years ended June 30, 2005 are summarized as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
		(in millions)	
Paid directly to students	\$ 75.4	\$ 81.3	\$ 78.4
Applied to tuition and fees	146.2	131.8	129.5
Applied to University Housing	<u>14.8</u>	<u>14.1</u>	<u>13.4</u>
	<u>\$ 236.4</u>	<u>\$ 227.2</u>	<u>\$ 221.3</u>

The following graphic illustrations present total expenses by function, with and without the University's hospitals, health centers and similar activities:



\*Excludes expenses from the University's Health System of \$1.7 billion

THE UNIVERSITY OF MICHIGAN

Management's Discussion and Analysis (Unaudited)--Continued

Statement of Cash Flows

The statement of cash flows provides additional information about the University's financial results, by reporting the major sources and uses of cash. A comparative summary of the statement of cash flows for the years ended June 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
	(in millions)	
Cash received from operations	\$ 3,593.1	\$ 3,410.0
Cash expended for operations	<u>(3,783.8)</u>	<u>(3,643.0)</u>
Net cash used in operating activities	(190.7)	(233.0)
Net cash (used in) provided by investing activities	(24.9)	41.4
Net cash used in capital and related financing activities	(322.2)	(397.2)
Net cash provided by noncapital financing activities	<u>546.6</u>	<u>508.3</u>
Net increase (decrease) in cash and cash equivalents	8.8	(80.5)
Cash and cash equivalents, beginning of year	<u>360.4</u>	<u>440.9</u>
Cash and cash equivalents, end of year	<u>\$ 369.2</u>	<u>\$ 360.4</u>

Cash received from operations primarily consists of student tuition, sponsored programs grants and contracts, and patient care revenues. Significant sources of cash provided by noncapital financing activities, as defined by GASB, include state appropriations and private gifts used to fund operating activities. Cash and cash equivalents increased \$8.8 million in 2005, as compared to a decrease of \$80 million in 2004.

**Economic Factors That Will Affect the Future**

Over the last three years, the University has successfully faced significant financial challenges to its academic programs, stemming from unprecedented cuts in state appropriations. Given the continuation of this difficult state environment, it is especially impressive that Standard & Poor's upgraded the University to its highest credit rating (AAA). Receiving this upgrade and continuing to maintain Moody's Investors Services highest credit rating (Aaa) reflects the University's strong fiscal stewardship and its level of excellence in service to students, patients, the research community, the state and the nation. Achieving and maintaining the highest credit ratings obtainable provides the University a high degree of flexibility in securing capital funds on the most competitive terms. This flexibility, along with ongoing efforts toward revenue diversification and cost containment, will enable the University to provide the necessary resources to support this level of excellence.

## THE UNIVERSITY OF MICHIGAN

### Management's Discussion and Analysis (Unaudited)--Continued

A crucial element to the University's future continues to be our strong relationship with the State of Michigan, as we work to manage tuition to make it competitive while providing an outstanding college education for our students. Historically, there has been a direct relationship between the growth or reduction of state support and the University's ability to control tuition increases, as reduced growth in state appropriations generally necessitates increased tuition levels.

While the University acknowledges the seriousness of the State's budget situation and has taken meaningful steps to reduce expenses throughout the University's operations, higher education is critical to the success of the State's economic future and, over the long term, a more sustainable model of state support must be considered. The accumulated effects of reduced state appropriations are considerable and over time it becomes difficult to sustain the resultant cost reductions while maintaining the high caliber of our academic programs. To preserve the quality of a Michigan education, the University's budget for 2006 includes a 12.3 percent tuition increase for resident undergraduates and a 6 percent increase for nonresident undergraduates on the Ann Arbor campus, along with an 11.9 percent tuition increase for the Dearborn and Flint campuses. The decision to recommend significant tuition increases was not an easy one, particularly in light of concerns that the University remain affordable; however, the University has also increased centrally budgeted financial aid by 28 percent.

Private gifts are an increasingly important supplement to the fundamental support provided by state appropriations and student tuition to maintain academic quality and support future initiatives. The University launched the public phase of a major fundraising campaign in May 2004, with the announcement of an ambitious goal of \$2.5 billion. The campaign, titled "The Michigan Difference", will provide support for student scholarships and fellowships, endowed professorships, facilities, academic programs, research and other projects. Since launching the quiet phase of the campaign in 2000, the University has raised \$1.5 billion in cash and pledges and \$282 million in bequests, a total of \$1.8 billion, or 72 percent of the goal. The campaign will continue through December 2008.

The University continues to execute its long-range plan to modernize and expand its complement of older teaching and research facilities, while adding key new facilities for life sciences and medical research. This strategy addresses the University's growth and the continuing effects of technology on teaching and research methodologies. Authorized costs to complete construction and other projects totaled \$692 million at June 30, 2005. Funding for these projects is anticipated to include \$554 million from gifts and net assets designated for capital purposes, \$111 million from the utilization of unexpended debt proceeds and \$27 million from the State Building Authority. While the State of Michigan's Building Authority continues to support the University's systematic renewal of core academic facilities, economic pressures affecting the State may also affect the State's future support.

The University will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to preserve endowment capital and insulate the University's operations from temporary market volatility.

## THE UNIVERSITY OF MICHIGAN

### Management's Discussion and Analysis (Unaudited)--Continued

While the University's Hospitals and Health Centers are also well positioned to maintain a strong financial position in the near term, ongoing constraints on revenue are expected due to fiscal pressures from employers and federal and state governments. Management believes that much of the payment pressure can be offset by growth in patient volume and continued efforts to contain certain costs.

As a labor-intensive organization, the University faces competitive pressures related to attracting and retaining faculty and staff. Moreover, the cost of the University's health benefits has increased dramatically over the past several years, with the increasing cost of medical care and prescription drugs of particular concern. The University also faces the challenge of funding its post-employment benefit plans, which include retiree health insurance.

To address these challenges, the University has successfully taken and continues to take proactive steps to slow the rate of increase in health benefits expenses. For example, in January 2006, the University will change vendors for pharmacy benefit claim processing and mail order services; the new arrangement is expected to save \$1 million annually due to better discounts for retail and mail order pricing arrangements and additional rebates. In addition, the prescription drug "carve-out" structure that the University implemented in 2003 has the added benefit of enabling the University to receive a Medicare Part D subsidy of approximately \$3 million annually, commencing in 2006. This recently enacted section of the Medicare Act provides for a non-taxable federal subsidy to sponsors of retiree health care benefit plans that provide outpatient prescription drug that is at least "actuarially equivalent" to the benefit established by the Act.

The Medicare subsidy, along with other recent health benefit initiatives such as plan changes designed to encourage employees to choose the lowest cost insurance plan that meets their needs and to share with employees a small portion of future health insurance cost increases, also have a favorable impact on the University's retiree health insurance benefit plans.

Certain organizations are currently required to record the estimated present value of post-retirement benefits as a liability in their financial statements. Although the University is not presently required to record this liability, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued in June 2004, calls for the measurement and recognition of the cost of other postemployment benefits ("OPEB") during the periods when employees render their services. The University is required to implement this Statement in fiscal 2008, which will result in an increase in liabilities and a decrease in net assets to reflect the actuarially determined liability for OPEB. Using current actuarial assumptions, and presuming a continuation of the current level of benefits, the value of those benefits is estimated to total \$1.2 billion at June 30, 2005. Implementing the health benefits initiatives described above has resulted in a \$300 million favorable impact to this estimate.

While it is not possible to predict the ultimate results, management believes that the University's financial condition will remain strong.



THE UNIVERSITY OF MICHIGAN  
**Consolidated Statement of Net Assets**

	June 30,	
	2005	2004
	(in thousands)	
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 369,226	\$ 360,423
Operating investments	751,435	594,145
Investments for capital activities	631,174	721,501
Investments for student loan activities	24,976	25,662
Accounts receivable, net	367,375	368,199
Current portion of notes and pledges receivable, net	52,916	41,779
Current portion of prepaid expenses and other assets	50,692	46,492
Total Current Assets	2,247,794	2,158,201
Noncurrent Assets:		
Endowment, life income and other investments	5,196,486	4,348,534
Notes and pledges receivable, net	219,277	132,134
Prepaid expenses and other assets	15,394	18,552
Capital assets, net	3,105,468	2,838,779
Total Noncurrent Assets	8,536,625	7,337,999
<b>Total Assets</b>	<b>\$ 10,784,419</b>	<b>\$ 9,496,200</b>
 <b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accrued compensation and other	\$ 235,277	\$ 203,550
Accounts payable	228,372	199,318
Deferred revenue	165,914	159,885
Current portion of insurance and benefits reserves	56,890	61,883
Commercial paper and current portion of bonds payable	54,871	98,341
Deposits of affiliates and others	12,843	17,850
Total Current Liabilities	754,167	740,827
Noncurrent Liabilities:		
Deposits of affiliates and other	110,035	92,171
Insurance and benefits reserves	166,120	181,933
Obligations under life income agreements	38,409	35,858
Government loan advances	84,886	83,263
Bonds payable	820,453	632,205
Total Noncurrent Liabilities	1,219,903	1,025,430
Total Liabilities	1,974,070	1,766,257
Net Assets:		
Invested in capital assets, net of related debt	2,342,031	2,122,406
Restricted:		
Nonexpendable	818,074	749,127
Expendable	2,369,729	1,946,045
Unrestricted (see Note 8)	3,280,515	2,912,365
Total Net Assets	8,810,349	7,729,943
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,784,419</b>	<b>\$ 9,496,200</b>

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

THE UNIVERSITY OF MICHIGAN

**Consolidated Statement of Revenues, Expenses  
and Changes in Net Assets**

	<b>Year Ended June 30,</b>	
	<u><b>2005</b></u>	<u><b>2004</b></u>
	(in thousands)	
<b>Operating Revenues</b>		
Student tuition and fees	\$ 765,201	\$ 731,179
Less scholarship allowances	<u>146,226</u>	<u>131,826</u>
Net student tuition and fees	618,975	599,353
Federal grants and contracts	674,033	652,472
State and local grants and contracts	13,843	19,309
Nongovernmental sponsored programs	120,433	120,941
Sales and services of educational departments	110,089	102,227
Auxiliary enterprises:		
Patient care revenues and managed care premiums	1,841,240	1,712,285
Student residence fees (net of scholarship allowances of \$14,801,000 in 2005 and \$14,075,000 in 2004)	63,019	59,925
Other revenues	117,212	115,912
Student loan interest income and fees	<u>1,831</u>	<u>1,377</u>
<b>Total Operating Revenues</b>	<u><b>3,560,675</b></u>	<u><b>3,383,801</b></u>
<b>Operating Expenses</b>		
Compensation and benefits	2,592,098	2,484,681
Supplies and services	1,104,824	1,070,899
Depreciation	253,733	245,806
Scholarships and fellowships	<u>75,398</u>	<u>81,284</u>
<b>Total Operating Expenses</b>	<u><b>4,026,053</b></u>	<u><b>3,882,670</b></u>
Operating loss	<u><b>(465,378)</b></u>	<u><b>(498,869)</b></u>
<b>Nonoperating Revenues (Expenses)</b>		
State educational appropriations	374,905	356,933
Private gifts for other than capital and endowment purposes	107,181	71,798
Net investment income	874,611	714,562
Interest expense	<u>(21,738)</u>	<u>(19,444)</u>
<b>Total Nonoperating Revenues, Net</b>	<u><b>1,334,959</b></u>	<u><b>1,123,849</b></u>
Income before other revenues (expenses)	<u><b>869,581</b></u>	<u><b>624,980</b></u>
<b>Other Revenues (Expenses)</b>		
State capital appropriations	7,023	31,945
Capital gifts and grants	118,962	50,127
Private gifts for endowment purposes	78,272	71,522
Other	<u>6,568</u>	<u>(8,908)</u>
<b>Total Other Revenues, Net</b>	<u><b>210,825</b></u>	<u><b>144,686</b></u>
Increase in net assets	1,080,406	769,666
Net Assets, Beginning of Year	<u><b>7,729,943</b></u>	<u><b>6,960,277</b></u>
<b>Net Assets, End of Year</b>	<u><b>\$ 8,810,349</b></u>	<u><b>\$ 7,729,943</b></u>

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

THE UNIVERSITY OF MICHIGAN  
**Consolidated Statement of Cash Flows**

	<b>Year Ended June 30,</b>	
	<u><b>2005</b></u>	<u><b>2004</b></u>
	(in thousands)	
<b>Cash Flows From Operating Activities</b>		
Student tuition and fees	\$ 616,174	\$ 602,543
Federal, state and local grants and contracts	691,057	673,382
Nongovernmental sponsored programs	116,403	117,902
Sales and services of educational and other departmental activities	230,140	221,988
Patient care revenues and managed care premiums	1,851,351	1,706,747
Student residence fees	63,081	61,316
Payments to employees	(2,001,381)	(1,913,543)
Payments for benefits	(554,343)	(541,988)
Payments to suppliers	(1,125,085)	(1,080,686)
Payments for scholarships and fellowships	(75,398)	(81,284)
Student loans issued	(27,567)	(25,473)
Student loans collected	23,047	24,694
Student loan interest and fees collected	<u>1,831</u>	<u>1,377</u>
<b>Net Cash Used in Operating Activities</b>	<u><b>(190,690)</b></u>	<u><b>(233,025)</b></u>
<b>Cash Flows From Investing Activities</b>		
Interest and dividends on investments, net	165,296	147,880
Proceeds from sales and maturities of investments	3,839,630	3,482,536
Purchases of investments	(4,066,483)	(3,513,974)
Net decrease (increase) in cash equivalents from noncurrent investments	23,707	(120,534)
Increase in deposits of affiliates and others	<u>12,898</u>	<u>45,494</u>
<b>Net Cash (Used in) Provided by Investing Activities</b>	<u><b>(24,952)</b></u>	<u><b>41,402</b></u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
State capital appropriations	3,432	33,575
Private gifts and other receipts	40,750	24,827
Proceeds from issuance of capital debt	362,200	55,970
Principal payments on capital debt	(215,747)	(29,956)
Interest payments on capital debt	(22,879)	(18,191)
Purchases of capital assets	(489,624)	(459,702)
Proceeds from sales of capital assets	372	792
Payments for bond issuance costs	<u>(685)</u>	<u>(4,490)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u><b>(322,181)</b></u>	<u><b>(397,175)</b></u>
<b>Cash Flows From Noncapital Financing Activities</b>		
State educational appropriations	374,486	365,009
Private gifts and other receipts	175,647	147,965
Student direct lending receipts	195,656	182,108
Student direct lending disbursements	(193,955)	(182,408)
Amounts received for annuity and life income funds	2,551	5,666
Amounts paid to annuitants and life beneficiaries and related expenses	<u>(7,759)</u>	<u>(10,015)</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u><b>546,626</b></u>	<u><b>508,325</b></u>
Net increase (decrease) in cash and cash equivalents	8,803	(80,473)
Cash and Cash Equivalents, Beginning of Year	<u>360,423</u>	<u>440,896</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><b>\$ 369,226</b></u>	<u><b>\$ 360,423</b></u>

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

THE UNIVERSITY OF MICHIGAN  
**Consolidated Statement of Cash Flows--Continued**

	<b>Year Ended June 30,</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
	(in thousands)	
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	<b>\$ (465,378)</b>	\$ (498,869)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	<b>253,733</b>	245,806
Changes in assets and liabilities:		
Accounts receivable, net	<b>(1,386)</b>	4,261
Prepaid expenses and other assets	<b>(849)</b>	6,656
Accrued compensation and other	<b>30,585</b>	13,386
Accounts payable	<b>7,180</b>	(20,057)
Deferred revenue	<b>6,228</b>	(3,586)
Insurance and benefits reserves	<b>(20,803)</b>	19,378
Net cash used in operating activities	<b><u>\$ (190,690)</u></b>	<b><u>\$ (233,025)</u></b>

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

THE UNIVERSITY OF MICHIGAN

**Notes to Consolidated Financial Statements**

June 30, 2005 and 2004

**Note 1--Organization and Summary of Significant Accounting Policies**

Organization and Basis of Presentation: The University of Michigan ("the University") is a state-supported institution with an enrollment of approximately 54,000 students on its three campuses. The financial statements include the individual schools, colleges and departments, the University of Michigan Hospitals and Health Centers, Michigan Health Corporation (a wholly-owned corporation created to pursue joint venture and managed care initiatives), Veritas Insurance Corporation (a wholly-owned captive insurance company) and M-CARE (a wholly-owned health maintenance organization). While the University is a political subdivision of the State of Michigan, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*. The University is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501(c)(3), and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB, and the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Audits of State and Local Governments*. The statements of net assets, revenues, expenses, and changes in net assets, and cash flows are reported on a consolidated basis, and all intra-University transactions are eliminated as required by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The University has the option of applying pronouncements issued by the Financial Accounting Standards Board ("FASB") after November 30, 1989, provided that such pronouncements do not conflict or contradict GASB pronouncements. The University has elected not to apply any FASB pronouncements issued after the applicable date.

During 2005, the University implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires more comprehensive disclosures related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Implementation of this statement had no effect on the University's net assets at June 30, 2005 and 2004.

The financial statements of all controlled organizations are included in the University's financial statements; affiliated organizations that are not controlled by the University, such as booster and alumni organizations, are not included.

THE UNIVERSITY OF MICHIGAN

**Notes to Consolidated Financial Statements--Continued**

**Note 1--Organization and Summary of Significant Accounting Policies--Continued**

Net assets are categorized as:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
  - Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently. Such net assets include the corpus portion (historical value) of gifts to the University's permanent endowment funds.
  - Expendable – Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Such net assets include net appreciation of the University's permanent endowment funds.
- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, and capital programs.

Summary of Significant Accounting Policies: The accompanying financial statements have been prepared on the accrual basis. The University reports as a special purpose government entity engaged primarily in business type activities, as defined by GASB Statement No. 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

For purposes of the statement of cash flows, the University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University's endowment, life income and other investments are included in noncurrent investments as these funds are not used for operating purposes.

Investments are reported in four categories in the statement of net assets. Investments reported as endowment, life income and other investments are those funds invested in portfolios that are considered by management to be of a long duration. Investments for student loan and capital activities are those funds that are intended to be used for these specific activities. All other investments are reported as operating investments.

## THE UNIVERSITY OF MICHIGAN

### Notes to Consolidated Financial Statements--Continued

#### Note 1--Organization and Summary of Significant Accounting Policies--Continued

Investments in marketable securities are carried at fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported in investment income.

Investments in non-marketable limited partnerships (alternative investments) are generally carried at estimated fair value provided by the management of the investment partnerships as of March 31, 2005 and 2004, as adjusted by cash receipts, cash disbursements, and securities distributions through June 30, 2005 and 2004. The University believes that the carrying amount of its alternative instruments is a reasonable estimate of fair value as of June 30, 2005 and 2004. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material.

Derivative instruments, such as financial futures, forward foreign exchange contracts and interest rate swaps held in investment portfolios, are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value. To facilitate trading in financial futures, the University is required to post cash or securities to satisfy margin requirements of the exchange where such futures contracts are listed. The University monitors the required amount of cash and securities on deposit for financial futures transactions and withdraws or deposits cash or securities as necessary.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of investments denominated in foreign currencies and related income are translated at spot exchange rates on the transaction dates.

