

The University of Michigan
Reports on Federal Awards in Accordance
with OMB Circular A-133
For the Year Ended June 30, 2006
EIN 38-6006309

The University of Michigan
Contents

Pages (s)

Part I – Financial Information

Report of Independent Auditors 1-2

Management’s Discussion and Analysis 3-22

Consolidated Financial Statements:

 Consolidated Financial Statements 23-26

 Notes to Consolidated Financial Statements 27-52

Supplementary Information:

 Schedule of Expenditures of Federal Awards 53-86

 Notes to Schedule of Expenditures of Federal Awards 87-89

Part II – OMB Circular A-133 Supplemental Reports

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* 90-91

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 92-93

Schedule of Findings and Questioned Costs 94-95

Schedule of Status of Prior Year Findings and Questioned Costs 96

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, 2006 and 2005, and its consolidated revenues, expenses and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2006 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, 2006. 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, 2006, 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

August 29, 2006

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, 2006 and 2005 and its activities for the three fiscal years ended June 30, 2006. 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 55,000 students and 6,200 faculty members on three campuses in southeast Michigan. The University offers a diverse range of degree programs from baccalaureate to post-doctoral levels through 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 47,000 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 \$12.0 billion and liabilities of \$2.1 billion at June 30, 2006, compared to assets of \$10.8 billion and liabilities of \$2.0 billion at June 30, 2005. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased \$1.1 billion in fiscal 2006, to \$9.9 billion at June 30, 2006. Changes in net assets represent the University's results of operations and are summarized for the years ended June 30, 2006 and 2005 as follows:

	<u>2006</u>	<u>2005</u>
	(in millions)	
Operating revenues and state educational appropriations	\$ 4,147.9	\$ 3,935.6
Total expenses	<u>4,283.1</u>	<u>4,047.8</u>
	(135.2)	(112.2)
Net investment income	959.8	874.6
Gifts and other nonoperating revenues	<u>249.2</u>	<u>318.0</u>
Increase in net assets	<u>\$ 1,073.8</u>	<u>\$ 1,080.4</u>

Net assets increased approximately \$1.1 billion in 2006 and 2005 primarily due to investment earnings of \$960 million and \$875 million in 2006 and 2005, respectively. The results of operations also reflect the University's continued focus on cost containment, while addressing rising health care and energy costs and a competitive recruitment environment for faculty. Operating revenues and state educational appropriations increased 5.4 percent, or \$212 million, while total expenses increased 5.8 percent, or \$235 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, 2006 and 2005 is summarized as follows:

	<u>2006</u>	<u>2005</u>
	(in millions)	
Current assets	\$ 2,330	\$ 2,239
Noncurrent assets:		
Endowment, life income and other investments	5,963	5,196
Capital assets, net	3,453	3,105
Other	<u>244</u>	<u>235</u>
Total assets	<u>11,990</u>	<u>10,775</u>
Current liabilities	906	745
Noncurrent liabilities	<u>1,200</u>	<u>1,220</u>
Total liabilities	<u>2,106</u>	<u>1,965</u>
Net assets	<u>\$ 9,884</u>	<u>\$ 8,810</u>

The University continues to maintain and protect its strong financial foundation. This financial health, as reflected in the statement of net assets at June 30, 2006 and 2005, results from 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 \$91 million, to \$2.3 billion at June 30, 2006. Cash and cash equivalents and operating investments totaled \$1.1 billion at June 30, 2006, which represents approximately three months of total expenses excluding depreciation.

Current liabilities consist primarily of accrued compensation, accounts payable, deferred revenue, commercial paper and the current portion of bonds payable. Total current liabilities increased \$161 million, to \$906 million at June 30, 2006. This increase is due primarily to a \$66 million increase in commercial paper, a \$16 million increase in the current portion of bonds payable, a \$46 million increase in investment trade settlements payable, and a \$25 million increase in accrued compensation and accounts payable.

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 \$767 million, to \$6.0 billion at June 30, 2006. 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, 2006 and 2005 is summarized as follows:

	<u>2006</u>	<u>2005</u>
	(in millions)	
Endowment investments	\$ 5,652	\$ 4,931
Life income investments	101	87
Noncurrent portion of insurance and benefits obligations and managed care investments	<u>210</u>	<u>178</u>
	<u>\$ 5,963</u>	<u>\$ 5,196</u>

The University's endowment funds consist of both permanent endowments and funds functioning as endowment. 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 4.1 percent, 4.2 percent and 4.7 percent of the market value of the endowment at June 30, 2006, 2005 and 2004, respectively.

THE UNIVERSITY OF MICHIGAN

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

In June 2006, the Board of Regents approved a change to the University's endowment spending rate policy and extended the moving average period from three years to seven years, with implementation to be phased in over the next three years. Effective July 1, 2006, the spending rate moving average period will increase to four years and then increase by one quarter each subsequent quarter until the moving average period reaches seven years. This change is expected to reduce distribution volatility, as well as better preserve and grow the endowment corpus over time.

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 \$616 million in 2006, as compared to \$524 million in 2005. 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 \$497 million, as well as debt proceeds of \$99 million and state capital appropriations of \$20 million. Construction in process, which totaled \$557 million at June 30, 2006 as compared to \$648 million at June 30, 2005, includes important new facilities for life sciences and medical research, instruction and patient care.

Construction projects completed in 2006 include new buildings for biomedical science research, undergraduate science, and computer science and engineering. The Biomedical Science Research Building houses faculty and scientists in a flexible environment whose architectural integrity fosters multidisciplinary collaborations and interaction between students, faculty and scientists to profoundly impact science and clinical care. This state-of-the-art facility, whose construction commenced in 2002, is located across from the Palmer Drive Life Sciences Development and serves as an entry to the Medical Campus from the Central Campus.

The Undergraduate Science Building houses teaching laboratories and instructional space for undergraduate students. The innovative design of this facility and its location, as part of the Palmer Drive Life Sciences Development, are intended to encourage greater interaction between undergraduate students and the University's researchers.

The Computer Science and Engineering Building, whose construction commenced in 2004, provides learning spaces for students and supports computer science and information technology. This new facility also houses the College of Engineering's computer science and engineering faculty, as well as accompanying technical and support staff.

THE UNIVERSITY OF MICHIGAN

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

Renovation projects completed in 2006 include the Literature, Science and Arts (“LSA”) and Advanced Technology Laboratories buildings. The LSA Building, which was constructed in 1948, needed significant infrastructure improvements and this renovation project provided a complete upgrade of mechanical, plumbing, electrical and life safety systems, and improved accessibility throughout the building. The Advanced Technology Laboratories Building was renovated and expanded to accommodate growth in cellular and molecular biotechnology engineering activities and to provide space for new undergraduate degree programs in biomedical engineering. The renovated facility and its new wing have been renamed the Ann and Robert H. Lurie Biomedical Engineering Building.

At June 30, 2006, construction continues on the Cardiovascular Center, which 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, whose construction commenced in 2004, to be completed in 2007. To provide parking for patients and staff, a 465-space parking structure is also being constructed as part of this project.

Construction also continues on the Joan and Sanford Weill Hall, which will house the Gerald R. Ford School of Public Policy and serve as a southern gateway to the Central Campus. Located at State and Hill streets, this new building will enable the consolidation of three Ford School campus locations into a single facility with classrooms, a library, research centers, a computer laboratory, faculty offices and public spaces for conferences and lectures. The University expects this facility, whose construction commenced in 2004, to be completed in Fall 2006.

Significant renovation projects in process at June 30, 2006 include the School of Public Health 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 University expects this project to be completed in 2007.

THE UNIVERSITY OF MICHIGAN

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

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. During 2006, Moody's Investors Service affirmed its highest credit rating (Aaa) for bonds backed by a broad revenue pledge based on the University's extremely strong credit fundamentals, including significant financial resources, strong market position and consistent operating performance derived from a well diversified revenue base. Standard & Poor's Ratings Services also affirmed its highest credit rating (AAA) based on the University's national reputation for excellence, strong financial performance and manageable debt burden and capital plan. Only two other public universities have received the highest credit ratings from both Moody's and Standard & Poor's.