Capital assets are recorded at cost or, if donated, at appraised value at the date of donation. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from three to forty years. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

The University receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Endowment pledges do not meet eligibility requirements, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and are not recorded as assets until the related gift is received.

## THE UNIVERSITY OF MICHIGAN

### Notes to Consolidated Financial Statements--Continued

#### Note 1--Organization and Summary of Significant Accounting Policies--Continued

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts. The determination includes such factors as prior collection history, type of gift and nature of fundraising.

Deferred revenue consists primarily of cash received from grant and contract sponsors which have not yet been earned under the terms of the agreement. Deferred revenue also includes amounts received in advance of an event, such as student tuition and advance ticket sales related to future fiscal years.

Deposits of affiliates and others represent cash and invested funds held by the University as a result of agency relationships with various groups. Noncurrent deposits of affiliates represent the portion of endowment and similar funds held by the University on behalf of others.

The University holds life income funds for beneficiaries of the pooled income fund, charitable remainder trusts and the gift annuity program. These funds generally pay lifetime income to beneficiaries, after which the principal is made available to the University in accordance with donor intentions. All life income fund assets, including those held in trust, are recorded at fair value, net of related liabilities for the present value of estimated future payments due to beneficiaries.

For donor restricted endowments, the Uniform Management of Institutional Funds Act, as adopted in Michigan, permits the Board of Regents to appropriate an amount of realized and unrealized endowment appreciation as determined to be prudent. The University's policy is to retain net realized and unrealized appreciation with the endowment after spending rule distributions. Net appreciation of permanent endowment funds, which totaled \$804,000,000 and \$612,000,000 at June 30, 2005 and 2004, respectively, is available to meet spending rate distributions and is recorded in restricted expendable net assets. The University's endowment spending rule is further discussed in Note 2.

Student tuition and residence fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.



THE UNIVERSITY OF MICHIGAN

**Notes to Consolidated Financial Statements--Continued**

**Note 1--Organization and Summary of Significant Accounting Policies--Continued**

Patient care revenues are reported net of contractual allowances. Patient care services are primarily provided through the University of Michigan Health System, which includes the Hospitals and Health Centers, the Faculty Group Practice of the University of Michigan Medical School and the Michigan Health Corporation. Patient care services are also provided through University Health Services, which provides health care services to students, faculty and staff, and Dental Faculty Associates, which provides dental care services performed by faculty dentists. Managed care premiums relate to M-CARE, a wholly-owned health maintenance organization. Other auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics, parking, student unions, university press, student publications and printing services.

The University's policy for defining operating activities as reported on the statement of revenues, expenses and changes in net assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts and investment income.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The most significant areas that require management estimates relate to self-insurance and benefits reserves.

Reclassifications: Certain prior year amounts have been reclassified to conform with current year presentations.

## THE UNIVERSITY OF MICHIGAN

### Notes to Consolidated Financial Statements--Continued

#### Note 2--Cash and Investments

Summary: The University maintains centralized management for substantially all of its cash and investments. With the exception of certain insurance reserves, charitable remainder trusts and other funds whose terms require separate management, the University invests its cash reserves and relatively short duration assets in the University Investment Pool. The University also collectively invests substantially all of the assets of its endowment funds (University Endowment Fund) together with a portion of its insurance and benefits reserves and gift annuity program in the Long Term Portfolio.

The University Investment Pool is principally invested in investment-grade money market securities, U.S. Government and other fixed income securities and commingled funds. Balances in the University Investment Pool are primarily for operating expenses and capital projects. The funding for capital projects remains in current operating investments until amounts for specific capital projects are transferred for capital activities.

The longer investment horizon of the Long Term Portfolio allows for an equity-oriented strategy to achieve higher expected returns over time, and permits the use of less liquid alternative investments, providing for equity diversification beyond the stock markets. The Long Term Portfolio includes investments in domestic and non-U.S. stocks and bonds, absolute return funds and limited partnerships consisting of venture capital, private equity, real estate, energy and distressed debt investments.

Authorizations: The University's investment policies are governed and authorized by University Bylaws and the Board of Regents. The approved asset allocation policy for the Long Term Portfolio sets a general target of 80 percent equities and 20 percent fixed income securities, within a permitted range of 65 to 85 percent for equities and 15 to 35 percent for fixed income securities. Since diversification is a fundamental risk management strategy, the Long Term Portfolio is more broadly diversified within these general categories.

Distributions are made from the University Endowment Fund to the University entities that benefit from the endowment fund. The endowment spending rule provides for an annual distribution of 5 percent of the one-quarter lagged, three year moving average fair value of fund units, limited to 5.3 percent of the current fair market value to protect endowment principal in the event of a prolonged market downturn. Similarly, distributions are made from the University Investment Pool to University entities based on the 90-day U.S. Treasury Bill rate.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 2--Cash and Investments--Continued

Cash and Cash Equivalents: Cash and cash equivalents, which totaled \$369,226,000 and \$360,423,000 at June 30, 2005 and 2004, respectively, represent short-term money market investments in overnight collective funds managed by the University's custodian or short-term highly liquid investments registered as securities and held by the University or its agents in the University's name. The University had actual cash balances in its bank accounts in excess of Federal Deposit Insurance Corporation limits in the amount of \$9,094,000 and \$10,101,000 at June 30, 2005 and 2004, respectively. The University does not require deposits to be collateralized or insured.

Investments: At June 30, 2005 and 2004, the University's investments, which are held by the University or its agents in the University's name, are summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Cash equivalents, noncurrent	\$ 224,432	\$ 248,139
Fixed income securities	1,989,137	1,837,702
Commingled funds	1,615,803	1,337,870
Equity securities	1,471,982	1,286,359
Nonmarketable alternative investments	1,296,763	973,785
Other investments	<u>5,954</u>	<u>5,987</u>
	<u>\$ 6,604,071</u>	<u>\$ 5,689,842</u>

The University's investment strategy, like that of most other institutions, incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and fluctuations embodied in forwards, futures, and commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of a counterparty default is typically limited to the amounts recognized in the statement of net assets and is not represented by the contract or notional amounts of the instruments.

## THE UNIVERSITY OF MICHIGAN

### Notes to Consolidated Financial Statements--Continued

#### Note 2--Cash and Investments--Continued

Fixed income securities have inherent financial risks, including credit risk and interest rate risk. Credit risk for fixed income securities is the risk that the issuer will not fulfill its obligations. Nationally recognized statistical rating organizations (“NSROs”), such as Moody’s and Standard and Poor’s, assign credit ratings to security issuers and issues that indicate a measure of potential credit risk to investors. Fixed income securities considered investment grade are those rated at least Baa by Moody’s and BBB by Standard and Poor’s. To manage credit risk, the University specifies minimum average and minimum absolute quality NSRO ratings for securities held pursuant to its management agreements.

The University minimizes concentration of credit risk, the risk of a large loss attributed to the magnitude of the investment in a single issuer of fixed income securities, by diversifying its fixed income issues and issuers and holding U.S. Treasury securities which are considered to have no credit risk. The University also manages this risk at the account level by limiting each fixed income manager’s holding of any non-U.S. government issuer to 5 percent of the value of the investment account.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of fixed income securities. Effective duration, a commonly used measure of interest rate risk, incorporates a security’s yield, coupon, final maturity, call features and other imbedded options into one number expressed in years that indicates how price-sensitive a security or portfolio of securities is to changes in interest rates. The effective duration of a security or portfolio indicates the approximate percentage change in fair value expected for a one percent change in interest rates. The longer the duration, the more sensitive the security or portfolio is to changes in interest rates. The weighted average effective duration of the University’s fixed income securities was 4.5 years at June 30, 2005, compared to 4.6 years at June 30, 2004. The University manages the effective duration of its fixed income securities at the account level; fixed income managers generally may not deviate from the duration of their respective benchmarks by more than 25 percent.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 2--Cash and Investments--Continued

The composition of fixed income securities at June 30, 2005, and 2004, along with credit quality and effective duration measures, is summarized as follows:

	<b>2005</b>					
	<u>U.S. Government</u>	<u>Investment Grade</u>	Non- investment <u>Grade</u> (in thousands)	<u>Not Rated</u>	<u>Total</u>	<u>Duration</u> (in years)
U.S. Treasury	\$ 547,672				\$ 547,672	8.5
U.S. Treasury Inflation Protected	433,436				433,436	2.9
U.S. Government agency	129,755				129,755	2.8
Mortgage backed		\$ 181,885		\$ 5,482	187,367	1.1
Asset backed		187,982		2,857	190,839	0.6
Corporate and other		394,130	\$ 30,759	6,143	431,032	3.1
Municipal		61,344		7,692	69,036	14.6
	<u>\$ 1,110,863</u>	<u>\$ 825,341</u>	<u>\$ 30,759</u>	<u>\$ 22,174</u>	<u>\$ 1,989,137</u>	4.5

	<b>2004</b>					
	<u>U.S. Government</u>	<u>Investment Grade</u>	Non- investment <u>Grade</u> (in thousands)	<u>Not Rated</u>	<u>Total</u>	<u>Duration</u> (in years)
U.S. Treasury	\$ 374,132				\$ 374,132	9.7
U.S. Treasury Inflation Protected	355,923				355,923	3.4
U.S. Government agency	136,987	\$ 3,091			140,078	3.1
Mortgage backed		126,442			126,442	1.0
Asset backed		164,128		\$ 6,602	170,730	0.5
Corporate and other		562,715	\$ 43,084	8,246	614,045	3.2
Municipal		56,352			56,352	17.4
	<u>\$ 867,042</u>	<u>\$ 912,728</u>	<u>\$ 43,084</u>	<u>\$ 14,848</u>	<u>\$ 1,837,702</u>	4.6

Of the University's fixed income securities, 97 percent were rated investment grade or better at June 30, 2005 and 2004, with 78 percent and 69 percent of these securities rated AAA/Aaa or better at June 30, 2005 and 2004, respectively.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 2--Cash and Investments--Continued

Commingled (pooled) funds include SEC regulated mutual funds and externally managed funds, limited partnerships, and corporate structures which are generally unrated and unregulated. The composition of commingled funds at June 30, 2005, and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
U.S. equities	\$ 92,427	\$ 61,222
Non-U.S./global equities	374,600	290,520
U.S. fixed income	132,780	153,458
Absolute return strategies	890,542	722,244
Distressed debt	80,796	100,563
Other	44,658	9,863
	<u>\$ 1,615,803</u>	<u>\$ 1,337,870</u>

Nonmarketable alternative investments consist of limited partnerships involving an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership. The composition of these partnerships at June 30, 2005 and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Venture capital	\$ 183,221	\$ 138,118
Private equity	331,343	272,203
Real estate	369,969	282,305
Energy	242,877	155,882
Distressed debt	169,353	125,277
	<u>\$ 1,296,763</u>	<u>\$ 973,785</u>

The University's committed but unpaid obligation to these limited partnerships is further discussed in Note 12.

Certain commingled funds held in the Long Term Portfolio and the University Investment Pool may use derivatives, short positions and leverage as part of their investment strategy. These investments are structured to limit the University's risk exposure to the amount of invested capital. The fair value of these investments was approximately \$908,619,000 and \$791,755,000 at June 30, 2005 and 2004, respectively.

## THE UNIVERSITY OF MICHIGAN

### Notes to Consolidated Financial Statements--Continued

#### Note 2--Cash and Investments--Continued

The University participates in non-U.S. developed and emerging markets through commingled funds invested in non-U.S./global equities and absolute return strategies. The University's investments also include securities denominated in foreign currencies. Some of the trades for such foreign positions will not settle in foreign currencies until after the fiscal year end. Forward foreign currency contracts are typically used to manage the risk related to fluctuations in currency exchange rates between the time of purchase or sale and the actual settlement of foreign securities. Various investment managers acting for the University also use forward foreign exchange contracts in risk-based transactions to carry out their portfolio strategies.

Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. As of June 30, 2005, the University's exposure to foreign currencies of \$1,078,264,000, not including commingled funds which are denominated in U.S. dollars, amounted to 16 percent of the University's investments compared to \$606,716,000, or 11 percent of the University's investments, at June 30, 2004. The University manages foreign exchange risk through manager agreements that provide minimum diversification and maximum exposure limits by country and currency.

The Long Term Portfolio and the University Investment Pool hold positions in bond and stock index futures contracts. Bond futures are used to adjust the duration of cash equivalents and the fixed-income portion of the portfolios. Stock index futures are used to overlay cash equivalents and more closely align the portfolios' asset class exposures with asset allocation targets. To meet trading margin requirements, the University has deposited U.S. Government securities and cash with a fair value of \$21,999,000 and \$22,639,000 at June 30, 2005 and 2004, respectively, with its futures contract broker as collateral.

The Long Term Portfolio and the University Investment Pool, together, had fully collateralized short-term securities loans of \$897,841,000 and \$715,712,000 at June 30, 2005 and 2004, respectively, through a securities lending program administered by the University's master custodian. At loan inception, an approved borrower must deliver collateral of cash, securities or letters of credit to the University's lending agent equal to 102 percent for domestic securities and 105 percent for foreign securities. Collateral positions are monitored daily to insure that borrowed securities are never less than 100 percent collateralized. The fair value of the collateral totaled \$923,227,000, or 103 percent of the fair value of the securities on loan, at June 30, 2005, as compared to \$735,063,000, or 103 percent of the fair value of securities on loan, at June 30, 2004. Neither the University nor its securities lending agent has the ability to pledge or sell collateral securities unless a borrower defaults. Securities loans may be terminated upon notice by either the University or the borrower.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

**Note 3--Accounts Receivable**

The composition of accounts receivable at June 30, 2005 and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Patient care	\$ 227,595	\$ 237,313
Sponsored programs	65,951	72,422
State appropriations, educational and capital	68,356	64,345
Student accounts	26,103	21,591
Other	<u>35,020</u>	<u>28,805</u>
	423,025	424,476
Less provision for uncollectible accounts receivable	<u>55,650</u>	<u>56,277</u>
	<u>\$ 367,375</u>	<u>\$ 368,199</u>



THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

**Note 4--Notes and Pledges Receivable**

The composition of notes and pledges receivable at June 30, 2005 and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Notes:		
Federal student loan programs	\$ 97,642	\$ 93,538
University student loan funds	14,962	14,370
Other notes	<u>754</u>	<u>1,110</u>
	113,358	109,018
Less allowance for doubtfully collectible notes	<u>2,300</u>	<u>2,300</u>
Total notes receivable, net	<u>111,058</u>	<u>106,718</u>
Gift pledges outstanding:		
Operations	52,994	28,620
Capital	<u>145,406</u>	<u>53,000</u>
	198,400	81,620
Less:		
Allowance for doubtfully collectible pledges	17,030	7,275
Unamortized discount to present value	<u>20,235</u>	<u>7,150</u>
Total pledges receivable, net	<u>161,135</u>	<u>67,195</u>
Total notes and pledges receivable, net	272,193	173,913
Less current portion	<u>52,916</u>	<u>41,779</u>
	<u>\$ 219,277</u>	<u>\$ 132,134</u>

The principal repayment and interest rate terms of federal and university loans vary considerably. The allowance for doubtfully collectible notes only applies to University funded notes and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to the University under the Perkins and various health professions loan programs.

Payments on pledges receivable at June 30, 2005 are expected to be received in the following years ended June 30 (in thousands):

2006	\$ 36,350
2007-2010	113,615
2011 and after	<u>48,435</u>
	<u>\$ 198,400</u>

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

**Note 4--Notes and Pledges Receivable--Continued**

As discussed in Note 1, pledges for permanent endowment do not meet eligibility requirements, as defined by GASB Statement No. 33, until the related gift is received. Accordingly, permanent endowment pledges totaling approximately \$59,428,000 are not recognized as assets in the accompanying financial statements. In addition, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met because of uncertainties with regard to their realizability and valuation.

**Note 5--Capital Assets**

Capital assets activity for the year ended June 30, 2005 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
	(in thousands)			
Land	\$ 80,891		\$ 96	\$ 80,795
Land improvements	82,141	\$ 7,507	52	89,596
Infrastructure	125,307	6,721		132,028
Buildings	3,297,700	129,356	2,127	3,424,929
Construction in progress	385,536	262,002		647,538
Equipment	1,042,472	97,227	52,450	1,087,249
Library materials	<u>326,047</u>	<u>20,810</u>		<u>346,857</u>
	5,340,094	523,623	54,725	5,808,992
Less accumulated depreciation	<u>2,501,315</u>	<u>253,733</u>	<u>51,524</u>	<u>2,703,524</u>
	<u>\$ 2,838,779</u>	<u>\$ 269,890</u>	<u>\$ 3,201</u>	<u>\$ 3,105,468</u>

In the table above, the increase in construction in progress of \$262,002,000 represents the amount of capital expenditures for new projects of \$455,007,000 net of capital assets placed in service of \$193,005,000.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

**Note 6--Long-term Debt**

Long-term debt at June 30, 2005 and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Commercial Paper:		
Tax-exempt, variable rate (2.55%)*	\$ 23,125	\$ 68,065
Taxable, variable rate (3.33%)*	7,660	7,935
General Revenue Bonds:		
Series 2005A, 5.00% through 2018	37,745	
unamortized premium	4,355	
unamortized loss on extinguishment	(577)	
Series 2005B, variable rate (2.35%)* through 2035	48,020	
Series 2002, variable rate (2.21%)* through 2032	135,320	136,955
General Revenue Refunding Bonds:		
Series 2003, 3.5% to 5.00% through 2015	47,105	53,120
unamortized premium	3,764	4,715
unamortized loss on extinguishment	(708)	(903)
Hospital Revenue Bonds:		
Series 2005A, variable rate (2.23%)* through 2036	69,315	
Series 2005B, variable rate (2.21%)* through 2026	81,000	
Series 1995A, variable rate (2.21%)* through 2028	100,000	100,000
Hospital Revenue Refunding Bonds:		
Series 2002A, 4.00% to 5.25% through 2022	83,475	87,620
unamortized premium	3,155	4,064
unamortized loss on extinguishment	(3,556)	(4,041)
Series 1998A-2, variable rate (2.25%)* through 2025	44,670	44,670
Series 1998A-1, 5.00% to 5.25% through 2011	16,540	18,995
unamortized premium	205	243
Series 1992A, variable rate (2.25%)* through 2020	56,000	56,000
Medical Service Plan Revenue Bonds:		
Series 1998A-1, variable rate (2.25%)* through 2022	35,945	38,385
Series 1995A, variable rate (2.21%)* through 2028	50,300	50,800
Series 1991, 6.80% to 7.05% capital appreciation through 2012	12,214	11,409
Housing Revenue Bonds:		
Series 1996A, 5.00% to 5.60% through 2018	12,120	12,725
Housing Energy Conservation HUD Loan, 3.00% through 2021	2,637	2,764
Student Fee Bonds:		
Series 1995A-B and D, 5.10% to 6.00% through 2015	<u>5,495</u>	<u>37,025</u>
Total long-term debt	875,324	730,546
Less current portion of long-term debt	<u>54,871</u>	<u>98,341</u>
	<u>\$ 820,453</u>	<u>\$ 632,205</u>

\*Denotes variable rate at June 30, 2005.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 6--Long-term Debt--Continued

Long-term debt activity, and the type of revenue it is supported by, for the year ended June 30, 2005 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
		(in thousands)		
Commercial Paper:				
General revenues	\$ 76,000	\$ 121,080	\$ 166,295	\$ 30,785
Bonds and Notes:				
General revenues	193,887	90,120	8,983	275,024
Hospital revenues	307,551	150,315	7,062	450,804
Faculty Group Practice revenues	100,594		2,135	98,459
Student residences revenues	15,489		732	14,757
Student fee revenues	<u>37,025</u>		<u>31,530</u>	<u>5,495</u>
	<u>\$ 730,546</u>	<u>\$ 361,515</u>	<u>\$ 216,737</u>	<u>\$ 875,324</u>

The University maintains a combination of variable and fixed rate debt, with effective interest rates that averaged 3.22 percent in fiscal 2005 and 2.74 percent in fiscal 2004. The University utilizes commercial paper to provide interim financing for its capital improvement program. The Board of Regents has authorized the issuance of up to \$150,000,000 in commercial paper backed by a general revenue pledge. Outstanding commercial paper debt is converted to long-term debt financing, as appropriate, within the normal course of business. During fiscal 2005, \$121,080,000 of Commercial Paper Series F was issued to fund \$53,015,000 of new construction projects and rollover \$68,065,000 of outstanding Commercial Paper Series D.

In March 2005, the University issued \$85,765,000 of fixed and variable rate General Revenue Bonds, with an original issue premium of \$4,355,000. Bond proceeds were utilized to refund \$28,850,000 of Series 1995 Student Fee Bonds, convert \$30,055,000 of commercial paper to long-term debt and provide \$19,980,000 for capital projects and \$435,000 for debt issuance and other fees. Proceeds from this bond issue will also be used to refund \$10,800,000 of Series 1996 Housing Revenue Bonds in November 2006. As a result of these refundings, the University will reduce its aggregate debt service payments over the next thirteen years by approximately \$4,919,000. The refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$3,942,000. Call premiums for early extinguishment of debt of \$685,000 will be deferred and amortized over the term of the general revenue bonds. Of the total bond issue, \$37,745,000 (Series 2005A) is fixed rate debt and \$48,020,000 (Series 2005B) is variable rate debt.

In June 2005, the University issued \$150,315,000 of variable rate Hospital Revenue Bonds. Bond proceeds were used to convert \$56,400,000 of commercial paper and provide \$93,600,000 for capital projects and \$315,000 for debt issuance fees. Of the total bond issue, \$69,315,000 (Series 2005A) is variable rate debt and \$81,000,000 (Series 2005B) is variable rate debt with a corresponding swap to fixed rate.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 6--Long-term Debt--Continued

Debt obligations are generally callable by the University and mature at various dates through fiscal year 2036. Principal maturities and interest on debt obligations for the next five years and in subsequent five-year periods are as follows:

	<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
		(in thousands)	
2006	\$ 53,078	\$ 26,884	\$ 79,962
2007	38,238	26,314	64,552
2008	33,520	24,784	58,304
2009	33,600	23,410	57,010
2010	33,543	22,026	55,569
2011-2015	170,799	88,064	258,863
2016-2020	157,404	61,573	218,977
2021-2025	166,014	35,595	201,609
2026-2030	128,465	11,705	140,170
2031-2035	46,140	3,326	49,466
2036	<u>7,885</u>	<u>88</u>	<u>7,973</u>
	868,686	<u>\$ 323,769</u>	<u>\$ 1,192,455</u>
Plus unamortized premiums, net	<u>6,638</u>		
	<u>\$ 875,324</u>		

\* Interest on variable rate debt is estimated based on rates in effect at June 30, 2005.

In connection with the Series 2005B Hospital Revenue Bonds, the University entered into a floating-to-fixed interest rate swap agreement for a notional amount tied to the outstanding balance of the bonds. The swap agreement converts the floating variable rate on these bonds to a fixed rate of 3.229 percent commencing December 2005 through December 2025, the final maturity of the underlying bonds. The University makes fixed rate interest payments to the counterparty and receives a variable rate payment based on 68 percent of the USD One-Month LIBOR. The University has the option to terminate the swap upon five business days written notice and payment of the fair market compensation for the value of the swap.

In connection with the issuance of the Series 1998A-2 Hospital Revenue Refunding Bonds and the Series 1998A-1 Medical Service Plan Revenue Refunding Bonds, the University entered into floating-to-fixed interest rate swap agreements for notional amounts tied to the outstanding balance of the bonds. The swap agreements convert the floating variable rates on these Hospital and Medical Service Plan bonds to fixed rates of 4.705 percent and 4.685 percent, respectively, through December 2024 and December 2021, the final maturity dates of the underlying bonds. The University makes fixed rate interest payments to the counterparty and receives a variable rate payment based on the floating Bond Market Association Municipal Swap Index. The counterparty has the option of terminating the swaps if for any 180-day period the average variable rate is more than 7.0 percent.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

**Note 6--Long-term Debt--Continued**

The estimated fair value of the interest rate swaps was a liability of \$12,680,000 at June 30, 2005 and a liability of \$7,300,000 at June 30, 2004. The fair value represents the estimated amount that the University would pay to terminate the swap agreements at the statement of net assets date, taking into account current interest rates and creditworthiness of the underlying counterparty. In accordance with governmental accounting standards, these amounts are not required to be included in the accompanying financial statements.

The University maintains unsecured lines of credit with three major commercial banks to support the liquidity requirements of variable rate debt. Available lines of credit, which totaled \$380,000,000, were entirely unused at June 30, 2005.

**Note 7--Self-Insurance**

The University is self-insured for medical malpractice, workers' compensation, directors and officers' liability, property damage, auto liability and general liability through Veritas Insurance Corporation, a wholly-owned captive insurance company. The University is also self-insured for various employee benefits through internally maintained funds.

Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. These liabilities are generally based on actuarial valuations and are reported at present value, discounted at rates which range from 5 to 6 percent.

Changes in the total reported liabilities for the years ended June 30, 2005 and 2004 are summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Balance, beginning of year	\$ 243,816	\$ 214,638
Claims incurred and changes in estimates	117,444	162,143
Claim payments	<u>(138,250)</u>	<u>(132,965)</u>
Balance, end of year	223,010	243,816
Less current portion	<u>56,890</u>	<u>61,883</u>
	<u>\$ 166,120</u>	<u>\$ 181,933</u>

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

**Note 8--Unrestricted Net Assets**

Unrestricted net assets, as defined by GASB Statement No. 35, are not subject to externally imposed stipulations; however, they are subject to internal restrictions. For example, unrestricted net assets may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties. All of the unrestricted net assets, which totaled \$3,280,515,000 at June 30, 2005, have been designated for academic and research programs and initiatives, and capital programs.

**Note 9--Retirement Plan**

The University has a defined contribution retirement plan for all qualified employees through the Teachers Insurance and Annuity Association College Retirement Equities Fund ("TIAA-CREF") and Fidelity Management Trust Company ("FMTC") mutual funds. All regular and supplemental instructional and primary staff are eligible to participate in the plan based upon age and service requirements. Participants maintain individual contracts with TIAA-CREF, or accounts with FMTC, and are fully vested.

Eligible employees generally contribute 5 percent of their pay and the University generally contributes an amount equal to 10 percent of employees' pay to the plan. Participants may elect to contribute additional amounts to the plan within specified limits that are not matched by University contributions. Contributions and covered payroll under the plan (excluding participants' additional contributions) for the years ended June 30, 2005 and 2004 are summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
University contributions	\$ 160,455	\$ 151,125
Employee contributions	\$ 79,005	\$ 74,465
Payroll covered under plan	\$ 1,911,460	\$ 1,812,788
Total payroll	\$ 2,033,523	\$ 1,933,574

## THE UNIVERSITY OF MICHIGAN

### Notes to Consolidated Financial Statements--Continued

#### **Note 10--Post-Employment Benefits**

In addition to providing pension benefits, the University provides certain health care and other post-employment benefits for retired employees. Substantially all of the approximately 34,000 permanent University employees may become eligible for these benefits if they reach retirement age while working for the University.

Health care benefits for the approximately 7,300 retirees and survivors, including dependents, at June 30, 2005 are provided through insurance companies and health maintenance organizations, whose premiums are based in part on the benefits paid. The University recognizes the cost of providing these benefits on a pay-as-you-go basis, which is included in operating expenses and amounted to approximately \$33,736,000 and \$32,100,000 for the years ended June 30, 2005 and 2004, respectively. Other post-employment benefits, principally life insurance and dental, are also included in operating expenses, and amounted to approximately \$2,319,000 and \$1,971,000 for the years ended June 30, 2005 and 2004, respectively.

Certain organizations are currently required to record the estimated present value of post-retirement benefits as a liability in their financial statements. Based on current actuarial assumptions and presuming a continuation of the current level of benefits, the value of those benefits is estimated at \$1,193,000,000 at June 30, 2005 and \$1,174,000,000 at June 30, 2004.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued in June 2004, calls for the measurement and recognition of the cost of other postemployment benefits ("OPEB") during the periods when employees render their services. The statement also establishes more comprehensive disclosure for OPEB obligations. OPEB refers to postemployment benefits other than pension benefits and includes postemployment healthcare benefits and other types of postemployment benefits if provided separately from a pension plan. The University is required to implement this Statement in fiscal 2008, which will result in an increase in liabilities and a decrease in net assets to reflect the actuarially determined liability for OPEB.

#### **Note 11--Federal Direct Lending Program**

The University distributed \$193,955,000 and \$182,408,000 for the years ended June 30, 2005 and 2004, respectively, for student loans through the U.S. Department of Education ("DoED") federal direct lending program. These distributions and related funding sources are not included as expenses and revenues in the accompanying financial statements. The statement of net assets includes a payable of \$2,749,000 and \$1,048,000 at June 30, 2005 and 2004, respectively, for DoED funding received in advance of distribution.



THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

**Note 12--Commitments and Contingencies**

Authorized expenditures for construction and other projects unexpended as of June 30, 2005 were \$692,101,000. Of these expenditures, approximately \$26,993,000 will be funded by the State Building Authority, \$111,042,000 will be funded using unexpended debt proceeds, and the remaining \$554,066,000 will be funded by internal sources, gifts and possible future borrowings.

Under the terms of various limited partnership agreements approved by the Board of Regents or by University officers, the University is obligated to make periodic payments for advance commitments to venture capital, private equity, real estate, energy and distressed debt investments. As of June 30, 2005, the University had committed, but not paid, a total of \$1,560,205,000 in funding for these alternative investments. Outstanding commitments for such investments are anticipated to be paid in the following years ended June 30 (in thousands):

2006	\$ 430,718
2007	370,129
2008	295,857
2009	195,742
2010 and beyond	<u>267,759</u>
	<u>\$ 1,560,205</u>

The University is a party to various pending legal actions and other claims in the normal course of business, and is of the opinion that the outcome thereof will not have a material adverse effect on its financial position.

## THE UNIVERSITY OF MICHIGAN

### Notes to Consolidated Financial Statements--Continued

#### Note 13--Segment Information

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The University has one segment that meets the reporting requirements of GASB Statement No. 35.

The Hospitals and Health Centers (the "HHC") operates several health care facilities and programs in southeastern Michigan, providing hospital care, ambulatory care, and other health services. HHC serves as the principal teaching facility for The University of Michigan Medical School. The faculty of the Medical School provides substantially all physician services to HHC through its Faculty Group Practice.

HHC outstanding debt, referred to as Hospital Revenue Bonds, was issued pursuant to a Master Indenture Agreement, dated May 1, 1986. The Hospital Revenue Bonds are solely payable from, and secured by, a pledge of hospital gross revenues, as defined in the Master Indenture. The University, as permitted by the Master Indenture, has further defined hospital gross revenues pledged to exclude revenues deemed to be associated with the Faculty Group Practice.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 13--Segment Information--Continued

Condensed financial information for HHC, before the elimination of certain intra-University transactions, as of and for the years ended June 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
<b>Condensed Statement of Net Assets</b>		
Assets:		
Current assets	\$ 291,016	\$ 297,179
Noncurrent assets	<u>1,826,243</u>	<u>1,497,671</u>
Total assets	<u>\$ 2,117,259</u>	<u>\$ 1,794,850</u>
Liabilities:		
Current liabilities	\$ 113,171	\$ 134,579
Noncurrent liabilities	<u>452,510</u>	<u>311,829</u>
Total liabilities	<u>565,681</u>	<u>446,408</u>
Net assets:		
Invested in capital assets, net of related debt	337,277	292,746
Restricted	37,504	6,980
Unrestricted	<u>1,176,797</u>	<u>1,048,716</u>
Total net assets	<u>1,551,578</u>	<u>1,348,442</u>
Total liabilities and net assets	<u>\$ 2,117,259</u>	<u>\$ 1,794,850</u>
<b>Condensed Statement of Revenues, Expenses and Changes in Net Assets</b>		
Operating revenues	\$ 1,310,541	\$ 1,191,111
Operating expenses other than depreciation expense	(1,140,807)	(1,046,517)
Depreciation expense	<u>(91,405)</u>	<u>(87,974)</u>
Operating income	78,329	56,620
Nonoperating and other revenues, net	<u>175,992</u>	<u>141,959</u>
Excess of revenues over expenses	254,321	198,579
Transfers to other University units	<u>(51,185)</u>	<u>(74,171)</u>
Increase in net assets	203,136	124,408
Net assets, beginning of year	<u>1,348,442</u>	<u>1,224,034</u>
Net assets, end of year	<u>\$ 1,551,578</u>	<u>\$ 1,348,442</u>
<b>Condensed Statement of Cash Flows</b>		
Net cash flows provided by operating activities	\$ 186,660	\$ 145,323
Net cash flows provided by (used in) investing activities	7,417	(2,640)
Net cash flows used in capital and related financing activities	(127,731)	(92,482)
Net cash flows used in noncapital financing activities	<u>(69,421)</u>	<u>(57,403)</u>
Net decrease in cash and cash equivalents	(3,075)	(7,202)
Cash and cash equivalents, beginning of year	<u>78,637</u>	<u>85,839</u>
Cash and cash equivalents, end of year	<u>\$ 75,562</u>	<u>\$ 78,637</u>

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 14--Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2005 and 2004 are summarized as follows:

	<b>2005</b>				
	<u>Compensation and Benefits</u>	<u>Supplies and Services</u>	<u>Depreciation</u> (in thousands)	<u>Scholarships and Fellowships</u>	<u>Total</u>
Instruction	\$ 577,646	\$ 91,996			\$ 669,642
Research	363,765	158,983			522,748
Public service	73,625	28,908			102,533
Academic support	132,681	35,518			168,199
Student services	50,431	13,362			63,793
Institutional support	98,032	22,226			120,258
Operations and maintenance of plant	32,199	180,485			212,684
Auxiliary enterprises	1,263,719	573,346			1,837,065
Depreciation			\$ 253,733		253,733
Scholarships and fellowships				\$ 75,398	75,398
	<u>\$ 2,592,098</u>	<u>\$ 1,104,824</u>	<u>\$ 253,733</u>	<u>\$ 75,398</u>	<u>\$ 4,026,053</u>
	<b>2004</b>				
	<u>Compensation and Benefits</u>	<u>Supplies and Services</u>	<u>Depreciation</u> (in thousands)	<u>Scholarships and Fellowships</u>	<u>Total</u>
Instruction	\$ 562,248	\$ 93,666			\$ 655,914
Research	357,885	148,539			506,424
Public service	68,758	28,785			97,543
Academic support	121,279	36,563			157,842
Student services	49,213	12,443			61,656
Institutional support	95,659	15,476			111,135
Operations and maintenance of plant	30,027	183,178			213,205
Auxiliary enterprises	1,199,612	552,249			1,751,861
Depreciation			\$ 245,806		245,806
Scholarships and fellowships				\$ 81,284	81,284
	<u>\$ 2,484,681</u>	<u>\$ 1,070,899</u>	<u>\$ 245,806</u>	<u>\$ 81,284</u>	<u>\$ 3,882,670</u>

**The University of Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>				
Agriculture, Department of				
Direct		10		\$ 990,999
Subcontract:				
Chemical Business Development Consultation, Inc.	Sponsor Email dated 6/8/04	10		8,723
Florida International University	591220200-02	10		52,466
Hebrew University of Jerusalem	IS-3133-99C	10		(121)
Marine Biological Laboratory	20858	10		21,146
Michigan Technological University	001119Z	10		21,886
State University of New York	1034801	10		58,283
University of Maryland, The	07-5-27094 3734	10		7,181
University of Toledo	2004-38898-02140	10		66,542
US-Israel Binational Agricultural Research and Development Fund (BARD)	IS-3332-02C	10		42,556
US-Israel Binational Agricultural Research and Development Fund (BARD)	US-3437-03	10		8,124
Central Intelligence Agency				
Direct		13		256,471
Commerce, Department of				
Economic & Statistics Administration				
Direct		11		(14,685)
Economic Development Administration				
Direct		11		108,466
National Oceanic and Atmospheric Administration				
Direct		11		3,257,994
Subcontract:				
Michigan, State of, Environmental Quality, Department of	#02CR-1.19/Letter 5/21/03	11		165,822
Michigan, State of, Environmental Quality, Department of	Project #05-309-06	11		10,728
Michigan, State of, Natural Resources, Department of	Project# 230740-00	11		27,922
National Coastal RSCSS Research & Development Institute (NCRI)	MT96.045-7319-03	11		(5,549)
University of Maryland, The	CA03-23; NOAA Award NA16OC2473	11		303,156
Office of the Secretary				
Subcontract:				
Englehard Corporation	Subcontract to 70NANB3H3012	11		164,523
Ford Motor Company	A10 P004 142968	11		95,778
Gunnison Consulting Group, Inc.	Consulting Agreement	11		37,592
Motorola, Inc.	P.O. #NP1654124	11		208,196
POM Group, Inc., The	Faxed Subcontract dated 8/10/04	11		442,934
Technology Administration				
Direct		11		93,959
Subcontract:				
Cross Match Technologies, Inc.	Research Agreement	11		165,123
Dimensional Control Systems, Inc.	Research Agreement 1/7/04	11		56,899
Ford Motor Company	P.O.#A10 P004 142338	11		92,996
OG Technologies, Inc.	Subcontract	11		(19,394)
Western Atlas, Inc.	Letter Agreement 12/19/95	11		(2)