Long-term debt activity for the year ended June 30, 2006, 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	\$ 31	\$ 99	\$ 33	\$ 97
Bonds and Notes:				
General revenues	275		9	266
Hospital revenues	451		9	442
Faculty Group Practice revenues	98	1	3	96
Student residences revenues	15		1	14
Student fee revenues	<u>5</u>		<u>2</u>	<u>3</u>
	<u>\$ 875</u>	<u>\$ 100</u>	<u>\$ 57</u>	<u>\$ 918</u>

The University maintains a combination of fixed and variable rate debt with effective interest rates that averaged 3.75 percent in 2006 and 3.17 percent in 2005. Consistent with the University's capital and debt financing plans, total outstanding debt increased \$43 million, or 5 percent, to \$918 million at June 30, 2006, while interest expense increased 25 percent, to \$27 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, 2006 and 2005, commercial paper totaled \$97 million and \$31 million, respectively, and is included in current liabilities.

THE UNIVERSITY OF MICHIGAN

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

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.

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, 2006 and 2005 is summarized as follows:

	<u>2006</u>	<u>2005</u>
	(in millions)	
Invested in capital assets, net of related debt	\$ 2,615	\$ 2,342
Restricted:		
Nonexpendable:		
Permanent endowment corpus	884	818
Expendable:		
Net appreciation of permanent endowments	1,022	804
Funds functioning as endowment	1,190	1,062
Restricted for operations and other	563	504
Unrestricted	<u>3,610</u>	<u>3,280</u>
	<u>\$ 9,884</u>	<u>\$ 8,810</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 \$273 million net increase reflects the University's continued development and renewal of its capital assets in accordance with its long-range capital plan.

THE UNIVERSITY OF MICHIGAN

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

Restricted nonexpendable net assets represent the historical value (corpus) of gifts to the University's permanent endowment funds. The \$66 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 \$2.8 billion at June 30, 2006, as compared to \$2.4 billion at June 30, 2005.

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 \$2.4 billion and \$2.1 billion at June 30, 2006 and 2005, respectively.

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, 2006 is summarized as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
		(in millions)	
Operating revenues:			
Student tuition and fees, net of scholarship allowances	\$ 675.7	\$ 619.0	\$ 599.4
Sponsored programs	818.4	808.3	792.7
Patient care revenues and managed care premiums	1,990.5	1,841.2	1,712.3
Other	<u>298.4</u>	<u>292.2</u>	<u>279.4</u>
	3,783.0	3,560.7	3,383.8
Operating expenses	<u>4,256.0</u>	<u>4,026.1</u>	<u>3,882.7</u>
Operating loss	(473.0)	(465.4)	(498.9)
Nonoperating and other revenues (expenses):			
State educational appropriations	364.9	374.9	356.9
Private gifts	90.0	107.2	71.8
Net investment income	959.8	874.6	714.6
Interest expense	(27.1)	(21.7)	(19.4)
State capital appropriations	20.1	7.0	31.9
Endowment and capital gifts and grants	151.0	197.2	121.6
Other	<u>(11.9)</u>	<u>6.6</u>	<u>(8.8)</u>
Nonoperating and other revenues, net	<u>1,546.8</u>	<u>1,545.8</u>	<u>1,268.6</u>
Increase in net assets	1,073.8	1,080.4	769.7
Net assets, beginning of year	<u>8,810.3</u>	<u>7,729.9</u>	<u>6,960.2</u>
Net assets, end of year	<u>\$ 9,884.1</u>	<u>\$ 8,810.3</u>	<u>\$ 7,729.9</u>

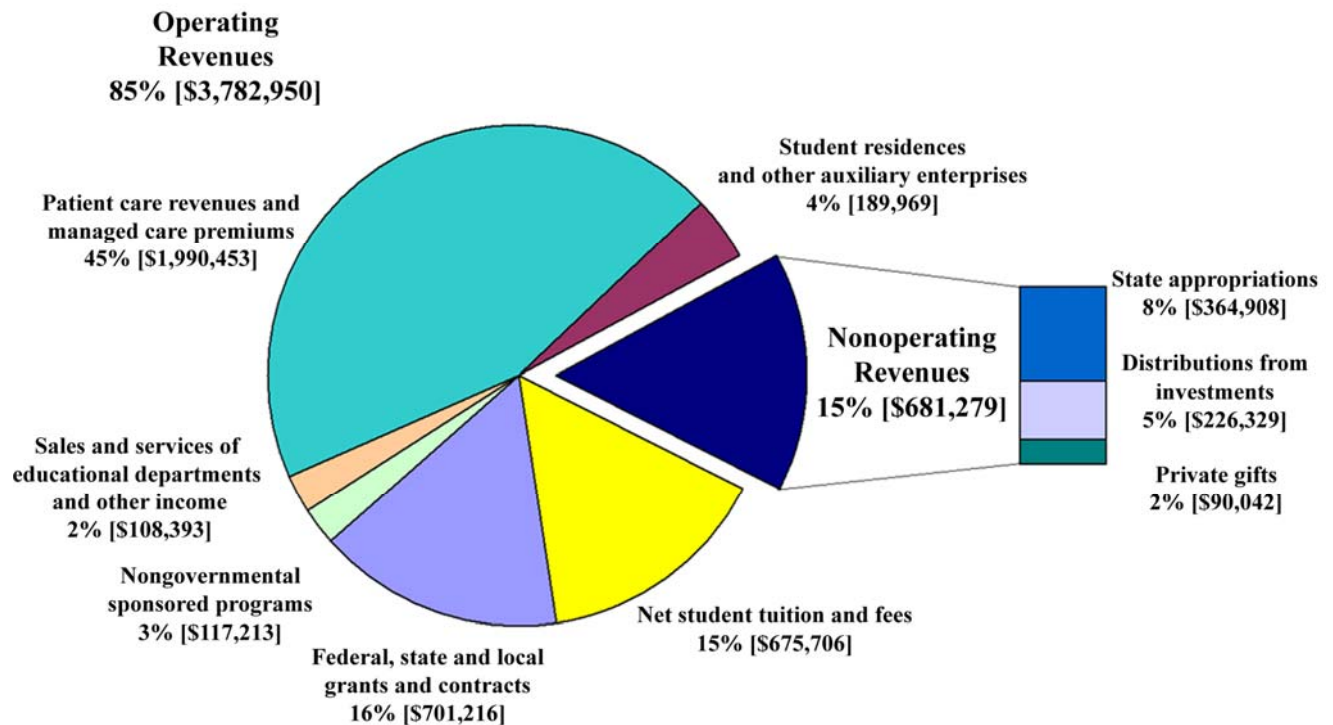
THE UNIVERSITY OF MICHIGAN

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. The University continues to aggressively seek funding from all possible sources consistent with its mission in order to supplement student tuition and 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, 2006 (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 2006 Revenues for Operating Activities