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**The University of Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Defense, Department of				
Air Force, Department of the				
Direct		12		6,259,416
Subcontract:				
Anteon Corporation	USAF#0060-18-SC-0001	12		9,590
Electrodynamic Applications, Inc.	Award/Contract	12		200,167
ERC, Inc.	PO #RP040942	12		30,316
ERC, Inc.	PO #RP050023	12		52,142
ERC, Inc.	PO RP030012	12		68,265
Flexsys, Inc.	Award Letter dated 11/26/01	12		33,026
Flexsys, Inc.	Research Agreement	12		(9,980)
Information Systems Laboratories	Subcontract 02-3506-01	12		9,641
Massachusetts Institute of Technology	3044167	12		21,785
Nanodynamics, Inc.	Award letter dated 5/24/04	12		32,989
Nomadics, Inc.	Research Agreement	12		50,624
Opteos, Inc.	Award Letter	12		30,032
Opto-Knowledge Systems, Inc. (OKSI)	Subcontract to F004611-	12		15,280
Qynergy Corporation	Subcontract to SUB-04-21	12		72,059
Radant MEMS	P.O. #371	12		32,296
SelectTech Services	SubK #4600-32-0804 & P.O. #46	12		72,881
SET Associates Corporation	Check #2772 & email dated 9	12		296
Southwest Sciences, Inc.	STTR Rsrch agreement dated 9/15/04	12		21,131
Stellar Micro Devices	Subcontract dated 6/1/04	12		32,989
UES, Inc.	710-003-0283 10/14/04	12		4,708
University of California	SA2795	12		183,764
University of Illinois	Subcontract - University of Illinois	12		47,422
University of Wisconsin	A867086	12		97,591
University of Wisconsin	Agreement #A850426	12		233,134
Veda, Inc.	P61100-S026	12		(63)
Waveband Corporation	Research agreement dated 9/1/04	12		124,566
Waveband Corporation	Subcontract 1/1/04	12		8,126
Waveband Corporation	Subcontract 2/1/05	12		13,181
Wyle Laboratories	P.O. #19041.0A01-394S	12		31,744
Army, Department of the				
Direct		12		31,765,299
Subcontract:				
Alion Science and Technology	Agreement#1270022JP	12		1,127,127
BAE Systems	P.O. #RP6897, No.15	12		522,526
Battelle Memorial Institute	Task Control No. 02135	12		23,676
Battelle Memorial Institute	TCN-04069	12		24,349
Brigham and Women's Hospital	Memo of Agreement	12		32,002
Brigham and Women's Hospital	Memo of Agreement	12		40,758
California Institute of Technology	77-1069043	12		47,500
Dendritech, Inc.	Subcontract under W81ZWH-04-C-0	12		38,007
EMAG Technologies, Inc.	Emag Letter authorization	12		9,997
General Dynamics Corporation	Subcontract #S-8844-UM-03	12		48,175
Georgetown University	RX 4400-858-UM	12		22,334
Jet Propulsion Laboratory	1257849	12		65,919

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**The University of Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Johns Hopkins University	8307-66854	12		(239)
Lynntech, Inc.	Research Agreement	12		270
Lynntech, Inc.	Research Agreement	12		22,576
Michigan State University	DAAD19-01-1-0613	12		18,600
Micro Analysis and Design, Inc.	DAAD19-01-2-0009	12		85,995
Ohio State University	P.O. #RF01005373	12		34,861
Oklahoma State University	AA-5-75063-B	12		(6,333)
Omni Sciences, Inc.	RT Res Agreement Dated 7/16/04	12		35,720
Opteos, Inc.	Award Letter	12		30,000
Oshkosh Truck Corporation	P.O. #2570857-000 OP dated 2/6	12		773
Physical Sciences, Inc.	34375-2843-46	12		21,000
Physical Sciences, Inc.	SC-31108-1427-46	12		53,575
Purdue University	530-1617-02	12		44,000
Purdue University	531-1285-0338	12		164,942
T/J Technologies, Inc.	A82A	12		30,000
Techno-Sciences, Inc. (TSi)	S041115-01A	12		46,096
Techno-Sciences, Inc. (TSi)	SubK #S040105-01A dated 1/5/0	12		17,045
Telcordia Technologies	Subcontract #10085872-9/1/03	12		155,096
University of Pennsylvania	5-37360-B	12		78,403
University of Southern California	Subcontract from USC	12		17,337
University of Texas	DAMD17-01-1-0741	12		124,679
University of Virginia	GO10166-113792	12		178,363
Westat	P.O. #779803-PO-002	12		347
Defense Advanced Research Projects Agency				
Direct		12		2,089,925
Subcontract:				
BAE Systems	Attachment A to Subcontract RQ6335	12		(95)
California Institute of Technology	7E-1036223	12		5,506
Carnegie-Mellon University	1130024	12		5,023
Carnegie-Mellon University	1080049-132237	12		91,275
Defense, Department of-Navy, Department of the	N00173-04-1-G029	12		81,687
General Dynamics Advanced Information Systems	JK00000550SC	12		121,526
Georgia Institute of Technology	E-21-F89-G2	12		15,821
Georgia Institute of Technology	G-41-Z57-G1	12		(11,817)
Honeywell International	C09340023 FA8650-04-C-2502	12		56,704
Honeywell International	P.O. C09050025 under HL-C09	12		93,426
Institute for Clinical Research, Inc.	Letter of Agreement	12		2,827
International Business Machines Corporation	A0033560	12		90,727
ITT Technologies	P.O. 17781J	12		23,951
Nanonex Corporation	DAAH01-02-C-R197	12		(68)
Powerix Technologies, LLC	Research Agreement	12		124,710
Pratt and Whitney Aircraft	PO #4400017882	12		(31,992)
Pratt and Whitney Aircraft	Service Agreement	12		140,620
Raytheon Company	Letter Subcontract dated 03/10/05	12		30,159
Rockwell Scientific	P.O. B2F508255	12		(10)
Rutgers University	Subcontract #1853	12		125,504
SET Associates Corporation	SC0173-01-01	12		28,166
SRI International	03-000221 Release 002	12		283,777

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

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SRI International	Subcontract #55-000672	12		84,745
Tethers Unlimited, Inc.	Agreement dated 1/5/04	12		91,529
University of California - Berkeley	Agreement	12		902,795
University of California - Berkeley	SA4474-32446	12		158,244
University of Massachusetts	03-001843 B 00	12		96,915
University of North Carolina	5-55651	12		125,076
University of Pennsylvania	1111647	12		1,572
Vanderbilt University	16741-S1	12		173,054
VaxDesign	70003-W81XWH-04-C-0139	12		360,441
Xeotron Corporation	N39998-01-C-7071	12		(86,236)
Defense Intelligence Agency				
Direct		12		149,390
Subcontract:				
ERC, Inc.	59006	12		(457)
Defense Threat Reduction Agency				
Direct		12		198,822
Subcontract:				
Constellation Technology Corporation	Subcontract #G4-0007	12		64,406
National Geospatial-Intelligence Agency				
Direct		12		87,129
National Security Agency				
Direct		12		527,918
Navy, Department of the				
Direct		12		9,676,127
Subcontract:				
Advance Ceramics Research, Inc.	Subcontract effect 1/2/03	12		112,820
Battelle Memorial Institute	P.O. #184077	12		42,779
Computer Sciences Corporation	Agreement # 11-17-04	12		22
Computer Sciences Corporation	S-9292 Task Order 011	12		60,414
Cybernet Systems	Sub-K dated 8/1/04	12		27,817
Designers and Planners, Inc.	DES & PLANNER IN	12		1,546
Dimensional Control Systems, Inc.	Research Agreement dated 1/15/03	12		(1,578)
Georgia Institute of Technology	E -21-6RU-G6	12		34,498
Honeywell International	Honewell PO#B09360014	12		1,223
Intergraph Corporation	Subcontract FSN0658	12		175
ITT Industries	P.O. #175757J	12		58,715
ITT Industries	P.O. #186424J to P. Cnt	12		6,927
Jackson, Henry, Foundation	112472	12		15,411
Michigan State University	61-3488A	12		169,892
Ohio State University	RF00959544	12		115,823
Pennsylvania State University	ITO Number 01 on Agreement	12		82,415
University of California	10173845	12		(2,443)
University of California	KK120	12		106,697
University of Chicago	27499	12		84,446
University of Minnesota	E4406126101	12		6,851
Other				
Direct		12		462,846
Subcontract:				

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AlgoTek, Inc.	Subcontract No. A019-03-00	12		(3,794)
Boeing Company, The	P.O. #R44PXZ-04035774	12		90,421
Carnegie-Mellon University	543237-51409	12		(12,410)
Dynamics Research Corporation	DAMD17-01-C0052	12		12,409
High Performance Technologies, Inc.	HPTi-PET-2001-001	12		(361)
Innovative Biotherapies	Research Agreement Dated 12/13/04	12		76,009
NanoBio Corporation	Agreement Dated 11/1/03	12		3,900
NanoBio Corporation	RT Res dated 6/16/04	12		25,000
Westat	P.O. #804907-PO-001	12		27,174
Education, Department of				
Direct		84		3,217,248
Subcontract:				
American Educational Research Association	Award letter dated 2/27/02	84		62,649
American Institutes for Research	Letter dated 1/3/01 & letter w/mod 8	84		144,994
Center for Applied Special Technology (CAST)	Consultant Agreement dated	84		246,008
Co-nect Schools	Subcontract agreement dated 9/1/03	84		53,848
Craig Hospital	Subcontract 2/2001	84		27,729
Detroit Public Schools	Contract #4-0134-2	84		9,292
Florida Institute of Technology	P0033272	84		7,303
Florida State University	R00311	84		2,232
Florida State University	Subcontract #R00119	84		120,017
Melvindale-Northern Allen Park Schools	Agreement of 5/1/99	84		(49,562)
Michigan, State of, Education, Department of	030290-915	84		16,548
Michigan, State of, Education, Department of	P.O. #313P2000803 dated 9/3/02	84		362,621
Northwest Regional Educational Laboratory	Contract	84		8,582
Pacific Resources for Education and Learning	Contract Agreement-R203F990026	84		(26,985)
Tuskegee University	PO#P5433396	84		8,000
University of California - San Francisco	Subcontract #3332sc	84		7,558
University of Pennsylvania	Subcontract agreement #5-43287-A	84		299,956
University of Pennsylvania	Subcontract #5-30802 A	84		572,563
University of Pittsburgh	701512	84		424,315
University of Washington	Subcontract. 578095	84		(393)
Wayne State University	Subcontract #WSU05023	84		34,873
Westat	PO #105114	84		21,964
Energy, Department of				
Direct		81		13,650,713
Subcontract:				
Argonne National Laboratory	Contract No. 2F-00201	81		(783)
Battelle Energy Alliance	3F-01041	81		105,329
Battelle Pacific Northwest Laboratories	10533	81		91,278
Bechtel BWXT Idaho, LLC	20906	81		190,322
Bechtel Power Corporation	Contract #00003911	81		95,677
Brookhaven National Laboratory	67832	81		7,746
Brookhaven National Laboratory	89911	81		21,618
Brookhaven National Laboratory	90770	81		18,770
Brookhaven National Laboratory	858479 Brookhaven & U of M Co	81		(9)
Duke University	02-SC-DOE-1009	81		14,383
Duke University	05 SC DOE 1016	81		27,547

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Idaho National Engineering and Environmental Laboratory	27685	81		180,301
Idaho National Engineering and Environmental Laboratory	35318	81		6,720
Idaho National Engineering and Environmental Laboratory	38523	81		196,669
Idaho State University	02 220D	81		211
Indiana University	NIGEC Subcontract P.O. 10409-0236	81		157,101
Indiana University	P.O. #10307-0297	81		69,415
Lawrence Berkeley National Laboratory	6455828 (LBNL)	81		56,076
Lawrence Berkeley National Laboratory	6720903 (LBNL)	81		139,889
Lawrence Livermore National Laboratory	B522013	81		42,822
Lawrence Livermore National Laboratory	B523296	81		263,074
Michigan, State of, Labor and Economic Growth, Department of	Grant #PLA-02-47	81		196,775
Midwest Research Institute	ACQ-1-30619-14	81		34,561
Oak Ridge Associated Universities	Appt Letter Dated 8/5/02	81		3,166
Oak Ridge National Laboratory	19X-SW558C (Lockheed)	81		1,590
OG Technologies, Inc.	DE-FC36-04G014003	81		62,482
Ohio State University	P O. #RF01018033	81		50,184
Ohio State University	RF Project #979861	81		100,334
Pennsylvania State University	2141-UM-DOE-5912	81		43,011
Pennsylvania State University	2504-UM-DOE-4530-FDP	81		158,585
Pennsylvania State University	2851 UM DOE 4423	81		55,480
Rensselaer Polytechnic Institute	A30449	81		12,723
Sandia National Laboratories	121415	81		70,612
Sandia National Laboratories	199068	81		139,501
Sandia National Laboratories	237284	81		50,568
Sandia National Laboratories	240975	81		37,545
Sandia National Laboratories	240985	81		268,183
Sandia National Laboratories	359929	81		27,074
Sandia National Laboratories	360222	81		25,363
Sandia National Laboratories	335220 0	81		11,818
Sandia National Laboratories	7066 (Sandia)	81		18,696
Sandia National Laboratories	BG-0005 (Sandia)	81		62,654
Sandia National Laboratories	Document #23415	81		11
Sandia National Laboratories	Document #26588	81		9,153
Sandia National Laboratories	PECASE Award 5/4/04	81		55,616
Stanford University	P.O. #0000052901	81		40,025
United Oil Processing (UOP LLC)	Research Subcontract	81		252,458
United States Council for Automotive Research	04-1163	81		24,778
United States Council for Automotive Research	05-1244	81		78,757
United States Council for Automotive Research	P.O. #02-774	81		3,148
United States Council for Automotive Research	P.O. #04-1158	81		58,744
United States Council for Automotive Research	P.O. #04-1193	81		44,874
United States Council for Automotive Research	P.O. #04-1223	81		4,637
United States Council for Automotive Research	P.O. #04-1166	81		30,509
United States Council for Automotive Research	USAMP P O. #03-922 dated 12/18	81		(28,829)

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University of California	6715016	81		31,627
University of California	13137 001 05	81		15,387
University of California	73713-001-03 8T	81		87,663
University of California	78139 002 05 4V	81		58,192
University of California	95416 001 04 8K	81		59,508
University of California	B525325	81		(2,391)
University of Chicago	4F 02141	81		31,343
University of New Mexico	048479 871E	81		4,508
University of New Mexico	048479 871E	81		52,646
University of Rochester	412036-G	81		88,116
University of Texas	UTA04 219	81		32,224
University of Wisconsin	A824316	81		266,490
UT-Battelle, LLC	4000019189	81		63,805
UT-Battelle, LLC	4000030047	81		65,852
UT-Battelle, LLC	4000031899	81		37,448
UT-Battelle, LLC	4000039699	81		21,472
Z, Inc.	04-EI-40502.000	81		1,031,826
Environmental Protection Agency				
Direct		66		2,195,356
Subcontract:				
Consortium for Plant Biotechnology Research	Agreement #EPA8294901	66		37,724
Environmental Science and Engineering, Inc.	3921101GB1002115	66		8,278
Florida, State of	Task 2 - DEP AQ189	66		27,939
Great Lakes Commission	Letter dated 8/3/04	66		96,379
Howard University	633406-181893	66		41,177
Limno-Tech, Inc.	Terms and Conditions Agreement	66		1,100
Michigan State University	61 3361A	66		37,149
Michigan State University	61-5523A	66		41,022
Michigan, State of, Community Health, Department of	20050588	66		58,662
Michigan, State of, Environmental Quality, Department of	Grant Agreement #2000-0168/Pay	66		45,898
Michigan, State of, Natural Resources, Department of	230715-00/751B4200075	66		16,390
University of Wisconsin	144KF84 H02	66		22,951
University of Wisconsin	Contract dated 8/7/03	66		2,540
Federal Reserve System				
Direct		18		191,145
General Services Administration				
Direct		39		197,601
Subcontract:				
Arthur Andersen, LLP	BOA OGS-9941	39		(40,000)
CFI Group, Inc.	Letter dated 1/2/02	39		416,243
Georgia Institute of Technology	Subcontract #D-48-6BM-S1	39		28,360
Health and Human Services, Department of				
Administration for Children and Families				
Subcontract:				
Columbia University	90YE0063/01	93		232,942
Agency for Health Care Research and Quality				
Direct		93		868,060
Subcontract:				

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American College of Surgeons	U18-HS011913-03	93		32,891
American Institutes for Research	Subcontract #SC-02-1825-04	93		3,353
Cincinnati Foundation for Biomedical Research and Education (CFBRE)	CFBRE Account #79	93		55,464
University of California - San Francisco	Subcontract #3789SC	93		31,666
Centers for Disease Control and Prevention				
Direct		93		4,370,114
Subcontract:				
Association of American Medical Colleges	MM-0789-04/04	93		165,120
Association of Schools of Public Health, Inc.	ASPH/CDC#A1208-21/2	93		113,230
Association of Schools of Public Health, Inc.	S1957-21/23	93		397,322
Association of Schools of Public Health, Inc.	S1964-21/23	93		342,717
Association of Schools of Public Health, Inc.	S2200-22/23	93		115,974
Association of Schools of Public Health, Inc.	S3204-23/23	93		160,851
Association of Schools of Public Health, Inc.	S3341-23/23	93		65,409
Association of Teachers of Preventive Medicine	TS-0634	93		64,269
Association of Teachers of Preventive Medicine	TS-0735	93		17,617
Community Health and Social Services, Inc.	Letter dated 7/23/03	93		145,869
Duke University	Subcontract #04-SC-CDC	93		90,545
Eastern Research Group, Inc. (ERG)	CDC-0901/8	93		44,219
Eastern Research Group, Inc. (ERG)	CDC-10039/2	93		36,130
Genesee County	Email dated 2/4/04 for Agreement	93		13,337
Health and Human Services, Department of-Centers for Disease Control and Prevention	Agreement dated 10/1/03	93		85,667
Hemophilia Foundation of Michigan	Award letter dated 11/02/00	93		(25,829)
Hemophilia Foundation of Michigan	UR6/CCU520599-01	93		38,755
Marin, County of	H57/CCH923112-01	93		49,212
Medical College of Wisconsin	Agreement of 8/1/04	93		21,673
Michigan State University	Agreement #610453	93		3,239
Michigan, State of, Community Health, Department of	20030755	93		(18,992)
Michigan, State of, Community Health, Department of	20040935	93		35,886
Michigan, State of, Community Health, Department of	20040936	93		28,046
Michigan, State of, Community Health, Department of	20040937	93		57,673
Michigan, State of, Community Health, Department of	20040945	93		37,592
Michigan, State of, Community Health, Department of	20041670	93		4,516
Michigan, State of, Community Health, Department of	20041923	93		87,468
Michigan, State of, Community Health, Department of	20042892	93		8,321
Michigan, State of, Community Health, Department of	20050584	93		44,405
Michigan, State of, Community Health, Department of	20051362	93		52,528
Michigan, State of, Community Health, Department of	20051500	93		48,507
Centers for Medicare and Medicaid Services				
Direct		93		82,120
Subcontract:				
Colorado Foundation for Medical Care	Agreement dated 11/16/99	93		120
Colorado Foundation for Medical Care	Department Email of 6/28/04	93		185,621
Medstat	Subcontract SRRP-MICH-01	93		4
Michigan Public Health Institute	N-12003-11-504200	93		127,294
Michigan Public Health Institute	N-12004-11-504200	93		809,823