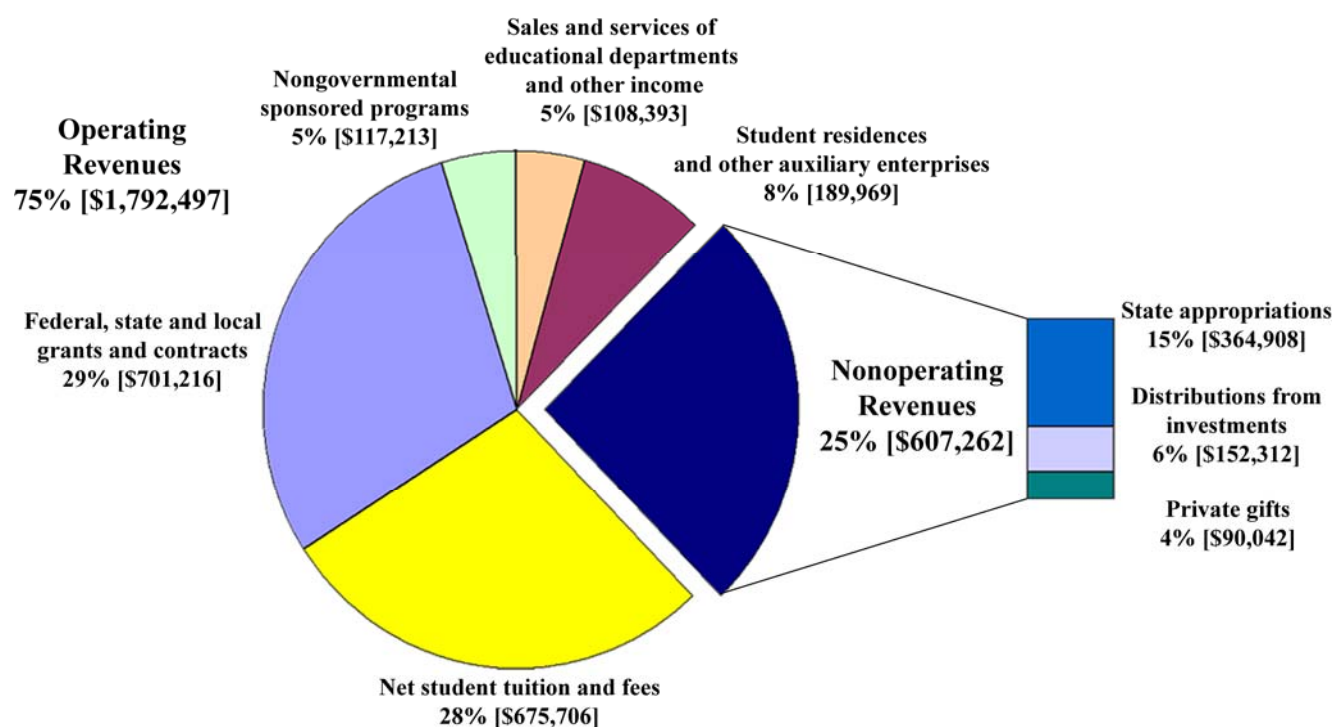


THE UNIVERSITY OF MICHIGAN

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, 2006 (amounts are presented in thousands of dollars).

**Fiscal Year 2006 Revenues for Operating Activities
Excluding Revenues from the University's Health System**



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 increased 5 percent, or \$47 million, to \$1.0 billion in 2006 and increased 4 percent, or \$38 million, to \$994 million in 2005. Despite declines in base state appropriations over the past four years, 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 increased \$8 million, or 2 percent, to \$365 million in 2006 from 2004. For the three years ended June 30, 2006, state educational appropriations revenue consisted of the following components:

	<u>2006</u>	<u>2005</u> (in millions)	<u>2004</u>
Base appropriations	\$ 362.0	\$ 366.6	\$ 374.1
Net restoration (rescission)	<u>2.9</u>	<u>8.3</u>	<u>(17.2)</u>
	<u>\$ 364.9</u>	<u>\$ 374.9</u>	<u>\$ 356.9</u>

Downturns in state tax revenues continue to put pressure on the state budget. Consequently, base appropriations have declined 3 percent, or \$12 million, over the past two years to \$362 million in 2006. Due to volatility in the state budget, the University's base appropriations have also been subject to mid-year rescission and restoration. The net restoration in 2006 of \$2.9 million represents the return of a 2005 net mid-year rescission. The net restoration in 2005 primarily represents the return of a portion of the 2004 mid-year rescission of \$11.2 million, which was received because the University limited its 2005 resident undergraduate tuition increases to inflation, offset by a net mid-year rescission of 2005 base appropriations of \$2.9 million. Limiting 2005 tuition increases to inflation also enabled the University to experience a more moderate cut of two percent, or \$7.5 million in base appropriations in 2005.

To offset the decrease in base state appropriations, net student tuition and fees revenue has increased 13 percent, or \$76 million, over the past two years to \$676 million in 2006. For the three years ended June 30, 2006, net student tuition and fees revenue consisted of the following components:

	<u>2006</u>	<u>2005</u> (in millions)	<u>2004</u>
Student tuition and fees	\$ 834.4	\$ 765.2	\$ 731.2
Scholarship allowances	<u>(158.7)</u>	<u>(146.2)</u>	<u>(131.8)</u>
	<u>\$ 675.7</u>	<u>\$ 619.0</u>	<u>\$ 599.4</u>

In 2006, net student tuition and fees revenue increased 9 percent, or \$57 million, to \$676 million, which reflects a 9 percent, or \$69 million, increase in gross tuition and fee revenues offset by a 9 percent, or \$12 million, increase in scholarship allowances. Tuition rate increases in 2006 were 12.3 percent for resident undergraduate students on the Ann Arbor campus, with an 11.9 percent tuition rate increase for the Dearborn and Flint campuses and a 6 percent increase in most other tuition rates including those for nonresidents. The University also experienced a modest growth in the number of students.

THE UNIVERSITY OF MICHIGAN

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

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. The University also experienced a modest growth in the number of students.

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 gifts for other than capital and endowment purposes totaled \$90 million in 2006, as compared to \$107 million in 2005 and \$72 million in 2004.

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 1 percent, or \$10 million, to \$818 million in 2006. For 2005, revenues for sponsored programs increased 2 percent, or \$16 million, to \$808 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, offset by reduced state and local grant activity.

Patient care revenues and managed care premiums increased 8 percent, or \$149 million, to \$2.0 billion in 2006, as compared to an increase of 7.5 percent, or \$129 million, to \$1.8 billion in 2005. 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 for both years primarily resulted from a growth in both outpatient and inpatient volume, as well as increased reimbursement rates from third party payers.

Net investment income for the three years ended June 30, 2006 is summarized as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(in millions)		
Interest and dividends, net	\$ 214.3	\$ 195.9	\$ 142.4
Increase in fair value of investments	<u>745.5</u>	<u>678.7</u>	<u>572.2</u>
Net investment income	<u>\$ 959.8</u>	<u>\$ 874.6</u>	<u>\$ 714.6</u>

Net investment income totaled \$960 million in 2006, as compared to \$875 million in 2005 and \$715 million in 2004. 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 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.

THE UNIVERSITY OF MICHIGAN

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

With the Michigan Difference capital campaign well underway, gifts and grants for endowment and capital purposes continue to be a significant part of sustaining the University's excellence. Private gifts for endowment purposes totaled \$86 million in 2006, as compared to \$78 million in 2005 and \$72 million in 2004. Capital gifts and grants totaled \$65 million in 2006, as compared to \$119 million in 2005 and \$50 million in 2004. Over the past three years, major capital gifts have been received in support of the University's wide-ranging building initiatives which include Stephen M. Ross School of Business, Health System, Intercollegiate Athletics and College of Engineering capital projects.

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 energy, technology and ongoing maintenance of facilities and infrastructure.

A comparative summary of the University's expenses for the three years ended June 30, 2006 is as follows (amounts in millions):

	<u>2006</u>		<u>2005</u>		<u>2004</u>	
Operating:						
Compensation and benefits	\$ 2,757.9	64%	\$ 2,592.1	64%	\$ 2,484.7	64%
Supplies and services	1,150.2	27	1,104.9	27	1,070.9	27
Depreciation	264.0	6	253.7	6	245.8	6
Scholarships and fellowships	<u>83.9</u>	<u>2</u>	<u>75.4</u>	<u>2</u>	<u>81.3</u>	<u>2</u>
	<u>4,256.0</u>	<u>99</u>	<u>4,026.1</u>	<u>99</u>	<u>3,882.7</u>	<u>99</u>
Nonoperating:						
Interest	<u>27.1</u>	<u>1</u>	<u>21.7</u>	<u>1</u>	<u>19.4</u>	<u>1</u>
	<u>\$ 4,283.1</u>	<u>100%</u>	<u>\$ 4,047.8</u>	<u>100%</u>	<u>\$ 3,902.1</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 6 percent, or \$166 million, to \$2.8 billion in 2006. Of this increase, compensation expense increased 6 percent, to \$2.14 billion, and employee benefits increased 8 percent, to \$618 million. For 2005, compensation increased 5 percent, to \$2.02 billion, and employee benefits increased 1 percent, to \$570 million.

The majority of the compensation expense 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, a reflection of the 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.

THE UNIVERSITY OF MICHIGAN

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

In 2006, the Health System had a growth in compensation expense of 9 percent, which includes a growth in employees of 4 percent, while the rest of the University had a growth in compensation expense of 4 percent, with a minimal change in employees. In 2005, the Health System had a growth in compensation expense of 8 percent, which includes a growth in employees of 4 percent, while the rest of the University had a growth in compensation expense of 3 percent, with a minimal change in employees.

Total benefits expense grew 9 percent over the past two years. In 2005, total benefits expense grew at a slower rate than compensation primarily as a result of favorable experience in self-insured benefit programs as well as proactive management of benefit programs.