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Michigan, State of, Community Health, Department of	20001264	93		(41,021)
Michigan, State of, Community Health, Department of	20040171	93		(7,382)
Qualis Health	Agreement/7th Sow Esrd	93		133,471
University Renal Research and Education Association	Subcontract 10/1/04-9/30/05	93		213,896
Food and Drug Administration				
Direct		93		797,320
Health Resources and Services Administration				
Direct		93		960,430
Subcontract:				
American Medical Student Association (AMSA)	Subcontract to 230-03-0015	93		1,207
Hemophilia Foundation of Michigan	2003-2004 DHHS/MCHB	93		29,841
National Kidney Foundation of Michigan	Agreement 1/11/05	93		6
NMDP (National Marrow Donor Program)	Agreement dated 01/01/99	93		(10,080)
Thomas Jefferson University	080-31000-R67001	93		(7,428)
Thomas Jefferson University	080-31000-R67002	93		22,111
University of California - Davis	K009415-02	93		33,657
University of North Carolina	UNC #5-52113	93		3,858
University Renal Research and Education Association	Subcontract Agreement dated 10/01/0	93		952,753
National Institutes of Health				
Direct		93		365,861,961
Subcontract:				
Abramson, Madlyn and Leonard, Center for Jewish Life				
Polisher Research Institute	928-PSID	93		61,236
Albany Medical College	290169	93		14,163
Albert Einstein College of Medicine	Agreement of 9/1/03	93		967
American College of Radiology	ACRIN 6654	93		830,065
American College of Radiology	Agreement	93		(7,972)
American College of Radiology	Check No. 77904 dated 7/23/02	93		97,431
American Medical Student Association (AMSA)	Subcontract Agreement	93		27,440
Applied Molecular Evolution (AME)	P.O. #16801	93		(13)
Arab Community Center for Economic and Social				
Services	Letter dated 01/18/01- to NIH #1 R2	93		26,287
Arizona State University	SC 34105M00037	93		21,119
AT Sciences	Subcontract effective 12/12/03	93		21,265
Atactic Technologies	Subcontract dated 8/12/04	93		37,829
Beth Israel Hospital	7 R01 CA095662-03	93		280,123
Beth Israel Hospital	R01 DA 03574	93		5,914
Bethesda Pharmaceuticals, Inc.	2-R42-AR44767-02	93		41,419
Bethesda Pharmaceuticals, Inc.	RT Res. Agreement dated	93		64,079
Bio Logic Engineering, Inc.	Award letter dated 7/15/02	93		50,930
Boston University	Agreement of 9/1/04	93		27,761
Brigham and Women's Hospital	1 U01 AG22312-01	93		100,718
Brigham and Women's Hospital	BWH#726971:	93		107,103
Brown University	1223-27313	93		(941)
Burnham Institute, The	5 P01 CA71932-07	93		85,297
California Pacific Medical Center	Agreement #3803204-S020	93		233,039
Cancer Therapy and Research Center	Contract #SWOG-05004	93		34,336
Cancer Therapy and Research Center	Contract # SWOG-05005	93		92,730

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Cancer Therapy and Research Center	SWOG dated 10/24/03	93		52,406
Cancer Therapy and Research Center	SWOG-03053	93		(7,581)
Cancer Therapy and Research Center	SWOG-04024	93		99,733
Cancer Therapy and Research Center	SWOG-04025	93		215,756
Case Western Reserve University	Agreement of 9/30/04	93		57,977
Case Western Reserve University	Agreement of 07/1/03	93		51,568
Cedars-Sinai Medical Center	Consortium Agreement. IND#10,519	93		16,296
Children's Hospital of Los Angeles	CT Agreement to NANT Consortium	93		14,718
Children's Research Institute	Subcontract #7928-04-04	93		8,425
Coley Pharmaceutical Group	Agreements dated 1/26/04	93		105,414
Columbia University	Agreement dated 9/30/04	93		144,175
Columbia University	Agreement	93		42,124
Columbia University	Agreement 7/1/04	93		53,925
Columbia University	Clinical Trial Agreement to	93		(92)
Columbia University	MD000206-01	93		(52,622)
Columbia University	MD000206-02	93		145,214
Columbia University	PO551070:MD000206-02	93		31,709
Columbia University	R01-MH63852	93		842
Constella Clinical Informatics, Inc.	Genelink 32831 0008	93		73,115
Core MicroSolutions, Inc.	Email dated 6/24/04	93		147,366
Cornell University	Agreement of 9/01/03	93		1,165
Cybernet Systems	Subcontract dated 01/27/05	93		7,493
Dartmouth College	Agreement of 6/12/00	93		66,325
Dentigenix	Roundtable Research Agreement	93		60,000
Duke University	02-SC-NIH-1048	93		92,364
Duke University	04-SC-NIH-1009	93		14,032
Duke University	05SC-NIH-1008	93		41,715
Duke University	5-R01-DC05416-02	93		21,184
Duke University	Agreement of 9/4/03	93		123,344
Duke University	Duke University/U.S. HHS	93		(12,853)
Duke University	Protocol No. Z0010	93		16,120
Eastern Michigan University	1 R03 AA0H601-01A1	93		11,001
Emmes Corporation, The	Letter Agreement	93		20
Emmes Corporation, The	Letter Agreement Study NAPR	93		1,521
Emory University	Agreement of 3/1/03	93		5
Emory University	Agreement of 2/1/03	93		10,180
Emory University	R01-NS36643-03 from Emory Univ.	93		9,260
Forsyth Institute, The	5 P01 DE13237	93		5,070
Forsyth Institute, The	5 P01 DE13237	93		12,633
George Washington University	04-C03	93		967
George Washington University	04-C03	93		50,276
George Washington University	Agreement of 07/01/04	93		31,817
George Washington University	Letter of Agreement 125/Mod#1	93		1,323
Georgetown University	Subgrant #RX4230-077-UM	93		29
Harvard University	149928-0506	93		164,268
Harvard University	Agreement of 09/30/02	93		32,324
Harvard University	Agreement of 9/1/04	93		17,297
Harvard University	R01-DA12058	93		(895)

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Harvard University	Subcontract #149979-0002	93		8,478
Harvard University	U01-MH60220-01	93		482,785
Health Research, Inc	1 R01 CA104479-01	93		67,427
Health Research, Inc	Subcontract Under	93		30,947
Henry Ford Health System	5 R01 HL68971-02	93		75,034
Henry Ford Health System	Subcontract to U01 AI042174	93		748
Henry Ford Health System	Subcontract/HFHS B45033	93		13,644
Henry Ford Health System	U19CA7968905 HFHS B40321	93		269,730
Henry Ford Hospital	1 R01-HL070023-01A2	93		21,858
Henry Ford Hospital	5 R01 AR047994-03	93		34,873
Hutchinson, Fred, Cancer Research Center	2002-2135-494424	93		(1,185)
Hutchinson, Fred, Cancer Research Center	Agreement #05-200889-01-S1148	93		11,805
Indiana University	Agreement of 09/28/01	93		60,844
Indiana University	P.O. #10404-0118	93		27,247
Indiana University	R01-AG010436	93		159,846
Indiana University	R01-DC006436	93		49,643
Industrial Science and Technology Network	1 R43 DK067723-01	93		12,367
Industrial Science and Technology Network	Letter dated 09/12/02	93		(62,077)
International Union, UAW	5 U45 ES006180-12	93		205,234
IUPUI (Indiana University Purdue University Indianapolis)	Agreement of 9/28/01	93		239,516
Jaeb Center for Health Research	Agreement dated 03/06/00	93		49
Jaeb Center for Health Research	U10 EY14231	93		334
Johns Hopkins University	2-P50-CA062924-10	93		(475)
Johns Hopkins University	8408-56108-X	93		103,598
Johns Hopkins University	Agreement of 9/30/02	93		122,760
Johns Hopkins University	Agreement of 9/1/04	93		10,466
Johns Hopkins University	Agreement of 2/16/00	93		9,341
Johns Hopkins University	Agreement of 4/1/04	93		26,292
Johns Hopkins University	Agreement of 5/1/02	93		142,143
Johns Hopkins University	Agreement of 9/30/03	93		253,327
Johns Hopkins University	P.O. #27221	93		24,054
Johns Hopkins University	P.O. #8212-34234-X	93		2,969
Johns Hopkins University	P.O. #8311-97168-6	93		38,826
Johns Hopkins University	Subcontract #8405-32784-5	93		142,703
Joslin Diabetes Center	5-R01-DK064568-02	93		19,855
Kaiser Permanente Northern California	SubK#115-9119,#CN-03Jselb-05-H	93		56,232
Mandala Sciences, Inc.	Task Agreement	93		2,429
Massachusetts Eye & Ear Infirmary	Agreement of 6/17/04	93		42,682
Massachusetts General Hospital	5-U54-GM62119-02	93		508,688
Massachusetts General Hospital	Cnsrtm Agreement FDP IV uner 5 R	93		44,513
Massachusetts General Hospital	NIH R01 CA085139-01A2	93		29,012
Mayo Clinic	1 R21 HL 77123-01	93		3,311
Mayo Clinic	5 R01 HL075794-02	93		184,449
Mayo Clinic	NS 42759	93		156,095
Mayo Clinic Rochester	Consortium Agreement dtd 10/19/00	93		6,306
MedArray, Inc.	Sponsor Letter/Check #755	93		15,483
Medical University of Ohio	N2004-43, P.O. #19385	93		34,385

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Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Medical University of Ohio	Subcontract #N2005-102,PO#35337	93		9,537
Metabolic Solutions	Letter of 2/14/03-Check #4918	93		2,384
Metabolic Solutions	Sp.Em 11/11 & 11/12/02	93		4,083
Michigan Critical Care Consultants, Inc.	Agreement dated 3/29/05	93		60,894
Michigan Critical Care Consultants, Inc.	Allocation of Rights Agreement	93		113,587
Michigan Critical Care Consultants, Inc.	Research Agreement	93		15,396
Michigan Critical Care Consultants, Inc.	Research Agreement	93		(318)
Michigan Critical Care Consultants, Inc.	Research Agreement	93		50,917
Michigan State University	610301	93		3,900
Michigan State University	1-R01-ES11856-01	93		50,654
Michigan State University	Agreement #610340	93		706,524
Michigan State University	Subcontract #611149	93		162,116
Michigan State University	Subcontract #661130	93		7,536
Microbiotix, Inc.	Award letter	93		54,160
Microbiotix, Inc.	Letter Agreement dated 07/10/03	93		1,047
Molecular Design International	Award Letter dated 5/2/05	93		18,361
Mount Sinai Medical Center, The	1-P50-MH066392-01	93		(2,866)
Mount Sinai Medical Center, The	Agreement for Survey Services	93		107,846
Mount Sinai Medical Center, The	MSSM #0254-6641-4609	93		19,936
Mount Sinai Medical Center, The	MSSM #0254-6643-4609	93		52,151
National Childhood Cancer Foundation	11461	93		(10,988)
National Childhood Cancer Foundation	Subcontract #10273	93		(2,795)
National Childhood Cancer Foundation	U10CA98543-01	93		24,406
National Opinion Research Center	56212-101.62	93		465,300
National Surgical Adjuvant Breast and Bowel Project (NSABP) Foundation, Inc.	Amendment #2 PFED16-MIC-01	93		249,710
National Surgical Adjuvant Breast and Bowel Project (NSABP) Foundation, Inc.	Letter 9/17/97	93		803
New England Organ Bank (NEOB)	1 H39-OT00123-01	93		6,903
New England Research Institute	Subcontract	93		44,412
Northern California Institute for Research & Education, Inc. (NCIRE)	1 U01 AG024904-01	93		167,864
Northwestern University	0600 300 W312 616	93		35,021
NotABook Publishing, Inc.	Award Letter Dated 7/16/03	93		(12,963)
Ohio State University	1 P50 CA105632-01	93		36,872
Ohio State University	60003546/PO RF01030015	93		71,196
Ohio State University	745463/961833	93		11,626
Ohio State University	747087/985017	93		10,677
Ohio State University	P.O. #RF01012715	93		45,531
Oncolmmune	Letter Agreement	93		(4,115)
Oregon Health and Science University	Agreement #GPRC00618A3	93		55,884
Oregon Health and Science University	J745E	93		199,998
Oregon Health and Science University	Sub #GCROE00065A	93		61,347
Oregon Health and Science University	Subcontract #8401386	93		17,053
Pennington Biomedical Research Center	R01DK56373	93		(825)
Pennsylvania State University	2399-UM-DHHS-1203	93		146,286
Pennsylvania State University	2497-UM-DHHS-0673	93		164,865
Pennsylvania State University	DHHS-TPSU-UM-10075-1488	93		10,405

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Pennsylvania State University	DHHS-TPSU-UM-10075-1488	93		155,455
Princeton University	00000972 (400-6225)	93		10,127
Purdue University	Subcontract Agreement	93		105,139
Radiation Monitoring Devices, Inc.	1 R43 CA99104-01	93		30,626
Radiation Monitoring Devices, Inc.	Subcontract No. C05-24	93		27,960
Rainbow Babies and Children's Hospital	N01-DK-6-2203	93		138,689
Rand Corporation	9920050013	93		58,709
Rand Corporation	Subcontract Agreement #3316 Grant	93		(61)
Rand Corporation	Subcontract 9920040012R01A6024058	93		6,890
Rand Corporation	Subcontract Agreement #9920050059	93		49,344
Rehabilitation Institute of Chicago	Research Agreement	93		31,047
Rehabilitation Institute of Chicago	RIRC 03.80815	93		(8,520)
Research Foundation of Mental Hygiene, Inc.	Consortium Agreement-RFMH	93		11,923
Rhode Island Hospital	#701-7380	93		3,080
Rhode Island Hospital	U01-DK61700-FAVORIT	93		38,647
Rockefeller University	2 R01 MH061399-04A2	93		17,163
Rush-Presbyterian-St. Luke's Medical Center	ES 10902-03	93		7,933
Sandia National Laboratories	102315 and Revision #1	93		270,961
Science Applications International Corporation	23XS118	93		4,908
Science Applications International Corporation	25XS024A	93		86,887
Science Applications International Corporation	SubK 323XSaa0A dated 9/21/04	93		143,023
Scripps Research Institute	5-U54-GM62116-02	93		(5,785)
Scripps Research Institute	P.O. #5-74061	93		104,370
Scripps Research Institute	P.O. #5-73913	93		33,203
Sloan-Kettering Cancer Institute	5-U01 CA83180-02	93		(72,856)
Solohill Engineering, Inc.	Agreement dated 2/24/04	93		29,705
Solohill Engineering, Inc.	Rndtbl Research Agreement	93		219,505
Southern Illinois University Medical School	1-R01-AG19899-01	93		42,921
Southwest Oncology Group	CA37429	93		29,524
Southwest Oncology Group	purchase service agreement	93		18,625
St. Louis University	Agreement of 12/16/99	93		(5,488)
Stanford University	5-R01-MH47573-12	93		33,091
Stanford University	PY-2339	93		306,413
Stanford University	PY-2384-23154-A	93		13,873
State University of New York	Agreement of 10/24/00	93		(3,313)
State University of New York	Subaward #1044050-2-34555	93		15,552
Therapeutics System Research Lab, Inc. (TSRL, Inc.)	Research Agreement dated 02/01/05	93		69,608
Therapeutics System Research Lab, Inc. (TSRL, Inc.)	Research Agreement dated 2/1/05	93		67,181
Therapeutics System Research Lab, Inc. (TSRL, Inc.)	Subcontract Agreement	93		93,206
Therapeutics System Research Lab, Inc. (TSRL, Inc.)	Subcontract dated 11/20/03	93		3,996
Therapeutics System Research Lab, Inc. (TSRL, Inc.)	Subcontract dated 11/20/03	93		66,355
Tulane University	Subaward #TUL-175-04/05	93		35,003
University of Alabama at Birmingham (UAB)	BAMSG Study 4-01	93		21,490
University of Arkansas for Medical Sciences	G250108557	93		293,392
University of Bath	SH184X	93		78,265
University of Calgary	2 R01 HL58955-05	93		149,844
University of California	2144SC	93		(9,693)
University of California	Agreement of 9/30/02	93		80,525

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University of California	L99-MH60398-2	93		(3,522)
University of California	Memo of Agreement #06-MCI	93		25,609
University of California - Davis	RA 011125-UM	93		3,379
University of California - Irvine	Agreement	93		69,715
University of California - Irvine	Subaward #2004-1506	93		309,792
University of California - Los Angeles	1550 G EB957	93		6,234
University of California - Los Angeles	1558 GEB934	93		23,696
University of California - Los Angeles	1580-G-EC799	93		20,188
University of California - Los Angeles	1935 G ED340	93		12,551
University of California - Los Angeles	1935 GED336	93		15,800
University of California - Los Angeles	2000-G-CR187	93		(17)
University of California - Los Angeles	Subaward #1580-G-EC799	93		28,243
University of California - Los Angeles	Subaward #1935GED339	93		29,404
University of California - San Francisco	3356SC	93		54,295
University of California - San Francisco	3801SC	93		140,124
University of California - San Francisco	Agreement	93		15,799
University of California - San Francisco	Subcontract #3680SC	93		93,405
University of California - San Francisco	Subcontract #3356SC	93		2,556
University of California - San Francisco	Subcontract #3825SC	93		81,723
University of California- Riverside	Subcontract #02-15	93		2,327
University of California-San Diego	#6.00.protocol 6-LL	93		15,043
University of California-San Diego	P.O. #10231573	93		9,431
University of California-San Diego	P.O. #10229635	93		4,189
University of California-San Diego	Protocol Attachment to MOA 6-OC	93		26,467
University of California-San Diego	Protocol Attachment. to MOA 6-00	93		14,858
University of California-San Diego	Trial Protocol Attachment	93		6,819
University of Chicago	26020/5-30042-8601	93		(162)
University of Chicago	26020/5-30042-8602	93		(7,660)
University of Chicago	26020/5-30404 Amnd 2	93		74,456
University of Chicago	2602015-30042-7C	93		(749)
University of Chicago	5-30167-8602	93		64,547
University of Chicago	5-30167-8603	93		117,468
University of Chicago	5-30167-8604	93		83,641
University of Chicago	5-30167-8606	93		90,764
University of Chicago	5-30404-8602	93		15,327
University of Chicago	5-30404-8603	93		50,950
University of Chicago	5-30404-8604	93		30,419
University of Chicago	5-30404-8607	93		49,348
University of Chicago	5-30404-8608	93		19,797
University of Chicago	Agreement of 4/14/00	93		113,772
University of Chicago	Contract dated 12/18/98	93		(6,065)
University of Chicago	ID #21489	93		94,886
University of Chicago	U54 AI57153-03	93		18,641
University of Cincinnati	P50-NS044283	93		14,015
University of Cincinnati	Subaward #P021-040-N151-1105	93		23,609
University of Colorado	SPO 34341	93		88,823
University of Florida, The	UFPS0018	93		36,911
University of Georgia	Agreement of 09/30/01	93		37,936