Health care 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. Following the implementation of 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 health insurance cost increases.

The University utilizes a single pharmacy benefit administrator to manage all pharmacy benefits with University oversight. With this prescription drug "carve-out" structure, which commenced in January 2003, the University has reduced administrative costs, increased discounts on drug prices and become less reliant on rebates from pharmaceutical manufacturers. The University also actively promotes and manages generic drug utilization and has achieved a 57 percent generic dispensing rate in 2006, as compared to 53 percent in 2005 and 49 percent in 2004. In January 2006, the University unbundled pharmacy benefit claim processing and mail order services and selected separate vendors for each service to achieve better discounts for retail and mail order pricing arrangements and additional rebates, as part of a more transparent service arrangement where fees for services are charged on a per transaction basis.

Compared to most employers, the University is in a unique position to utilize internal experts to advise and guide its health care and drug plans. For example, the College of Pharmacy conducted a study which was the foundation for a cost saving pill-splitting program with select cholesterol lowering drugs which began in January 2006. The University also benefits from a Pharmacy Benefits Advisory Committee which consists of internal experts such as the University's Health System physicians, pharmacy faculty and our on-staff pharmacist.

THE UNIVERSITY OF MICHIGAN

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

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 4 percent, or \$45 million, to \$1.2 billion in 2006, as compared to a 3 percent, or \$34 million, increase in 2005. The University continued cost containment efforts, including sustained focus on reducing the cost of supplies and their related transaction costs, and energy management programs. Similar to other entities, the University experienced substantial increases in utilities expenses in 2006 due to rising prices.

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, 2006 is as follows (amounts in millions):

	<u>2006</u>		<u>2005</u>		<u>2004</u>	
Operating:						
Instruction	\$ 683.0	16%	\$ 669.6	17%	\$ 655.9	17%
Research	519.7	12	522.8	13	506.4	13
Public service	104.9	2	102.5	2	97.6	2
Institutional and academic support	380.5	9	352.3	9	330.6	9
Auxiliary enterprises:						
Patient and managed care	1,843.6	43	1,719.3	42	1,605.7	41
Other	127.7	3	117.7	3	146.2	4
Operations and maintenance of plant	248.8	6	212.7	5	213.2	5
Depreciation	264.0	6	253.8	6	245.8	6
Scholarships and fellowships	<u>83.8</u>	<u>2</u>	<u>75.4</u>	<u>2</u>	<u>81.3</u>	<u>2</u>
	<u>4,256.0</u>	<u>99</u>	<u>4,026.1</u>	<u>99</u>	<u>3,882.7</u>	<u>99</u>
Nonoperating:						
Interest	<u>27.1</u>	<u>1</u>	<u>21.7</u>	<u>1</u>	<u>19.4</u>	<u>1</u>
	<u>\$ 4,283.1</u>	<u>100%</u>	<u>\$ 4,047.8</u>	<u>100%</u>	<u>\$ 3,902.1</u>	<u>100%</u>

Instruction and public service expenses increased 2 percent, or \$16 million, to \$788 million in 2006, as compared to a 2 percent, or \$19 million, increase in 2005. 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 \$797 million in 2006, as compared to \$778 million in 2005 and \$753 million in 2004. This represents an increase of 6 percent, or \$44 million, from 2004 to 2006.

THE UNIVERSITY OF MICHIGAN

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

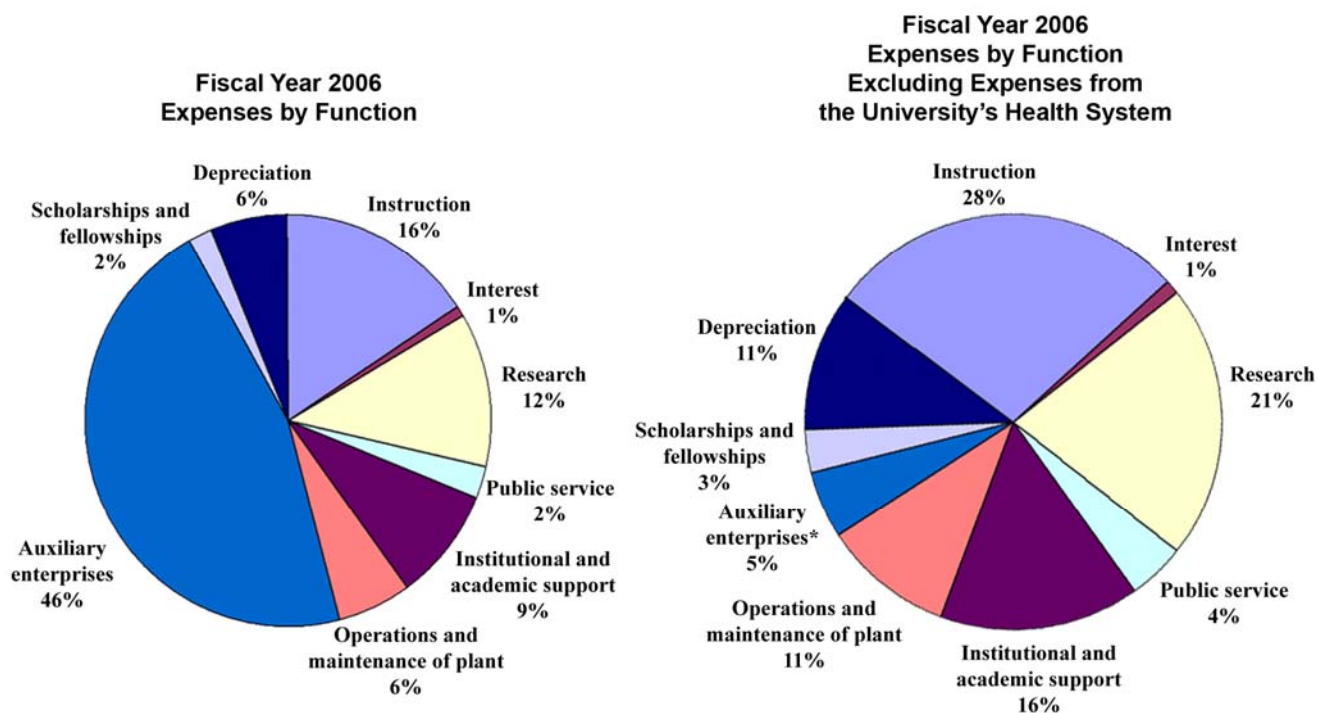
Patient and managed care expenses increased 7 percent, or \$124 million, to \$1.8 billion in 2006, as compared to a 7 percent, or \$114 million increase in 2005. The growth in this area is consistent with the growth in related revenues.

Operations and maintenance of plant expenses totaled \$249 million in 2006, as compared to \$213 million in 2005 and 2004. The increase in 2006 of 17 percent, or \$36 million, primarily resulted from rising energy prices.

Total scholarships and fellowships provided to students aggregated \$258 million in 2006, as compared to \$236 million in 2005 and \$227 million in 2004, an increase of 14 percent over the past two years. 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, 2006 are summarized as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(in millions)		
Paid directly to students	\$ 83.8	\$ 75.4	\$ 81.3
Applied to tuition and fees	158.7	146.2	131.8
Applied to University Housing	<u>15.7</u>	<u>14.8</u>	<u>14.1</u>
	<u>\$ 258.2</u>	<u>\$ 236.4</u>	<u>\$ 227.2</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 \$1.8 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, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
	(in millions)	
Cash received from operations	\$ 3,780.7	\$ 3,593.1
Cash expended for operations	<u>(4,016.9)</u>	<u>(3,783.8)</u>
Net cash used in operating activities	(236.2)	(190.7)
Net cash provided by (used in) investing activities	260.4	(24.9)
Net cash used in capital and related financing activities	(514.9)	(322.2)
Net cash provided by noncapital financing activities	<u>535.1</u>	<u>546.6</u>
Net increase in cash and cash equivalents	44.4	8.8
Cash and cash equivalents, beginning of year	<u>369.2</u>	<u>360.4</u>
Cash and cash equivalents, end of year	<u>\$ 413.6</u>	<u>\$ 369.2</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 \$44 million in 2006, as compared to an increase of \$9 million in 2005.