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Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
University of Illinois	03-207	93		63,747
University of Illinois	Agreement of 09/01/00	93		61,348
University of Illinois	Agreement of 9/29/99	93		(222)
University of Illinois	Letter Subaward #03-259	93		3,158
University of Iowa	4000504407	93		6,610
University of Iowa	Agreement of 05/15/00	93		3,616
University of Iowa	Agreement of 9/28/99	93		3,430
University of Iowa	PO # 4000090762	93		(583)
University of Kansas	Subcontract #FY2001-93	93		97,634
University of Maryland, The	Agreement dated 09/30/01	93		79,214
University of Maryland, The	Agreement	93		183,921
University of Maryland, The	P.O. #S01861	93		14,225
University of Massachusetts	Subaward #04-002625A00	93		113,640
University of Medicine and Dentistry of New Jersey	PO 253663	93		12,942
University of Minnesota	Agreement dated 9/1/03	93		104,386
University of Minnesota	Agreement of 9/27/02	93		9,819
University of Minnesota	H6636426602	93		(2,945)
University of Minnesota	P.O. #S2986091201	93		55,309
University of New Mexico	Consort Agreement ID#U01/C	93		80,599
University of New York at Buffalo	R40827	93		29,878
University of New York City	Subcontract #41506-00001A	93		14,404
University of New York City	Subcontract #41506-0002A	93		34,224
University of North Carolina	UNC #5-52194	93		12,313
University of North Carolina	UNC-CH # 5-51918	93		14,736
University of North Carolina	UNC-CH #5-52143	93		66,342
University of North Carolina	UNCCH Acct No. 5-31591	93		18,531
University of Pennsylvania	Agreement for 12/05/04	93		9,057
University of Pennsylvania	#5-34619-C	93		15,284
University of Pennsylvania	Subaward #5-38041-A	93		136
University of Pennsylvania	Subaward #5-42764	93		39,619
University of Pittsburgh	Agreement of 6/1/02	93		(18,540)
University of Pittsburgh	Agreement of 7/01/02	93		4,451
University of Pittsburgh	Project #401415	93		89,506
University of Rochester	P.O. #411883-G	93		75,407
University of Rochester	P.O. #412658-G	93		5,311
University of Rochester	UofRochester P.O. #410954-001-G	93		(5,750)
University of South Carolina	Subcontract #05-1015 PO41615	93		14,175
University of Southern California	Agreement of 10/12/00	93		(2,565)
University of Southern California	P.O. #H28966	93		71,286
University of Texas	100634/100623	93		158,009
University of Texas	100635/100623	93		187,756
University of Texas	Agreement of 09/15/02	93		47,278
University of Texas	Agreement of 11/02/00	93		28,578
University of Texas	GMO-010114 (N01MH90003)	93		156,476
University of Texas	GMO-010147	93		786
University of Texas	Letter of 7/21/99	93		(15,989)
University of Texas	#NO1 MH90003-GMO-010148	93		43,215
University of Texas	Subaward #0003389C	93		9,853

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University of Texas	Subaward #0004293	93		216,556
University of Texas	UTA02-211	93		(653)
University of Texas Southwestern	GMO-400928	93		28,657
University of Utah	1-R01-NS40458-01A2	93		109,300
University of Washington	Subcontract #589581	93		20,228
University of Washington	Subcontract #719547	93		(5,590)
University of Washington	Subcontract #874617	93		38,799
University of Wisconsin	1- R01 RR13635-01	93		(2,380)
University of Wisconsin	Agreement #833F092	93		3,992
University of Wisconsin	Agreement #834F654	93		119,481
University of Wisconsin	P.O. #807G343 121870	93		3,101
Vanderbilt University	Agreement of 05/21/01	93		3,842
Vanderbilt University	Cost Reimbursement Res	93		(14,877)
Vanderbilt University	R01 NS042698-04	93		338,128
Victor/Harder Productions, Inc.	RT Res Agreement 1/1/05	93		16,511
Washington University	5 U01 NS42167-03	93		20,718
Washington University	P.O. #29714M	93		(4,000)
Washington University	P.O. #29423T, WU-03-33	93		43,386
Washington University in St. Louis	WU-04-180	93		17,258
Wayne State University	7 R01 CA100724-03	93		37,774
Wayne State University	P.O. P0403929	93		82,687
Wayne State University	P0409657	93		2,721
Wayne State University	P.O. #Y-318168-04	93		457,171
Wayne State University	P.O. P0429302 -WSU05018	93		41,997
Wayne State University	P.O. #402376	93		13,608
Wayne State University	Subaward #WSU05005	93		36,414
Wayne State University	SWU04048 P.O.#P0416983	93		26,336
Wayne State University	WSU02021-A2 PO#411527	93		144,290
Wayne State University	WSU03019	93		96,418
Wayne State University	WSU04009	93		79,199
Wayne State University	WSU04055	93		193,138
Yale University	2-U19-HD35482-06	93		(11,327)
Yale University	5 U19 HD35482-08	93		483,420
Office of the Secretary				
Direct		93		1,918,801
Subcontract:				
Arkansas, State of	P.O. 4500366398 02ASPE411A	93		63,812
Columbia University	90YE0063/02	93		619,403
Louisiana, State of	Agreement of 7/1/03	93		2,594
Michigan, State of, Community Health, Department of	20040103	93		123,141
Michigan, State of, Community Health, Department of	20040394	93		169,731
Michigan, State of, Community Health, Department of	20042908	93		60,000
Michigan, State of, Community Health, Department of	20050531	93		115,775
Michigan, State of, Community Health, Department of	20051361	93		204,010
Michigan, State of, Community Health, Department of	20052187	93		252,514
University of California	2326SC	93		69,946
University of California	2327SC	93		142,049
University of Miami, Florida, The	University of Miami	93		4,188

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Substance Abuse and Mental Health Services Adm.				
Direct		93		90,395
Subcontract:				
Michigan, State of, Human Services, Department of	Admin 02-99002-4	93		218,695
National Opinion Research Center	Subcontract Agreement 4833-00-01	93		446,514
Southwest Counseling & Development Services	Letter Agreement dated 8/18/04	93		51,893
University of Maryland, The	Q271401	93		8,210
Homeland Security, Department of				
Direct		97		691,921
Housing and Urban Development, Department of				
Direct		14		42,255
Institute of Museum and Library Services				
Direct		3		47,565
Subcontract:				
University of Washington	619722	3		37,449
Interior, Department of the				
Direct		15		292,060
Subcontract:				
Michigan, State of, Natural Resources, Department of	#230712-20 PO#751P5200318	15		14,802
Michigan, State of, Natural Resources, Department of	#230716-00/741P4003235	15		47,681
Michigan, State of, Natural Resources, Department of	#230741-20 PO 751P5200316	15		35,771
Michigan, State of, Natural Resources, Department of	#232211-20 PO#751P5200319	15		8,774
Michigan, State of, Natural Resources, Department of	#237004-30/PO#751BB4200070	15		126,612
Michigan, State of, Natural Resources, Department of	751P5200312	15		56,485
Michigan, State of, Natural Resources, Department of	751P5200313	15		15,578
Michigan, State of, Natural Resources, Department of	Check #222182493 dated 5/17/04	15		4,452
Michigan, State of, Natural Resources, Department of	Contract #751B4200013	15		23,163
Michigan, State of, Natural Resources, Department of	Contract #751B4200009	15		2,928
Michigan, State of, Natural Resources, Department of	Contract #751B4200049	15		13,859
Michigan, State of, Natural Resources, Department of	Contract #751B4200012	15		12,943
Michigan, State of, Natural Resources, Department of	Contract #751B4200071	15		210,883
Michigan, State of, Natural Resources, Department of	P.O. #751P5200522 for Ctr#75	15		4,510
Michigan, State of, Natural Resources, Department of	P.O. #751P5200380 for Ctr#75	15		43,355
Michigan, State of, Natural Resources, Department of	P.O. #751P5200381	15		28,024
Michigan, State of, Natural Resources, Department of	P.O. #751Contract #751B4200008	15		(317)
Michigan, State of, Natural Resources, Department of	Prj #237006-30 P.O. #751P4003238	15		12,533
United States Institute for Environmental Conflict Resolution	Contract 1101	15		7,710
Justice, Department of				
Direct		16		1,648,905
Subcontract:				
Harvard University	93 IJ CX K005	16		13,331
Michigan, State of, Human Services, Department of	P.O. #431N5203133	16		24,736
Labor, Department of				
Direct		17		4,771
Subcontract:				
WorldWide Strategies, Inc (WSI)	Subcontract Agreement	17		76,576
Library of Congress				

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Direct		42		141,790
National Aeronautics and Space Administration				
Direct		43		10,570,930
Subcontract:				
Aerospace Corporation, The	P.O. #4600002177	43		6,884
BAE Systems	Prime K#NAS8-02096	43		68,720
Boeing Company, The	ALM332	43		(21,063)
Boston University	174465	43		6,912
Boston University	GC 179073 NGA	43		(18,715)
Carnegie Institution of Washington	DTM 3218-04 C/D	43		6,948
Carnegie Institution of Washington	DTM-3250-04	43		19,991
Center for Rotorcraft Innovation	03-B-01-02.2-A17	43		(4,118)
Center for Rotorcraft Innovation	04-B-01-017-A17 (RITA)	43		34,223
Center for Rotorcraft Innovation	04-B-01-017-A17(NRTC)	43		41,225
EMAG Technologies, Inc.	Award Letter	43		123,156
EMAG Technologies, Inc.	Letter Auth 2/21/05	43		17,086
Jet Propulsion Laboratory	1248252	43		65,095
Jet Propulsion Laboratory	1250087	43		46,675
Jet Propulsion Laboratory	1250337	43		37,216
Jet Propulsion Laboratory	1252578	43		19,520
Jet Propulsion Laboratory	1254621	43		8,845
Jet Propulsion Laboratory	1255625	43		11,965
Jet Propulsion Laboratory	1257158	43		104,176
Jet Propulsion Laboratory	1258282	43		100,202
Jet Propulsion Laboratory	1259068	43		77,133
Jet Propulsion Laboratory	1262144	43		66,778
Jet Propulsion Laboratory	1262525	43		46,787
Jet Propulsion Laboratory	1262611	43		13,989
Jet Propulsion Laboratory	1263862	43		745
Jet Propulsion Laboratory	1264150	43		435
Jet Propulsion Laboratory	1264323	43		1,566
Jet Propulsion Laboratory	1264528	43		17,200
Jet Propulsion Laboratory	1265336	43		51,993
Jet Propulsion Laboratory	1266313	43		49,144
Jet Propulsion Laboratory	1266314	43		24,104
Jet Propulsion Laboratory	1267021	43		6,333
Jet Propulsion Laboratory	1267460	43		49,927
Jet Propulsion Laboratory	1268016	43		184,866
Jet Propulsion Laboratory	1268339	43		20,912
Jet Propulsion Laboratory	1269328	43		21,057
Jet Propulsion Laboratory	1270683	43		1,719
Jet Propulsion Laboratory	1271775	43		2,142
Jet Propulsion Laboratory	JPL #1228303	43		1,586,880
Jet Propulsion Laboratory	JPL #1214369	43		126,972
Jet Propulsion Laboratory	JPL #961176	43		79,013
Jet Propulsion Laboratory	JPL #961177	43		87,264
Jet Propulsion Laboratory	JPL #961178	43		369,708
Jet Propulsion Laboratory	JPL #1219351	43		22,783

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Jet Propulsion Laboratory	JPL #1232300	43		20,042
Jet Propulsion Laboratory	JPL #1237109	43		31,457
Jet Propulsion Laboratory	JPL #1237843	43		70,042
Johns Hopkins University	845762	43		(16,660)
Johns Hopkins University	871789	43		17,648
Johns Hopkins University	887874	43		23,535
Lockheed Martin Corporation	Lockheed SubK #SY01H5701R	43		18,589
Michigan State University	622731	43		120,605
Michigan Technic Corporation	Letter Dated 03/01/99	43		(14,318)
Princeton University	999	43		11,802
Reisz Engineers	Award letter	43		46,719
Research Triangle Institute	P.O. #29101s	43		11,516
Science Applications International Corporation	4400052999	43		32,327
Science Applications International Corporation	Subcontract #4400078440	43		(288)
Southwest Research Institute	199326Q	43		28,130
Southwest Research Institute	599966Q	43		2,053
Space Telescope Science Institute	GO-08286.02-A	43		438
Space Telescope Science Institute	HST GO 09906.07-A	43		6,073
Space Telescope Science Institute	HST-AR-0993201-A	43		30,301
Space Telescope Science Institute	HST-AR-09941.01A	43		(835)
Space Telescope Science Institute	HST-AR-10301.01-A	43		13,892
Space Telescope Science Institute	HST-GO-08591.01-A	43		8,147
Space Telescope Science Institute	HST-GO-09036.16-A	43		16,214
Space Telescope Science Institute	HST-GO-09066.08-A	43		45,425
Space Telescope Science Institute	HST-GO-09073.01-A	43		(482)
Space Telescope Science Institute	HST-GO-09106.01-A	43		32,031
Space Telescope Science Institute	HST-GO-09158.02-A	43		23,130
Space Telescope Science Institute	HST-GO-09370.01-A	43		14,479
Space Telescope Science Institute	HST-GO-09374.04-A	43		21,406
Space Telescope Science Institute	HST-GO-09392.01-A	43		38,763
Space Telescope Science Institute	HST-GO-09496.07-A	43		2,646
Space Telescope Science Institute	HST-GO-09776.01-A	43		37
Space Telescope Science Institute	HST-GO-09858.01-A	43		57,061
Space Telescope Science Institute	HST-GO-10341.07-A	43		5,061
Stanford University	26966-A	43		20,918
Streamline Numerics, Inc	Res Agreement 2/7/05	43		502
T/J Technologies, Inc.	S95A	43		15,420
Tethers Unlimited, Inc.	Terms & Conditions 3/29/04	43		50,281
University of Arizona	Y402840	43		159,626
University of California	SA4503-24345	43		16,512
University of California - Berkeley	SA 4700-10477	43		8,215
University of California - Berkeley	SA4320-26327	43		28,482
University of California - Los Angeles	2090 G EB255	43		77,521
University of Colorado	154-1083	43		30,402
University of Florida, The	UF-EIES-0502007-UM	43		18,945
University of Maryland, The	Q223201	43		202,019
University of Maryland, The	Z689204	43		1,043,738
University of New Hampshire	03-697	43		6,057

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University of Texas	04-092	43		54,245
University of Texas	SC 04-08	43		404,906
Wheeling Jesuit University, Inc.	NAG5-13782	43		73,537
Yale University	Y-01-0019	43		14,383
National Archives and Records Administration				
Direct		89		11,142
Subcontract:				
University of Minnesota	X3719027101	89		65,957
National Endowment for the Arts				
Subcontract:				
Michigan, State of, Michigan Council for Arts and Cultural Affairs	04CP0017DS	5		2,000
National Endowment for the Humanities				
Direct		6		161,537
Subcontract:				
American Council of Learned Societies	Agreement	6		21,669
Michigan, State of, Michigan Council for Arts and Cultural Affairs	04CP0011HT	6		6,189
National Science Foundation				
Direct		47		66,909,877
Subcontract:				
American Association for the Advancement of Science (AAAS)	ESI-0227557	47		469,040
American Association for the Advancement of Science (AAAS)	Terms of Agreement dated 1/8/04	47		3,924
American Educational Research Association	Letter dated 02/23/05	47		1,952
Arizona State University	ASU 03-068	47		75,541
Association for Institutional Research	SRS-0086139	47		(71)
Brandeis University	4-00674	47		180,938
California Institute of Technology	PHY 0427110	47		17,501
California Institute of Technology	P.O. #1005452 formally PC 251179	47		(1)
Carnegie-Mellon University	1120171-120735	47		89,758
Carnegie-Mellon University	Subgrant 1120201-127990	47		12,737
Clemson University	692-7557-206-2003627	47		13,318
Columbia University	PHY 0301292 Subawrd3 PO#541377	47		315,189
Columbia University	PHY-9722537	47		658,526
Cornell University	33990	47		1,103,905
Cornell University	46222-7763	47		54
Cornell University	Subaward 43422-7323	47		9,702
Detroit Public Schools	DPS01-0000514638	47		44,091
Eastern Michigan University	Agreement	47		40,089
Educational Development Center, Inc.	SubK dated 8/1/03-NSF ESI-01	47		(8,797)
Educause Security Commission	Award letter dated 2/28/03	47		316
General Dynamics Corporation	Check #761209	47		34,844
Georgia Institute of Technology	C36-A98-G3	47		187,966
Georgia Institute of Technology	E-20-K28-G3	47		12,583
Georgia Institute of Technology	G-41-A30-G1	47		439,083
Intelligent Prosthetic Systems	Award letter/Ck #1008	47		44,216

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Internet 2	Agreement	47		30,390
Joint Oceanographic Institutions	Task F001842 Ref.418921 BA	47		6,810
Joint Oceanographic Institutions	Task Order #T302A2	47		59,407
Joint Oceanographic Institutions	Task Order F001776	47		24,746
Kent State University	442192-PO60553-A	47		66,825
Marine Biological Laboratory	MBL Subaward #25282	47		25,391
Marine Biological Laboratory	P.O. #4122 MBL 0026450650	47		59,227
Marine Biological Laboratory	Subcontract #98221650	47		78,613
Merit Network, Inc.	Award #DUE-0226323	47		208,610
Merit Network, Inc.	Award letter	47		75,844
Michigan Technological University	MTU 030171Z	47		86,078
Michigan Technological University	MTU-991222Z	47		20,987
National Academy of Sciences	Terms of Agreement 2/1/05	47		3,409
North Carolina State University	2004-0679-01	47		47,280
North Carolina State University	NCSU #2001-0425-01	47		13,782
North Carolina State University	NCSU 2001-1070-01	47		23,373
Northwestern University	0830 310 A632 354	47		134,296
Northwestern University	0830 520 T618 1031	47		7,936
Oklahoma State University	AA-5-66452 under ECS01154	47		82,715
Oregon Health and Science University	GCSLU0018S2	47		269
Pennsylvania State University	2095-UM-NSF-3354	47		52,297
Pennsylvania State University	2792-UM-NSF-9002	47		13,126
Polytorx	Letter Agreement dated 6/29/04	47		29,988
Sonetics Ultrasound, Inc.	RT Res Agreement 1/1/05	47		19,851
Southwest Research Institute	Subcontract #499951Q 15-10694	47		22,576
SRI International	Letter dated. 10/17/01	47		59,837
SRI International	Subcontract #55-000228	47		20,547
SRI International	Subcontract #11-000188	47		74,344
State University of New York	Award #28104/Project 103	47		100,608
Syagen Technology, Inc.	12/3/03, check #5220	47		(1,872)
Syagen Technology, Inc.	SBIR Ph2	47		34,364
Syracuse University	SU-3535742	47		(112)
Texas A & M Research Foundation	CCR 0223741	47		13,204
Texas A & M Research Foundation	Task F001316	47		708
Texas A & M Research Foundation	Task F001324	47		548
Texas A & M Research Foundation	Task F001516	47		15,274
Texas A & M Research Foundation	Task F001710	47		2,105
Texas A & M Research Foundation	Task Order F001490	47		6,092
Texas A & M Research Foundation	Task Order F001733	47		27,539
Texas A & M Research Foundation	Task Order F001802	47		6,531
University of California	J02 IIS 0083075 UM	47		34,104
University of California	K005830-02	47		13,210
University of California	kk2120	47		20,513
University of California	P.O. #10182854-006	47		184,155
University of California - Berkeley	SA3420-22395PG	47		9,521
University of California - Santa Barbara	KK4105	47		32,241
University of California - San Diego	P.O. #10248242	47		152,338
University of Georgia	RR229-227/5812127	47		1,170,309

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

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University of Illinois	2003-01847-2	47		375,196
University of Illinois	2003-07913-01	47		46,562
University of Illinois	2003-6198-02	47		204,194
University of Maryland, The	S01134 under NSF BES-0097442	47		3,132
University of Maryland, The	Z424801	47		140,806
University of Minnesota	T4496001003	47		10,978
University of Minnesota	V4846038101	47		229,571
University of Minnesota	X4056459201	47		43,533
University of New Mexico	048531-871E PO#P0008436	47		26
University of Pennsylvania	5-41191-B	47		78,002
University of Pittsburgh	010268-1	47		82,846
University of Pittsburgh	Subagreement #010119	47		(3,704)
University of Tennessee	OR552.01	47		(74,872)
University of Texas	UTA 00-021 EIA-9975286	47		5,647
University of Texas	UTA04-134	47		16,281
University of Wisconsin	A703776,144-MB68	47		6,161
University of Wisconsin	Subaward A702656	47		110,398
Vanderbilt University	16831-S2	47		279,738
Washington University in St. Louis	P.O. #29655F	47		8,543
Wayne State University	P0411394	47		(10,204)
Peace Corps				
Direct		8		11,774
Smithsonian Institution				
Direct		60		302,713
Social Security Administration				
Direct		96		2,018,663
State, Department of				
Direct		19		23,125
Subcontract:				
National Council for Eurasian and East European				
Research, The (NCEER)	Contract No. 818-12	19		(8,164)
National Council for Soviet and East European Research	819-9	19		3,665
Transportation, Department of-				
Federal Highway Administration				
Direct		20		4,914,824
Subcontract:				
Battelle Columbus Laboratories	BOA# 168139 dated 10/11/01 & Task			
	Order #1	20		242,805
	BOA# 168139 dated. 10/11/01 &			
	Task Order #1	20		4,779
Battelle Columbus Laboratories	Task Order 176397-3	20		93,928
Battelle Columbus Laboratories	Task Order 176397-4	20		10,510
Iowa State University	P.O. I4 12877 00	20		10,832
MACTEC	Subcontract to DTFH61-MAC1	20		(126)
Michigan, State of, State Police, Department of	OP-02-01	20		(926)
Michigan, State of, Transportation, Department of	2003-0026, Auth #4	20		84,656
Michigan, State of, Transportation, Department of	Agreement	20		51,147
Michigan, State of, Transportation, Department of	MDOT 94-1519	20		5,363

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Michigan, State of, Transportation, Department of	MDOT 95-0242	20		(21,218)
National Academy of Sciences	NCHRP-89	20		53,699
San Jose State University Foundation	22-1100-2941-2202	20		13,185
Soils & Materials Engineers, Inc.	pp43920-01	20		11,704
Transtec Group, Inc.	DTFH61-02C-00077	20		8,954
Transtec Group, Inc.	DTFH61-02-C-00077	20		10,401
Federal Motor Carrier Safety Administration				
Direct		20		1,388,324
Federal Transit Administration				
Subcontract:				
MacroSys Research and Technology	Macrosys-JPSM-04-001	20		44,306
TDC Partners, LTD	DTFH61-01-X-0042	20		6,911
National Highway Traffic Safety Administration				
Direct		20		1,447,960
Subcontract:				
General Motors Corporation	P.O. #TCS63561	20		284,517
National Transportation Research Center, Inc.	Research Agreement dated 10/5/04	20		16,137
Other				
Direct		20		81,916
Subcontract:				
Construction Technology Laboratories, Inc. (CTL)	DTFH61-02-D-00137	20		7,215
Delphi Automotive Systems	Agreement	20		186,893
Michigan, State of, State Police, Department of	AL-04-04	20		11,183
Michigan, State of, State Police, Department of	CP-04-01	20		535
Michigan, State of, State Police, Department of	CP-04-02	20		7,496
Michigan, State of, State Police, Department of	CP-04-03	20		(22)
Michigan, State of, State Police, Department of	CP-04-09	20		681
Michigan, State of, State Police, Department of	CP-05-05	20		24,994
Michigan, State of, State Police, Department of	CP-05-06	20		11,555
Michigan, State of, State Police, Department of	JJ-05-13	20		16,278
Michigan, State of, State Police, Department of	OP-04-02	20		17,703
Michigan, State of, State Police, Department of	OP-05-05	20		1,207
Michigan, State of, State Police, Department of	PT-04-21	20		114,240
Michigan, State of, State Police, Department of	TR-04-01	20		37,730
Michigan, State of, State Police, Department of	TR-05-01	20		35,285
Michigan, State of, Transportation, Department of	2003-0026, Auth 1, 76973	20		105,466
Michigan, State of, Transportation, Department of	2003-0026, Auth #2	20		55,915
Society of Automotive Engineers International	P.O. 20375	20		77,146
United States Agency for International Development				
Direct		98		(223)
Subcontract:				
Oregon State University	RD010A-04	98		253,040
United Negro College Fund	Subcontract dated 5/25/99	98		(5,517)
United States District Courts				
Subcontract:				
Community Foundation for Southeastern Michigan	2002-MI	99		185,889
United States Postal Service				
Direct		22		26,724

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Subcontract: AM General Corporation Veterans Affairs, Department of Direct	Consulting Agreement 3/1/04	22  64		2,430  158,843
<b>Total research and development cluster</b>				<b>\$ 607,515,282*</b>
<b>STUDENT FINANCIAL AID CLUSTER</b>				
Education, Department of Programs-Office of Student Financial Assistance Programs				
Direct		84.007	Federal Supplemental Educational Opportunity Grant	\$ 1,652,644
Direct		84.033	Federal Work-Study Program	4,324,801
Direct		84.038	Federal Perkins Loan Program Federal Capital Contributions (Note 5)	-
Direct		84.063	Federal Pell Grant Program	17,540,309
Direct		84.268	William D. Ford Federal Direct Loan Program (Note 4)	-
Health and Human Services, Department of- Health Resources and Services Administration				
Direct		93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (Note 5)	-
Direct		93.364	Nursing Student Loans (Note 5)	-
Direct		93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	210,640
<b>Total student financial aid cluster</b>				<b>\$ 23,728,394*</b>
<b>SHARING SPECIALIZED MEDICAL RESOURCES</b>				
Veterans Affairs, Department of Direct		64.018	Sharing Specialized Medical Resources	\$ 8,928,520*
<b>POPULATION FELLOWS PROGRAM</b>				
United States Agency for International Development Direct		98.HRN-A-00-00001		\$ 5,708,726*
<b>MEDICAL ASSISTANCE PROGRAM</b>				
Health and Human Services, Department of Centers for Disease Control and Prevention				
Subcontract:				
Michigan, State of, Community Health, Department of	20041560	93.778	Medical Assistance Program	\$ 14,407
Michigan, State of, Community Health, Department of	20050797	93.778	Medical Assistance Program	312,656
Office of the Secretary Subcontract:				
Michigan, State of, Community Health, Department of	20040411	93.778	Medical Assistance Program	134,080
Michigan, State of, Community Health, Department of	20042172	93.778	Medical Assistance Program	534,885
Michigan, State of, Community Health, Department of	20042610	93.778	Medical Assistance Program	132,419
Michigan, State of, Community Health, Department of	20050868	93.778	Medical Assistance Program	774,271
Michigan, State of, Community Health, Department of	20051612	93.778	Medical Assistance Program	485,950
Michigan, State of, Community Health, Department of	20051613	93.778	Medical Assistance Program	156,943
Michigan, State of, Community Health, Department of	20051614	93.778	Medical Assistance Program	502,799

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Michigan, State of, Community Health, Department of	20051615	93.778	Medical Assistance Program	157,042
Michigan, State of, Community Health, Department of	20052160	93.778	Medical Assistance Program	244,685
Michigan, State of, Community Health, Department of	20052258	93.778	Medical Assistance Program	121,349
Michigan, State of, Community Health, Department of	20052588	93.778	Medical Assistance Program	204,015
<b>Total medical assistance program</b>				<b>\$ 3,775,501*</b>
<b>OTHER PROGRAMS</b>				
Agriculture, Department of				
Direct		10.303	Integrated Programs	\$ 32,311
Direct		10.961	Scientific Cooperation and Research	10,086
Subcontract:				
Michigan, State of, Community Health, Department of	20041793	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	322,304
Michigan, State of, Natural Resources, Department of	Grant #CFG 04-06	10.664	Cooperative Forestry Assistance	637
Commerce, Department of				
Economic & Statistics Administration				
Subcontract:				
University of Maryland, The	Subcontract Z774901	11		325,253
Economic Development Administration				
Direct		11.313	Trade Adjustment Assistance	911,640
International Trade Administration				
Direct		11.114	Special American Business Internship Training Program	22,614
National Oceanic and Atmospheric Administration				
Subcontract:				
Michigan, State of, Environmental Quality, Department of	Project #04-6217-08	11.419	Coastal Zone Management Administration Awards	6,238
Office of the Secretary				
Direct		11.550	Public Telecommunications Facilities Planning and Construction	(407,682)
Corporation for National and Community Service				
Subcontract:				
Michigan, State of, Labor and Economic Growth, Department of	MCSC/MAC/F-176/04	94.006	AmeriCorps	163,712
Michigan, State of, Labor and Economic Growth, Department of	MCSC/MAC/F-188	94.006	AmeriCorps	110,492
Defense, Department of				
Air Force, Department of the				
Direct		12.Assignment Agreement-Bernstein		20,348
Direct		12.IPA 294		4,618
Army, Department of the				
Direct		12.420	Military Medical Research and Development	10,000
Direct		12.W911NF-04-1-0183		15,016
Defense Advanced Research Projects Agency				
Direct		12.Assignment Agreement		225,497
Subcontract:				
Corporation for National Research Initiatives (CNRI)	Amend #10 to MEMS Exchange	12		103,259

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Navy, Department of the				
Direct		12.300	Basic and Applied Scientific Research	18,510
Direct		12.N000167-05-M-0075		2,846
Subcontract:				
Advanced Technology Institute	P.O. #20040632	12		3,196
Computer Sciences Corporation	Agreement	12		50,698
Michigan Aerospace Corporation	P.O. #F2013-0927-9	12		10,000
Other				
Subcontract:				
Consortium for Oceanographic Research and Education	Check #1085	12		86
Consortium for Oceanographic Research and Education	Email dated 10/19/04	12		15,721
Education, Department of				
Direct		84.004	Civil Rights Training and Advisory Services	725,988
Direct		84.015	National Resource Centers and Fellowships Program	2,210,364
Direct		84.051	Vocational Education National Programs	240,968
Direct		84.116	Fund for the Improvement of Postsecondary Education	1,162,061
Direct		84.133	National Institute on Disability and Rehabilitation	351,370
Direct		84.170	Javits Fellowships	365,308
Direct		84.195	Bilingual Education Professional Development	134,369
Direct		84.220	Centers for International Business Education	349,445
Direct		84.335	Child Care Access Means Parents in School	81,023
Direct		84.336	Teacher Quality Enhancement Grants	238,081
Direct		84.341	Community Technology Centers	(98,344)
Direct		84.342	Preparing Tomorrow's Teachers to Use Technology	192,772
Direct		84.349	Early Childhood Educator Professional Development	40,229
Direct		84.359	Early Reading First	32,603
Direct		84.P021A040052		77,594
Subcontract:				
Council for International Exchange of Scholars	Grant #87481953	84.019	Overseas Faculty Research Abroad	3,565
Flint Community Schools	Agreement of 6/1/00	84.287	Twenty-First Century Community Learning Centers	(6,628)
Flint Community Schools	Check #287086	84.350	Transition to Teaching	99,966
Merit Network, Inc.	Letter dated 03/01/04	84.367	Improving Teacher Quality State Grants	77,914
Michigan State University	Subcontract #61-7056/01	84.336	Teacher Quality Enhancement Grants	133,549
Michigan, State of, Community Health, Department of	Letters dated 4/14/99 & 5/7/99	84		(2,438)
Michigan, State of, Education, Department of	0299-103	84.287	Twenty-First Century Community Learning Centers	7,993
Michigan, State of, Education, Department of	030290-901	84.367	Improving Teacher Quality State Grants	(2,211)
Michigan, State of, Education, Department of	040290-101	84.367	Improving Teacher Quality State Grants	83,186
Michigan, State of, Education, Department of	040290-109	84.367	Improving Teacher Quality State Grants	39,304
Michigan, State of, Education, Department of	050290-0405	84.367	Improving Teacher Quality State Grants	64,317
Michigan, State of, Labor and Economic Growth, Department of	P.O. 801B3001004	84		33,915
National Writing Project	00-M103	84		63,853
Pacific Resources for Education and Learning	PREL/UM Contract	84.203	Star Schools	(18,632)
Public Broadcasting Service	Ready to Learn Subcontract Agrmt	84		45,638
University of Chicago	P337A020018	84		18,791
University of Cincinnati	PC03A-01521	84.116	Fund for the Improvement of Postsecondary Education	2,432
University of Missouri	C00001253-2	84.116	Fund for the Improvement of Postsecondary Education	17,924
University of Notre Dame, The	UND #200440	84.015	National Resource Centers and Fellowships Program	110,990

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**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Various	Project IDEAL	84		609,729
Energy, Department of				
Direct		81.086	Conservation Research and Development	219,279
Direct		81.DE-FC26-98CH10950		7,634
Subcontract:				
Krell Institute	ORAU-FELLOWSHIP	81		4,873
Sandia National Laboratories	Checks	81		20,000
Environmental Protection Agency				
Direct		66.4D 5653 NAEX		49,515
Subcontract:				
Michigan, State of, Environmental Quality, Department of	Agreement #2004-0160	66.454	Water Quality Management Planning	16,695
Shaw Environmental, Inc.	P.O. #67408 11/29/04	66		10,907
Wayne, County of	Letter dated 2/25/05-Agreement	66.606	Surveys, Studies, Investigations and Special Purpose Grants	1,747
Wayne, County of	Letter dated 3/17/04-Contract	66.606	Surveys, Studies, Investigations and Special Purpose Grants	23,861
Wayne, County of	Letter dated 5/4/04	66.606	Survey, Studies, Investigations and Special Purpose Grants	24,271
Health and Human Services, Department of Administration for Children and Families				
Direct		93.648	Child Welfare Services Training Grants	235,046
Subcontract:				
National Association of Counsel for Children (NACC)	Agreement	93		44,444
United Way of Washtenaw County	P.O. 33548-000-PS	93.600	Head Start	10,687
Administration on Aging				
Subcontract:				
Area Agency on Aging - Michigan	04-9048-08	93		829
Area Agency on Aging - Michigan	04-9048-G-02	93		23,452
Area Agency on Aging - Michigan	05-9044-08	93		8,461
Area Agency on Aging - Michigan	05-9048-08	93		8,571
Area Agency on Aging - Michigan	Contract #05-9202-03	93		26,101
Area Agency on Aging - Michigan	Contract #04-9202-03	93		16,271
Area Agency on Aging - Michigan	Various Checks	93		6,959
Washtenaw, County of	CR 35870	93		62,184
Washtenaw, County of	Letter dated 9/29/04 for Contract	93		35,616
Agency for Health Care Research and Quality				
Direct		93.226	Research on Healthcare Costs, Quality and Outcomes	(86)
Centers for Disease Control and Prevention				
Direct		93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	333,365
Direct		93.136	Injury Prevention and Control Research and State and Community Based Programs	488,517
Direct		93.283	Centers for Disease Control and Prevention	1,452,714
Direct		93.05IPA24738	Investigations and Technical Assistance	18,960
Direct		93.Agreement		629,800
Direct		93.AssignAgreement		
Direct		05IPA28258		7,812

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**The University of Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Direct		93.CDC AGT		(5)
Direct		021PA05207		(207)
Subcontract:		93.Order #0000258426		
Association of Schools of Public Health, Inc.	53247-23/23	93	Centers for Disease Control and Prevention	8,307
Association of Schools of Public Health, Inc.	A1023-21/22	93.283	Investigations and Technical Assistance	576,944
Association of Schools of Public Health, Inc.	D3298-23/23	93		50,894
Association of Schools of Public Health, Inc.	H3324-07/07	93		4,785
Christopher Reeve Paralysis Foundation	Award dated 7/19/04	93		5,227
Genesee County	Agreement of 10/01/04	93.945	Assistance Programs for Chronic Disease Prevention	16,187
Genesee County	E-mail dated 11/19/03 for Agreement	93.945	Assistance Programs for Chronic Disease Prevention	13,455
			Centers for Disease Control and Prevention	
Hemophilia Foundation of Michigan	2003/04 DHHS/CDC	93.283	Investigations and Technical Assistance	64,087
Hemophilia Foundation of Michigan	2004-2005 CDC Contract	93		1,953
Hemophilia Foundation of Michigan	2004-2005 CDC Throm.	93		40,547
Michigan Public Health Institute	Agreement #C-30307-15-504200	93.136	Injury Prevention and Control Research and State and Community Based Programs	27,946
Michigan Public Health Institute	C-30306-111-501600	93.136	Injury Prevention and Control Research and State and Community Based Programs	6,625
Michigan, State of, Community Health, Department of	20030773	93.991	Preventive Health and Health Services Block Grant	(1,145)
Michigan, State of, Community Health, Department of	20040681	93.136	Injury Prevention and Control Research and State and Community Based Programs	6,519
Michigan, State of, Community Health, Department of	20040934	93.283	Centers for Disease Control and Prevention	(9,191)
Michigan, State of, Community Health, Department of	20041620	93.283	Investigations and Technical Assistance	16,752
Michigan, State of, Community Health, Department of	20041633	93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	29,173
Michigan, State of, Community Health, Department of	20041765	93.994	Maternal and Child Health Services Block Grant to the States	130,843
Michigan, State of, Community Health, Department of	20050583	93.283	Centers for Disease Control and Prevention	75,153
Michigan, State of, Community Health, Department of	20050586	93.283	Investigations and Technical Assistance	209,463
Michigan, State of, Community Health, Department of	20050587	93.136	Injury Prevention and Control Research and State and Community Based Programs	12,498
Michigan, State of, Community Health, Department of	20051499	93.283	Centers for Disease Control and Prevention	92,280
Michigan, State of, Community Health, Department of	20051525	93.283	Investigations and Technical Assistance	24,074
Michigan, State of, Community Health, Department of	20052309	93.991	Preventive Health and Health Services Block Grant to the States	14,533
Michigan, State of, Community Health, Department of	20052377	93.283	Centers for Disease Control and Prevention	3,813
University of Illinois	UIC Account #2-5-20494	93.879	Investigations and Technical Assistance	21,401
Centers for Medicare and Medicaid			Medical Library Assistance	

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.