Economic Factors That Will Affect the Future

Over the last four 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 the University maintains the highest credit ratings of Moody's (Aaa) and Standard & Poor's (AAA). This 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 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. 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. The anticipated increase in state educational appropriations of 3 percent in 2007 will provide the University with some relief from the deep cuts of the past four years. To support the University's commitment to both academic excellence and accessibility, the University's budget for 2007 includes a moderate increase in tuition rates along with an increased investment in financial aid.

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 \$1.8 billion in cash and pledges and \$338 million in bequests, a total of \$2.18 billion, or 87 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 \$863 million at June 30, 2006. Funding for these projects is anticipated to include \$776 million from gifts and net assets designated for capital purposes as well as possible future borrowings, \$80 million from the utilization of unexpended debt proceeds and \$7 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.

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.

THE UNIVERSITY OF MICHIGAN

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

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 for its active employees and retirees has increased dramatically over the past several years, with the increasing cost of medical care and prescription drugs of particular concern.

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. The University's health benefit initiatives over the last several years, such as plan changes and the prescription drug "carve-out" structure, have had a favorable impact on the University's active and retiree health insurance benefit plans.

This year, after careful review, the University changed eligibility practices for reimbursing retirees and spouses a portion of the amount that the Social Security Administration charges individuals for Medicare Part B coverage to be more consistent with common practice in general industry, health care and higher education. Employees who retire after March 31, 2006 will not be eligible for Medicare Part B reimbursement. Employees who retired before April 1, 2006, and their spouses, will continue to receive quarterly reimbursement at the 2005 rate of \$48.05 per month per person.

The University continually evaluates its benefits program to respond to the challenges of rising costs while protecting the quality of the overall benefit package. In 2007, the University will discontinue its traditional fee for service health plan due to declining enrollment, as its members have migrated to lower cost health plan options with the successful addition of two new PPO health plans in 2005.

Certain organizations are currently required to record the estimated present value of postretirement 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, 2006, which is net of expected Medicare Part D subsidies of \$200 million. Implementing the initiatives described above has resulted in a \$570 million favorable impact to this estimate.

The University announced subsequent to the fiscal year end that, after careful consideration and using its long-term strategic direction as a guide, it is proposing to sell M-CARE to Blue Cross Blue Shield of Michigan and its subsidiary, Blue Care Network of Michigan. The proposed transaction is subject to Board of Regents and regulatory approval.

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,	
	2006	2005
	(in thousands)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 413,605	\$ 369,226
Operating investments	707,101	751,435
Investments for capital activities	649,176	631,174
Investments for student loan activities	30,084	24,976
Investment trade settlements receivable	24,109	821
Accounts receivable, net	380,542	355,866
Current portion of notes and pledges receivable, net	64,516	52,916
Current portion of prepaid expenses and other assets	60,447	52,377
Total Current Assets	2,329,580	2,238,791
Noncurrent Assets:		
Endowment, life income and other investments	5,963,424	5,196,486
Notes and pledges receivable, net	226,879	219,277
Prepaid expenses and other assets	17,052	15,394
Capital assets, net	3,453,441	3,105,468
Total Noncurrent Assets	9,660,796	8,536,625
Total Assets	\$ 11,990,376	\$ 10,775,416
Liabilities and Net Assets		
Current Liabilities:		
Accrued compensation and other	\$ 249,590	\$ 234,541
Accounts payable	236,904	227,161
Investment trade settlements payable	46,581	736
Deferred revenue	158,537	158,122
Current portion of insurance and benefits obligations	55,986	56,890
Commercial paper and current portion of bonds payable	136,851	54,871
Deposits of affiliates and others	21,288	12,843
Total Current Liabilities	905,737	745,164
Noncurrent Liabilities:		
Deposits of affiliates and other	125,789	110,035
Insurance and benefits obligations	156,113	166,120
Obligations under life income agreements	51,399	38,409
Government loan advances	85,672	84,886
Bonds payable	781,521	820,453
Total Noncurrent Liabilities	1,200,494	1,219,903
Total Liabilities	2,106,231	1,965,067
Net Assets:		
Invested in capital assets, net of related debt	2,615,289	2,342,031
Restricted:		
Nonexpendable	884,209	818,074
Expendable	2,774,719	2,369,729
Unrestricted (see Note 8)	3,609,928	3,280,515
Total Net Assets	9,884,145	8,810,349
Total Liabilities and Net Assets	\$ 11,990,376	\$ 10,775,416

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**

	Year Ended June 30,	
	<u>2006</u>	<u>2005</u>
	(in thousands)	
Operating Revenues		
Student tuition and fees	\$ 834,365	\$ 765,201
Less scholarship allowances	<u>158,659</u>	<u>146,226</u>
Net student tuition and fees	675,706	618,975
Federal grants and contracts	691,934	674,033
State and local grants and contracts	9,282	13,843
Nongovernmental sponsored programs	117,213	120,433
Sales and services of educational departments	107,025	110,089
Auxiliary enterprises:		
Patient care revenues and managed care premiums	1,990,453	1,841,240
Student residence fees (net of scholarship allowances of \$15,689,000 in 2006 and \$14,801,000 in 2005)	70,229	66,254
Other revenues	119,740	113,977
Student loan interest income and fees	<u>1,368</u>	<u>1,831</u>
Total Operating Revenues	<u>3,782,950</u>	<u>3,560,675</u>
Operating Expenses		
Compensation and benefits	2,757,920	2,592,098
Supplies and services	1,150,214	1,104,824
Depreciation	264,028	253,733
Scholarships and fellowships	<u>83,839</u>	<u>75,398</u>
Total Operating Expenses	<u>4,256,001</u>	<u>4,026,053</u>
Operating loss	<u>(473,051)</u>	<u>(465,378)</u>
Nonoperating Revenues (Expenses)		
State educational appropriations	364,908	374,905
Private gifts for other than capital and endowment purposes	90,042	107,181
Net investment income	959,841	874,611
Interest expense	<u>(27,128)</u>	<u>(21,738)</u>
Total Nonoperating Revenues, Net	<u>1,387,663</u>	<u>1,334,959</u>
Income before other revenues (expenses)	<u>914,612</u>	<u>869,581</u>
Other Revenues (Expenses)		
State capital appropriations	20,126	7,023
Capital gifts and grants	64,787	118,962
Private gifts for endowment purposes	86,228	78,272
Other	<u>(11,957)</u>	<u>6,568</u>
Total Other Revenues, Net	<u>159,184</u>	<u>210,825</u>
Increase in net assets	1,073,796	1,080,406
Net Assets, Beginning of Year	<u>8,810,349</u>	<u>7,729,943</u>
Net Assets, End of Year	<u>\$ 9,884,145</u>	<u>\$ 8,810,349</u>

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

THE UNIVERSITY OF MICHIGAN
Consolidated Statement of Cash Flows

	Year Ended June 30,	
	<u>2006</u>	<u>2005</u>
	(in thousands)	
Cash Flows From Operating Activities		
Student tuition and fees	\$ 681,896	\$ 616,174
Federal, state and local grants and contracts	697,866	691,057
Nongovernmental sponsored programs	118,452	116,403
Sales and services of educational and other departmental activities	232,955	226,905
Patient care revenues and managed care premiums	1,954,602	1,851,351
Student residence fees	70,761	66,316
Payments to employees	(2,135,420)	(2,001,381)
Payments for benefits	(615,940)	(554,343)
Payments to suppliers	(1,160,187)	(1,125,085)
Payments for scholarships and fellowships	(83,839)	(75,398)
Student loans issued	(21,506)	(27,567)
Student loans collected	22,792	23,047
Student loan interest and fees collected	1,368	1,831
Net Cash Used in Operating Activities	<u>(236,200)</u>	<u>(190,690)</u>
Cash Flows From Investing Activities		
Interest and dividends on investments, net	157,624	165,296
Proceeds from sales and maturities of investments	4,922,366	3,839,630
Purchases of investments	(4,843,118)	(4,066,483)
Net (increase) decrease in cash equivalents from noncurrent investments	(685)	23,707
Increase in deposits of affiliates and others, net	24,228	12,898
Net Cash Provided by (Used in) Investing Activities	<u>260,415</u>	<u>(24,952)</u>
Cash Flows From Capital and Related Financing Activities		
State capital appropriations	21,712	3,432
Private gifts and other receipts	51,284	40,750
Proceeds from issuance of capital debt	98,835	362,200
Principal payments on capital debt	(55,787)	(215,747)
Interest payments on capital debt	(25,778)	(22,879)
Purchases of capital assets	(607,333)	(489,624)
Proceeds from sales of capital assets	2,176	372
Payments for bond issuance costs		(685)
Net Cash Used in Capital and Related Financing Activities	<u>(514,891)</u>	<u>(322,181)</u>
Cash Flows From Noncapital Financing Activities		
State educational appropriations	362,036	374,486
Private gifts and other receipts	176,406	175,647
Student direct lending receipts	204,390	195,656
Student direct lending disbursements	(202,117)	(193,955)
Amounts received for annuity and life income funds	12,990	2,551
Amounts paid to annuitants and life beneficiaries and related expenses	(18,650)	(7,759)
Net Cash Provided by Noncapital Financing Activities	<u>535,055</u>	<u>546,626</u>
Net increase in cash and cash equivalents	44,379	8,803
Cash and Cash Equivalents, Beginning of Year	369,226	360,423
Cash and Cash Equivalents, End of Year	<u>\$ 413,605</u>	<u>\$ 369,226</u>

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

THE UNIVERSITY OF MICHIGAN

Consolidated Statement of Cash Flows--Continued

	Year Ended June 30,	
	<u>2006</u>	<u>2005</u>
	(in thousands)	
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (473,051)	\$ (465,378)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	264,028	253,733
Changes in assets and liabilities:		
Accounts receivable, net	(24,377)	8,271
Prepaid expenses and other assets	(9,498)	(2,714)
Accrued compensation and other	13,896	30,585
Accounts payable	2,555	7,180
Deferred revenue	613	(1,564)
Insurance and benefits obligations	(10,366)	(20,803)
Net cash used in operating activities	<u>\$ (236,200)</u>	<u>\$ (190,690)</u>

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

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements

June 30, 2006 and 2005

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 55,000 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.

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.

Investment trade settlements receivable and payable relate to investment transactions occurring on or before June 30, which settle after such date.

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 nonmarketable limited partnerships are generally carried at fair value provided by the management of the investment partnerships as of March 31, 2006 and 2005, as adjusted by cash receipts, cash disbursements, and securities distributions through June 30, 2006 and 2005. The University believes that the carrying amount of these investments is a reasonable estimate of fair value as of June 30, 2006 and 2005. Because these 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.

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.

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.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

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

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 or 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.

Deferred revenue consists primarily of cash received from grant and contract sponsors which has 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 \$1,022,000,000 and \$804,000,000 at June 30, 2006 and 2005, 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 and student publications.

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 obligations.

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 and benefit reserves, life income funds 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 Investment Pool is invested with a portion of the University's insurance and benefit reserves in the Daily and Monthly Portfolios, which are 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 University 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 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 90 percent for equities and 10 to 35 percent for fixed income securities. The permitted range was broadened in February 2006 from 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

In June 2006, the Board of Regents approved a change in the endowment spending rule to extend the moving average period from three years to seven years, with implementation to be phased in over the next three years. Effective July 1, 2006, the moving average period will increase to four years and then increase by one quarter each subsequent quarter until the moving average period reaches seven years.

Cash and Cash Equivalents: Cash and cash equivalents, which totaled \$413,605,000 and \$369,226,000 at June 30, 2006 and 2005, 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 \$16,227,000 and \$9,094,000 at June 30, 2006 and 2005, respectively. The University does not require deposits to be collateralized or insured.

Investments: At June 30, 2006 and 2005, the University's investments, which are held by the University or its agents in the University's name, are summarized as follows:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Cash equivalents, noncurrent	\$ 225,117	\$ 224,432
Fixed income securities	1,747,694	1,989,137
Commingled funds	1,885,846	1,615,803
Equity securities	1,440,474	1,471,982
Nonmarketable alternative investments	2,044,666	1,296,763
Other investments	5,988	5,954
	<u>\$ 7,349,785</u>	<u>\$ 6,604,071</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 (“NSRO”), such as Moody’s Investor Services and Standard & Poor’s Ratings Services, 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 & 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 4.0 years at June 30, 2006, compared to 4.5 years at June 30, 2005. 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, 2006 and 2005, along with credit quality and effective duration measures, is summarized as follows:

	2006					<u>Duration</u> (in years)
	<u>U.S.</u> <u>Government</u>	<u>Investment</u> <u>Grade</u>	Non- investment <u>Grade</u> (in thousands)	<u>Not Rated</u>	<u>Total</u>	
U.S. Treasury	\$ 388,425				\$ 388,425	8.2
U.S. Treasury Inflation Protected	369,041				369,041	3.8
U.S. Government agency	215,074				215,074	1.9
Mortgage backed		\$ 165,565		\$ 1,239	166,804	1.7
Asset backed		82,034		2	82,036	0.8
Corporate and other		382,114	\$ 26,428	90,115	498,657	2.3
Municipal		24,927		2,730	27,657	15.7
	<u>\$ 972,540</u>	<u>\$ 654,640</u>	<u>\$ 26,428</u>	<u>\$ 94,086</u>	<u>\$ 1,747,694</u>	4.0

	2005					<u>Duration</u> (in years)
	<u>U.S.</u> <u>Government</u>	<u>Investment</u> <u>Grade</u>	Non- investment <u>Grade</u> (in thousands)	<u>Not Rated</u>	<u>Total</u>	
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

Of the University's fixed income securities, 93 percent and 97 percent were rated investment grade or better at June 30, 2006 and 2005, with 74 percent and 78 percent of these securities rated AAA/Aaa or better at June 30, 2006 and 2005, 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, 2006 and 2005 is summarized as follows:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
U.S. equities	\$ 104,562	\$ 92,427
Non-U.S./global equities	563,862	374,600
U.S. fixed income	88,395	132,780
Absolute return strategies	1,041,666	890,542
Distressed debt	27,853	80,796
Other	<u>59,508</u>	<u>44,658</u>
	<u>\$ 1,885,846</u>	<u>\$ 1,615,803</u>

Certain commingled funds held in the Long Term Portfolio and the Daily and Monthly Portfolios 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.

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, 2006 and 2005 is summarized as follows:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Venture capital	\$ 262,774	\$ 183,221
Private equity	528,695	331,343
Real estate	538,859	369,969
Energy	434,942	242,877
Distressed debt	<u>279,396</u>	<u>169,353</u>
	<u>\$ 2,044,666</u>	<u>\$ 1,296,763</u>

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

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 non-U.S. dollar denominated securities, which must be settled in local (non-U.S.) currencies. 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. At June 30, 2006, the University's exposure to foreign currencies of \$1,320,901,000, not including commingled funds which are denominated in U.S. dollars, amounted to 18 percent of the University's investments compared to \$1,078,264,000, or 16 percent of the University's investments, at June 30, 2005. 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 Daily and Monthly Portfolios 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 \$21,338,000 and \$21,999,000 at June 30, 2006 and 2005, respectively, with its futures contract broker as collateral.

The Long Term Portfolio and the Daily and Monthly Portfolios, together, had fully collateralized short-term securities loans of \$743,484,000 and \$897,841,000 at June 30, 2006 and 2005, 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 \$766,131,000, or 103 percent of the fair value of the securities on loan, at June 30, 2006, as compared to \$923,227,000, or 103 percent of the fair value of securities on loan, at June 30, 2005. 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, 2006 and 2005 is summarized as follows:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Patient care	\$ 252,417	\$ 228,892
Sponsored programs	70,647	65,951
State appropriations, educational and capital	69,642	68,356
Student accounts	14,600	16,446
Other	<u>30,115</u>	<u>31,182</u>
	437,421	410,827
Less provision for uncollectible accounts receivable	<u>56,879</u>	<u>54,961</u>
	<u>\$ 380,542</u>	<u>\$ 355,866</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, 2006 and 2005 is summarized as follows:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Notes:		
Federal student loan programs	\$ 95,482	\$ 97,642
University student loan funds	15,706	14,962
Other notes	<u>882</u>	<u>754</u>
	112,070	113,358
Less allowance for doubtfully collectible notes	<u>2,300</u>	<u>2,300</u>
Total notes receivable, net	<u>109,770</u>	<u>111,058</u>
Gift pledges outstanding:		
Capital	157,384	145,406
Operations	<u>60,260</u>	<u>52,994</u>
	217,644	198,400
Less:		
Allowance for doubtfully collectible pledges	15,905	17,030
Unamortized discount to present value	<u>20,114</u>	<u>20,235</u>
Total pledges receivable, net	<u>181,625</u>	<u>161,135</u>
Total notes and pledges receivable, net	291,395	272,193
Less current portion	<u>64,516</u>	<u>52,916</u>
	<u>\$ 226,879</u>	<u>\$ 219,277</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.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 4--Notes and Pledges Receivable--Continued