**The University of Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Subcontract:				
Michigan, State of, Community Health, Department of	20021440	93	Centers for Medicare and Medicaid Services (CMS)	721,458
Michigan, State of, Community Health, Department of	20040188	93.779	Research, Demonstrations and Evaluations	34,295
Michigan, State of, Community Health, Department of Health Resources and Services Administration	Letter Dated 12/05/00	93		242,124
Direct		93.110	Maternal and Child Health Federal Consolidated Programs	13,706
Direct		93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	214,451
Direct		93.127	Emergency Medical Services for Children	562,994
Direct		93.139	Financial Aid for Disadvantaged Health Profession Students (Note 5)	-
Direct		93.178	Nursing Workforce Diversity	251,821
Direct		93.359	Nurse Education, Practice and Retention Grants	226,190
Direct		93.822	Health Careers Opportunity Program	251,592
Direct		93.884	Grants for Training in Primary Care Medicine and Dentistry	106,291
Direct		93.887	Health Care and Other Facilities	6,793
Direct		93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	697,305
Direct		93.IPA Assign Agreement		10,254
Subcontract:				
National Network of Libraries of Medicine (NN/LM)	Contract #N01-LM-1-3513	93.879	Medical Library Assistance	278
Transplantation Society of Michigan	Letter Dated 9/30/99	93.134	Grants to Increase Organ Donations	(20,606)
National Institutes of Health				
Direct		93.121	Oral Diseases and Disorders Research	168,104
Direct		93.124	Nurse Anesthetist Traineeships	22,135
Direct		93.173	Research Related to Deafness and Communication Disorders	39,450
Direct		93.213	Research and Training in Complementary and Alternative Medicine	300,124
Direct		93.242	Mental Health Research Grants	352,166
Direct		93.358	Advanced Education Nursing Traineeships	15,692
Direct		93.389	National Center for Research Resources	207,557
Direct		93.399	Cancer Control	18,417
Direct		93.839	Blood Diseases and Resources Research	1,327,634
Direct		93.866	Aging Research	11,804
Direct		93.879	Medical Library Assistance	70,013
Direct		93.02T20005901D		10,910
Direct		93.269-MM-504333-1		2,333
Direct		93.IPA for Austra Liepa		6,261
Subcontract:				
American College of Radiology	ACRIN Chair Agreement dated 1/1/04	93		11,618
American College of Radiology	CA21661	93		30,798
American College of Radiology	CA80098	93.394	Cancer Detection and Diagnosis Research	44
Booz Allen Hamilton, Inc.	Agreement	93		53,523
Cancer Therapy and Research Center	Contract #SWOG-05029	93		3,731

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**The University of Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Cancer Therapy and Research Center	Contract #SWOG-05029	93		8,011
Cancer Therapy and Research Center	Multiple Checks	93		29,134
Cancer Therapy and Research Center	SWOG 04027	93		8,751
Cancer Therapy and Research Center	SWOG 05018	93		3,388
Cancer Therapy and Research Center	SWOG-04014	93		9,370
Cancer Therapy and Research Center	SWOG-04015	93		8,269
Cancer Therapy and Research Center	SWOG-04032	93		17,338
Cancer Therapy and Research Center	SWOG-05024	93		3,816
Cayuse, Inc.	Subcontract dated 12/5/02	93		46,010
Children's Memorial Hospital	Subcontract #2003-219N-UofM	93		12,329
CTRC Research Foundation (Cancer Therapy Research Center)	1-U10-CA77178	93.399	Cancer Control	42,279
Duke University	040803REGEN	93		2,660
Duke University	Agreement of 5/1/02	93.395	Cancer Treatment Research	8,768
Duke University	Subcontract Agreement	93		3,500
International Union, UAW	Roundtable Research Agreement	93		5,753
Johns Hopkins University	8407-46290-X	93.399	Cancer Control	11,416
Metabolic Solutions	Check #1425	93		15,340
Michigan Coalition Against Domestic and Sexual Violence, The (MCADSV)	Coop Agreement - Delta Project	93		51,959
National Childhood Cancer Foundation	Subcontract #12786	93		183,394
National Childhood Cancer Foundation	Subcontract #13101	93		12,474
University of Pittsburgh	Agreement of 9/1/03	93.853	Extramural Research Programs in the Neurosciences	(496)
University of Texas	Check #397095	93		11,571
Wayne State University	WSU04043-A1	93		7,548
Office of the Secretary				
Direct		93.648	Child Welfare Services Training Grants	25,061
Direct		93.03T03006107D		25,370
Direct		93.03T03009201D		(1,308)
Direct	IPA Assignment Agreement	93		79,879
Direct	LTR of 09/25/02	93		28,275
Subcontract:				
HelpSource	Agreement dated 8/3/04	93		31,386
HelpSource	Email dated 9/10/03 & Agreement	93		12,591
Ingham, County of	Agreement of 10/1/02	93.919	Cooperative Agreements for State-Based Comprehension	12,493
Michigan, State of, Community Health, Department of	20041277	93.217	Family Planning Services	713
Michigan, State of, Community Health, Department of	20041277	93.217	Family Planning Services	31,600
Michigan, State of, Community Health, Department of	20041500	93.206	Human Health Studies Applied Research and Development	9,925
Michigan, State of, Community Health, Department of	20050943	93.217	Family Planning Services	69,970
Washtenaw, County of	34607-000-SC	93.959	Block Grants for Prevention and Treatment of Substance Abuse	16,253
Housing and Urban Development, Department of				
Direct		14.511	Community Outreach Partnership Center Program	144,035
Direct		14.512	Community Development Work-Study Program	(40)
Subcontract:				
Ann Arbor, City of	030-002-430-7065	14.218	Community Development Block Grants/Entitlement	(236,416)

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**The University of Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Ann Arbor, City of	Agreement 7/1/04	14.872	Grants Public Housing Capital Fund	3,076
Washtenaw, County of	CR35657	14.406	Non-Discrimination in the Community Development Block Grant Program	(654)
Institute of Museum and Library Services				
Direct		45.302	Museum Assessment Program	867
Subcontract:				
American Association of Museums	IM-01-03-0028-03	45.302	Museum Assessment Program	1,102
Michigan, State of, Other Projects	Project #503	45.310	State Library Program	23,300
Interior, Department of the				
Direct		15.502-42-6475		(37)
Direct	Award letter dated 7/15/04	15		4,814
		15NBCW3T00025/NBCW 3Z00452		33,592
Justice, Department of				
Direct		16.525	Grants to Reduce Violent Crimes Against Women on Campus	121,182
Labor, Department of				
Direct		17.B9432947		54,058
Subcontract:				
Michigan, State of, Labor and Economic Growth, Department of	Agreement of 2/15/05	17.207	Employment Service	15,000
National Aeronautics and Space Administration				
Direct		43.NGT5-40118		358,148
Direct		43.NNC04GB57G		55,500
Direct		43.NNG04GM65G		5,550
Direct		43.NNG05GB08G		21,350
Direct		43.NNG05GH68H		141,046
Direct		43.W30945		226,795
Subcontract:				
Diversified Global Resources (DGR) JV LLC	DGR #NNH05CC05D	43		20,485
Global Science and Technology, Inc.	Service Agreement	43		18,000
Jet Propulsion Laboratory	1258059	43		100,174
Modern Technology Systems, Inc.	Agreement #N005-659	43		55,800
National Archives and Records Administration				
Direct		89.NAMA-05-C-0007		61,452
Direct		89.NAMAOP9900037		195,152
National Endowment for the Arts				
Direct		45.024	Promotion of the Arts Grants to Organizations and Individuals	4,815
Subcontract:				
American Architectural Foundation, The	Agreement dated 8/1/01	5		(7,126)
Michigan, State of, Michigan Council for Arts and Cultural Affairs	04PP0019ZZ	45.025	Promotion of the Arts Partnership Agreements	350
Michigan, State of, Michigan Council for Arts and Cultural Affairs	05AO0031C1	45.025	Promotion of the Arts Partnership Agreements	26,100
National Endowment for the Humanities				
Direct		45.130	Promotion of the Humanities Challenge Grants	50,000

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**The University of Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Direct		45.149	Promotion of the Humanities Division of Preservation and Access	268,083
Direct		45.161	Promotion of the Humanities Research	16,951
Direct		45.162	Promotion of the Humanities Teaching and Learning	62,721
Subcontract:				
American Musicological Society	RZ-20921	6		58,091
Michigan Humanities Council	2521 H 04	6		4,186
Michigan Humanities Council	Q034-04	45.129	Promotion of the Humanities Federal/State Partners	42
Stanford University	13430410-30786-A	45.163	Promotion of the Humanities Professional Development	12,638
National Science Foundation				
Direct		47.041	Engineering Grants	172,976
Direct		47.049	Mathematical and Physical Sciences	108,499
Direct		47.050	Geosciences	81,814
Direct		47.070	Computer and Information Science and Engineering	169,348
Direct		47.074	Biological Sciences	29,313
Direct		47.075	Social, Behavioral, and Economic Sciences	74,920
Direct		47.076	Education and Human Resources	680,049
Direct		47.CHE-0236634		14,733
Direct		47.CMS-0324078		170,974
Direct		47.DGE-0435717		182,914
Direct		47.OPP-0240005		131,073
Direct		47.SBE-0230128		334,600
Direct		47.SES 0309796		4,040
Direct		47.SES 0409492		3,699
Subcontract:				
American Chemical Society	Agreement between ACS & UM	47		(5,021)
Cornell University	Check dated 4/5/05	47		2,851
Detroit Area Pre-College Engineering Program (DACEP)	Email	47.076	Education and Human Resources	49,305
Henry Ford Community College	P.O. #P0001396	47		15,522
Institute for Advanced Study	IAS-DMS-9900969	47.049	Mathematical and Physical Sciences	3,413
Management Planning Research Associates, Inc.	IIS 0444492	47		42,194
Small Business Administration				
Subcontract:				
Grand Valley State University	2003 SBDC Contract	59.037	Small Business Development Center	(6,000)
Grand Valley State University	2004 MI-SBTDC Contract	59.037	Small Business Development Center	98,435
Grand Valley State University	MI-SBTDC 2005 Co-op	59		52,843
Smithsonian Institution				
Direct		60.Ltr dtd 3/19/03		(14,145)
State, Department of				
Direct		19.415	Professional Exchanges Annual Open Grant	2,269
Direct		19.424	Educational Partnerships Program	46,783
Direct		19.S-BA300-03-GR-14		(126)
Direct		19.S-ECAPE-03-GR-257		
Direct		(DH)		29,002
Subcontract:				
National Association of Foreign Student Advisors (NAFSA)	TOA & letter dated 10/27/04	19		735

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**The University of Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2005**

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-Through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Transportation, Department of				
Other				
Subcontract:				
Michigan, State of, State Police, Department of	OP-05-09	20.602	Occupant Protection	3,386
Michigan, State of, State Police, Department of	PT-04-39	20.600	State and Community Highway Safety	593
Michigan, State of, State Police, Department of	PT-05-18	20.600	State and Community Highway Safety	4,994
United States Agency for International Development				
Subcontract:				
American Council on Education	Institutional Partnership sub	98		11,243
	<b>Total other programs</b>			<b>\$ 25,929,244</b>
	<b>Total federal expenditures</b>			<b>\$ 675,585,667</b>

\* Denotes a major program

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

**The University of Michigan**  
**Notes to Schedule of Expenditures of Federal Awards**

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**1. Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards includes all federal grant transactions of the University recorded on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in these Schedules may differ from amounts presented in, or used in the presentation of, the consolidated financial statements. Negative amounts presented in the Schedule represent adjustments, in the normal course of business, to expenditures reported in prior years.

**2. Indirect Costs**

The University's cognizant agent (the Department of Health and Human Services) has approved predetermined, indirect cost rates for the University's organized research, instruction, and other sponsored activities through June 30, 2008, as follows:

	<u>July 1, 2003 – June 30, 2006</u>	<u>July 1, 2006 – June 30, 2008</u>
On-campus research	53%	52%
Off-campus research	26%	26%
On-campus instruction	54%	54%
Off-campus instruction	30%	30%

**3. Subrecipient Awards**

During 2005, the University disbursed approximately \$53,069,000 to subrecipients. Of that amount, \$52,157,000 related to research and development cluster awards and \$912,000 related to other awards.

**4. Federal Direct Loan Program**

During the fiscal year ended June 30, 2005, the University's students received the following amount of new loans under the William D. Ford Federal Direct Loan Program. The value of loans issued is based on disbursement amounts.

	<u>CFDA number</u>	<u>Amount issued</u>
William D. Ford Federal Direct Loan Program	84.268	\$193,955,000

**The University of Michigan**  
**Notes to Schedule of Expenditures of Federal Awards**

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**5. University-Administered Federal Loan Programs**

The University administers the following federal loan programs:

	<b><u>CFDA</u></b> <b><u>Number</u></b>	<b><u>Outstanding</u></b> <b><u>balance at</u></b> <b><u>June 30, 2005</u></b>
Department of Education, Federal Perkins Program	84.038	\$ <u>80,857,244</u>
Department of Health and Human Services:		
Health Professions Loan Program - Medicine/Primary Care	93.342	4,957,022
Health Professions Loan Program - Pharmacy	93.342	1,948,392
Health Professions Loan Program - Dentistry	93.342	<u>6,531,256</u>
		<u>13,436,670</u>
Disadvantaged Student Loan Program - Medicine/Primary Care	93.139	1,099,419
Disadvantaged Student Loan Program - Pharmacy	93.139	160,336
Disadvantaged Student Loan Program - Dentistry	93.139	<u>110,275</u>
		<u>1,370,030</u>
Nursing Student Loan - Baccalaureate	93.364	1,704,634
Nursing Student Loan - Baccalaureate, Flint	93.364	1,283
Nursing Student Loan - Graduate	93.364	<u>271,726</u>
		<u>1,977,643</u>
Total federal student loans outstanding		<u>\$ 97,641,587</u>

**The University of Michigan**  
**Notes to Schedule of Expenditures of Federal Awards**

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**5. University-Administered Federal Loan Programs (continued)**

The total value of new loans issued during the period July 1, 2004 to June 30, 2005 is identified below.

	<u>CFDA Number</u>	<u>Value of loans issued</u>
Department of Education, Federal Perkins Program	84.038	\$ 20,441,991
Department of Health and Human Services:		
Health Professions Loan Program - Medicine/Primary Care	93.342	160,261
Health Professions Loan Program - Pharmacy	93.342	513,124
Health Professions Loan Program - Dentistry	93.342	<u>1,664,692</u>
		<u>2,338,077</u>
Disadvantaged Student Loan Program - Medicine/Primary Care	93.139	320,855
Disadvantaged Student Loan Program - Pharmacy	93.139	101,500
Disadvantaged Student Loan Program - Dentistry	93.139	<u>16,000</u>
		<u>438,355</u>
Nursing Student Loan – Baccalaureate	93.364	587,242
Nursing Student Loan - Baccalaureate, Flint	93.364	-
Nursing Student Loan – Graduate	93.364	<u>104,713</u>
		<u>691,955</u>
Total federal student loans issued July 1, 2004 – June 30, 2005		<u>\$ 23,910,378</u>



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

The Regents of University of Michigan

We have audited the financial statements of the University of Michigan as of and for the year ended June 30, 2005, and have issued our report thereon dated August 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

**Compliance and Other Matters**

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

This report is intended solely for the information and use of the Regents of the University of Michigan, the Finance, Audit and Investment Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*PricewaterhouseCoopers LLP*

August 30, 2005

**Report of Independent Auditors on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

The Regents of the University of Michigan

**Compliance**

We have audited the compliance of the University of Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005, except as described in the second paragraph of this report. The University of Michigan’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University’s management. Our responsibility is to express an opinion on the University of Michigan’s compliance based on our audit.

We did not audit the University’s compliance with the billing, record-keeping, payment processing, reporting and due diligence compliance requirements specified by the Federal Perkins Loan Program and described in the OMB Circular A-133 Compliance Supplement. Compliance with these requirements was examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the University’s compliance with those requirements, is based solely on the report of the other auditors.

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 University of Michigan’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 University of Michigan’s compliance with those requirements.

In our opinion, based on our audit and the report of the other auditors, the University of Michigan 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, 2005.

### **Internal Control Over Compliance**

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

We did not consider internal control over compliance with the billing, record-keeping, payment processing, reporting, and due diligence compliance requirements specified by the Federal Perkins Loan Program and described in the OMB Circular A-133 Compliance Supplement. Internal control over these compliance requirements was considered by the other auditors referred to above; and our report, insofar as it relates to the University's internal control over those compliance requirements, is based solely upon the report of the other auditors.

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

This report is intended solely for the information and use of the Regents of the University of Michigan, the Finance, Audit and Investment Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*PricewaterhouseCoopers LLP*

August 30, 2005

**The University of Michigan  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2005**

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**Section I – Summary of Independent Accountant’s Results**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Reportable condition(s) identified not considered to be material weakness(es)?  Yes  None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Various	Research and Development
Various	Student Financial Aid
64.018	Sharing Specialized Medical Resources
93.778	Medical Assistance Program
98.HRN-A-00-00-00001	Population Fellows Program

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

Auditee qualified as low-risk auditee?  Yes  No

**Section II – Financial Statement Findings**

None.

**The University of Michigan  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005**

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**Section III – Federal Award Findings and Questioned Costs**

None.

# The University of Michigan

## Schedule of Status of Prior Year Findings and Questioned Costs

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### **Finding No. 04-1 – Student Status Confirmation Reporting**

The Student Status Confirmation Report (SSCR) contains a listing of current Federal Direct Loan borrowers, which is sent to the University electronically by the Department of Education via the National Student Loan Data System. Federal Regulation 34 CFR 685.309 requires the University to notify the Department of Education no later than within 60 days, if it discovers that a student receiving a Federal Direct Loan either did not enroll or ceased to be enrolled on at least a half-time basis. Based on our review, changes in student status information were not reported within the required time-frame for four of the 30 students tested. The student status changes were reported to the Department of Education 52 and 100 days past due for two students, and not reported for the other two students.

### **Recommendation**

We recommend the University identify and implement policies and procedures that will ensure student status information is reported in accordance with federal guidelines.

### **Management's Response**

The University concurs with the auditor's finding and recommendation.

The University's Office of the Registrar is in process of strengthening its policies and procedures to ensure that changes in student status information are reported in a timely manner to the Department of Education through the National Student Loan Data System (NSLDS). Because the student status changes that were not reported timely related to retroactive dates used for certain student withdrawals and graduations, specific action items include the following:

- The Office of the Registrar instituted procedures to identify retroactive activity and, in Fall 2004, the Registrar's Office began processing manual updates with the Clearinghouse. The University has also amended its current schedule with the NSLDS for loading data from the Clearinghouse, which results in more timely updates.
- With respect to graduation, the University's Student Information System maintains both an "Action" date and an "Effective" date for all graduations conferred; therefore, the Registrar's Office is able to identify and provide documentation for certifications that appear to be late due to retroactive dating. In addition, the University has decided to subscribe to the Clearinghouse's automated degree verification service to ensure that the Clearinghouse receives regularly scheduled monthly updates of degrees awarded from the University. The University Registrar has requested the required programming modifications to obtain this service and those modifications will be implemented into the production system in April 2005.

### **Current Status**

Corrected, the corrective action plan has been fully implemented. No similar findings were noted in the current year.

# The University of Michigan

## Schedule of Status of Prior Year Findings and Questioned Costs

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### **Finding No. 04-2 – Pell Grant Disbursement**

In accordance with Federal Regulations 34 CFR 690.83 and 64 FR 42340, the University must submit a disbursement record within 30 days of the date the school becomes aware of a Pell Grant disbursement or adjustment. Based on our review, Pell Grant disbursements were not submitted to the Department of Education within the required time frame for fifteen of the 71 disbursements tested.

- 7 disbursements were submitted 32 days late
- 1 disbursement was submitted 147 days late
- 7 disbursements were submitted 156 days late

### **Recommendation**

We recommend the University develop and implement procedures to ensure that Pell Grant disbursement activity is submitted within the required 30-day time frame.

### **Management's Response**

The University concurs with the auditor's finding and recommendation.

For aid year 2004, a new verification value of "blank" was initiated by the Department of Education to denote that the student was not selected for verification by the Department of Education's Central Processing System. As the University loaded Institutional Student Information Records into the student information system, the verification field loaded with this blank, or null, value. However, the Department of Education's Common Origination and Disbursement (COD) system does not accept null as a valid value and a value of "N" should have been used instead. The University discovered this transmission error in February 2004, and noted that as a result 896 Pell Grant disbursements were not reported to the DOE within the required time frame. The fifteen late disbursements noted by the auditor were included in that discovery. The University initiated and completed corrective action within one week of the discovery. Corrective action included a programming change to require that the verification code field always be populated with an appropriate value when the Financial Aid Office has completed its review.

### **Current Status**

Corrected, the corrective action plan has been fully implemented. No similar findings were noted in the current year.