Payments on pledges receivable at June 30, 2006 are expected to be received in the following years ended June 30 (in thousands):

2007	\$ 48,819
2008-2011	130,060
2012 and after	<u>38,765</u>
	<u>\$ 217,644</u>

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 \$67,606,000 and \$59,428,000 at June 30, 2006 and 2005, respectively, 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.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 5--Capital Assets

Capital assets activity for the years ended June 30, 2006 and 2005 is summarized as follows:

	2006			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
	(in thousands)			
Land	\$ 80,795	\$ 493	\$ 10	\$ 81,278
Land improvements	89,596	1,856		91,452
Infrastructure	132,028	14,781		146,809
Buildings	3,424,929	543,457	10,908	3,957,478
Construction in progress	647,538	(90,502)		557,036
Equipment	1,087,249	127,354	35,945	1,178,658
Library materials	346,857	19,037		365,894
	<u>5,808,992</u>	<u>616,476</u>	<u>46,863</u>	<u>6,378,605</u>
Less accumulated depreciation	<u>2,703,524</u>	<u>264,028</u>	<u>42,388</u>	<u>2,925,164</u>
	<u>\$ 3,105,468</u>	<u>\$ 352,448</u>	<u>\$ 4,475</u>	<u>\$ 3,453,441</u>
	2005			
	<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	326,047	20,810		346,857
	<u>5,340,094</u>	<u>523,623</u>	<u>54,725</u>	<u>5,808,992</u>
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>

The decrease in construction in progress of \$90,502,000 in 2006 represents the amount of capital expenditures for new projects of \$551,943,000 net of capital assets placed in service of \$642,445,000. The increase in construction in progress of \$262,002,000 in 2005 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, 2006 and 2005 is summarized as follows:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Commercial Paper:		
Tax-exempt, variable rate (3.52%)*	\$ 89,665	\$ 23,125
Taxable, variable rate (5.30%)*	7,375	7,660
General Revenue Bonds:		
Series 2005A, 5.00% through 2018	37,745	37,745
unamortized premium	3,695	4,355
unamortized loss on extinguishment	(484)	(577)
Series 2005B, variable rate (3.95%)* through 2035	48,020	48,020
Series 2002, variable rate (3.96%)* through 2032	133,605	135,320
General Revenue Refunding Bonds:		
Series 2003, 3.5% to 5.00% through 2015	40,855	47,105
unamortized premium	2,910	3,764
unamortized loss on extinguishment	(541)	(708)
Hospital Revenue Bonds:		
Series 2005A, variable rate (3.95%)* through 2036	69,315	69,315
Series 2005B, variable rate fixed via swap (3.55%)* through 2026	81,000	81,000
Series 1995A, variable rate (3.96%)* through 2028	100,000	100,000
Hospital Revenue Refunding Bonds:		
Series 2002A, 5.00% to 5.25% through 2022	75,500	83,475
unamortized premium	2,368	3,155
unamortized loss on extinguishment	(3,105)	(3,556)
Series 1998A-2, variable rate fixed via swap (4.69%)* through 2025	44,670	44,670
Series 1998A-1, 5.00% to 5.25% through 2011	16,540	16,540
unamortized premium	167	205
Series 1992A, variable rate (3.95%)* through 2020	56,000	56,000
Medical Service Plan Revenue Bonds:		
Series 1998A-1, variable rate fixed via swap (4.67%)* through 2022	35,655	35,945
Series 1995A, variable rate (3.96%)* through 2028	49,800	50,300
Series 1991, 6.80% to 7.05% capital appreciation through 2012	10,801	12,214
Housing Revenue Bonds:		
Series 1996A, 5.10% to 5.60% through 2018	11,480	12,120
Housing Energy Conservation HUD Loan, 3.00% through 2021	2,506	2,637
Student Fee Bonds:		
Series 1995A-B, 6.00% through 2015	<u>2,830</u>	<u>5,495</u>
Total long-term debt	918,372	875,324
Less current portion of long-term debt	<u>136,851</u>	<u>54,871</u>
	<u>\$ 781,521</u>	<u>\$ 820,453</u>

* Denotes rate at June 30, 2006

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, 2006 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
		(in thousands)		
Commercial Paper:				
General revenues	\$ 30,785	\$ 98,835	\$ 32,580	\$ 97,040
Bonds and Notes:				
General revenues	275,024		9,218	265,806
Hospital revenues	450,804		8,349	442,455
Faculty Group Practice revenues	98,459	786	2,990	96,255
Student residences revenues	14,757		771	13,986
Student fee revenues	5,495		2,665	2,830
	<u>\$ 875,324</u>	<u>\$ 99,621</u>	<u>\$ 56,573</u>	<u>\$ 918,372</u>

The University maintains a combination of fixed and variable rate debt, with effective interest rates that averaged 3.75 percent in fiscal 2006 and 3.15 percent in fiscal 2005. 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 2006, the University issued \$98,835,000 of commercial paper to fund \$81,525,000 of new construction projects and rollover \$17,310,000 of outstanding commercial paper into a new series. During fiscal 2005, the University issued \$121,080,000 of commercial paper to fund \$53,015,000 of new construction projects and rollover \$68,065,000 of outstanding commercial paper into a new series.

In March 2005, the University issued \$85,765,000 of fixed and variable rate General Revenue Bonds, with a net 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.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 6--Long-term Debt--Continued

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.

Debt obligations are generally callable by the University and mature at various dates through fiscal 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> (in thousands)	<u>Total</u>
2007	\$ 135,417	\$ 33,595	\$ 169,012
2008	33,651	32,088	65,739
2009	33,722	30,742	64,464
2010	33,657	29,446	63,103
2011	34,769	28,084	62,853
2012-2016	165,779	115,195	280,974
2017-2021	159,922	81,465	241,387
2022-2026	168,185	47,013	215,198
2027-2031	105,245	16,136	121,381
2032-2036	<u>43,015</u>	<u>4,062</u>	<u>47,077</u>
	913,362	<u>\$ 417,826</u>	<u>\$ 1,331,188</u>
Plus unamortized premiums, net	<u>5,010</u>		
	<u>\$ 918,372</u>		

* Interest on variable rate debt is estimated based on rates in effect at June 30, 2006

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.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 6--Long-term Debt--Continued

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 estimated fair value of the interest rate swaps was a liability of \$785,000 at June 30, 2006 and a liability of \$12,680,000 at June 30, 2005. 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 \$400,000,000 at June 30, 2006, were entirely unused during fiscal 2006 and 2005.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

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 insurance and benefits obligations for the years ended June 30, 2006 and 2005 are summarized as follows:

	2006	2005
	(in thousands)	
Balance, beginning of year	\$ 223,010	\$ 243,816
Claims incurred and changes in estimates	141,879	117,444
Claim payments	(152,790)	(138,250)
Balance, end of year	212,099	223,010
Less current portion	55,986	56,890
	\$ 156,113	\$ 166,120

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 \$3,609,928,000 at June 30, 2006, have been designated for academic and research programs and initiatives, and capital programs.

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

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, 2006 and 2005 are summarized as follows:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
University contributions	\$ 171,868	\$ 160,455
Employee contributions	\$ 84,706	\$ 79,005
Payroll covered under plan	\$ 2,001,670	\$ 1,913,449
Total payroll	\$ 2,155,752	\$ 2,039,130

THE UNIVERSITY OF MICHIGAN

Notes to Consolidated Financial Statements--Continued

Note 10--Postemployment Benefits

In addition to providing pension benefits, the University provides certain health care and other postemployment benefits for retired employees. Substantially all of the approximately 32,000 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 8,700 retirees and survivors, including dependents, at June 30, 2006 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 \$32,055,000 and \$33,736,000 for the years ended June 30, 2006 and 2005, respectively. Other postemployment benefits, principally life insurance and dental, are also included in operating expenses, and amounted to approximately \$2,405,000 and \$2,319,000 for the years ended June 30, 2006 and 2005, respectively.

Certain organizations are currently required to record the estimated present value of postretirement 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 \$1,206,000,000 at June 30, 2006 and \$1,193,000,000 at June 30, 2005.

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 health care 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. This statement provides for various methods of calculating and recording the OPEB liability; accordingly, the liability recorded by the University upon implementation may differ from current estimates.

Note 11--Federal Direct Lending Program

The University distributed \$202,117,000 and \$193,955,000 for the years ended June 30, 2006 and 2005, 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 \$5,022,000 and \$2,749,000 at June 30, 2006 and 2005, 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, 2006 were \$863,363,000. Of these expenditures, approximately \$6,812,000 will be funded by the State Building Authority, \$79,812,000 will be funded using unexpended debt proceeds, and the remaining \$776,739,000 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, 2006, the University had committed, but not paid, a total of \$2,246,848,000 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):

2007	\$ 638,412
2008	540,341
2009	458,891
2010	217,362
2011 and beyond	<u>391,842</u>
	<u>\$ 2,246,848</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 University of Michigan 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, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
	(in thousands)	
Condensed Statement of Net Assets		
Assets:		
Current assets	\$ 350,133	\$ 291,016
Noncurrent assets	<u>1,991,908</u>	<u>1,826,243</u>
Total assets	<u>\$ 2,342,041</u>	<u>\$ 2,117,259</u>
Liabilities:		
Current liabilities	\$ 142,256	\$ 113,171
Noncurrent liabilities	<u>435,686</u>	<u>452,510</u>
Total liabilities	<u>577,942</u>	<u>565,681</u>
Net assets:		
Invested in capital assets, net of related debt	425,529	337,277
Restricted	52,782	38,085
Unrestricted	<u>1,285,788</u>	<u>1,176,216</u>
Total net assets	<u>1,764,099</u>	<u>1,551,578</u>
Total liabilities and net assets	<u>\$ 2,342,041</u>	<u>\$ 2,117,259</u>
Condensed Statement of Revenues, Expenses and Changes in Net Assets		
Operating revenues	\$ 1,435,311	\$ 1,310,541
Operating expenses other than depreciation expense	(1,255,788)	(1,140,807)
Depreciation expense	<u>(92,510)</u>	<u>(91,405)</u>
Operating income	87,013	78,329
Nonoperating revenues, net	<u>196,131</u>	<u>175,992</u>
Excess of revenues over expenses	283,144	254,321
Transfers to other University units, net	<u>(70,623)</u>	<u>(51,185)</u>
Increase in net assets	212,521	203,136
Net assets, beginning of year	<u>1,551,578</u>	<u>1,348,442</u>
Net assets, end of year	<u>\$ 1,764,099</u>	<u>\$ 1,551,578</u>
Condensed Statement of Cash Flows		
Net cash flows provided by operating activities	\$ 191,391	\$ 185,681
Net cash flows provided by investing activities	162,755	8,396
Net cash flows used in capital and related financing activities	(244,210)	(127,543)
Net cash flows used in noncapital financing activities	<u>(77,834)</u>	<u>(69,609)</u>
Net increase (decrease) in cash and cash equivalents	32,102	(3,075)
Cash and cash equivalents, beginning of year	<u>75,562</u>	<u>78,637</u>
Cash and cash equivalents, end of year	<u>\$ 107,664</u>	<u>\$ 75,562</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, 2006 and 2005 are summarized as follows:

	2006				
	<u>Compensation and Benefits</u>	<u>Supplies and Services</u>	<u>Depreciation</u> (in thousands)	<u>Scholarships and Fellowships</u>	<u>Total</u>
Instruction	\$ 591,160	\$ 91,854			\$ 683,014
Research	364,727	154,991			519,718
Public service	73,808	31,056			104,864
Academic support	142,289	41,222			183,511
Student services	53,764	13,205			66,969
Institutional support	102,455	27,513			129,968
Operations and maintenance of plant	35,402	213,436			248,838
Auxiliary enterprises	1,394,315	576,937			1,971,252
Depreciation			\$ 264,028		264,028
Scholarships and fellowships				\$ 83,839	83,839
	<u>\$ 2,757,920</u>	<u>\$ 1,150,214</u>	<u>\$ 264,028</u>	<u>\$ 83,839</u>	<u>\$ 4,256,001</u>
	2005				
	<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>

Note 15--Subsequent Event

The University announced subsequent to the fiscal year end that, after careful consideration and using its long-term strategic direction as a guide, it is proposing to sell M-CARE to Blue Cross Blue Shield of Michigan and its subsidiary, Blue Care Network of Michigan. The proposed transaction is subject to Board of Regents and regulatory approval.

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
RESEARCH AND DEVELOPMENT CLUSTER				
Agriculture, Department of				
Direct		10		\$ 953,322
Subcontract:				
Biotechnology Research and Development Corporation	144	10		54,666
Florida International University	591220200-02	10		(1,639)
Marine Biological Laboratory	20858	10		3,953
Michigan Technological University	001119Z	10		(1,329)
State University of New York	1034801	10		(3,920)
University of Georgia	RR551-216/98222527	10		16,094
University of Illinois	PO# P0103001	10		354
University of Toledo	2004-38898-02140	10		31,383
US-Israel Binational Agricultural Research and Development Fund (BARD)	IS-3332-02C	10		24,789
US-Israel Binational Agricultural Research and Development Fund (BARD)	US-3437-03	10		11,858
Central Intelligence Agency				
Direct		13		198,789
Subcontract:				
Sandia National Laboratories	490502	13		103,680
Southwest Research Institute	599767N	13		379,777
Commerce, Department of-Economic Development Administration				
Direct		11		138,913
Commerce, Department of-National Oceanic and Atmospheric Administration				
Direct		11		4,864,176
Subcontract:				
Indiana, State of Department of Administration	email dtd 12/15/05 & 12/16/05	11		70,180
Michigan, State of, Environmental Quality, Department of	#02CR-1.19/Ltr 5/21/03	11		82,781
Michigan, State of, Environmental Quality, Department of	Project #05-309-06	11		25,218
Michigan, State of, Natural Resources, Department of	PO# 751P6200468 - MDNR# 230740	11		21,256
Michigan, State of, Natural Resources, Department of	Prj# 230740-00	11		1,859
University of Maryland, The	CA03-23; NOAA Award NA16OC2473	11		286,313
Commerce, Department of-Office of the Secretary				
Direct		11		28,064
Subcontract:				
Englehard Corporation	Subcontract to 70NANB3H3012	11		80,069
Ford Motor Company	A10 P004 142968	11		94,015
Gunnison Consulting Group, Inc.	Consulting Agrmnt	11		44,043
Motorola, Inc.	PO #NP1654124	11		71,829
POM Group, Inc., The	Faxed SubK dtd 8/10/04	11		567,433
Commerce, Department of-Technology Administration				
Direct		11		36,143
Subcontract:				
Cross Match Technologies, Inc.	Rsrch Agmt.	11		13,862
Dimensional Control Systems, Inc.	Rsch Agrmnt 1/7/04	11		8,777

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Ford Motor Company	PO# A10 P004 142338	11		12,226
Defense, Department of-Air Force, Department of the				
Direct		12		4,511,464
Subcontract:				
21st Century Technologies, Inc	RT Res. Agmt. dtd 8/1/05	12		36,430
Anteon Corporation	USAF#0060-18-SC-0001	12		65,097
BAE Systems	PO# 62645 dtd 1/17/06	12		10,835
Battelle	SubK Agmt TCN 05158(SSP)	12		13,658
Brown Design	SubK 10/5/05 SBIR Ph1	12		22,617
Electrodynamic Applications, Inc.	Award/Contract	12		157,172
ERC, Inc.	PO #RP040942	12		24,641
ERC, Inc.	PO #RP050023	12		1,300
ERC, Inc.	PO RP030012	12		63,395
ERC, Inc.	PO#RP051052	12		18,894
ERC, Inc.	RP050809	12		45,364
ERC, Inc.	RP050810	12		49,396
ERC, Inc.	RP060155	12		6,375
ERC, Inc.		12		20,734
Flexsys, Inc.	Award Ltr dated 11/26/01	12		378
Flexsys, Inc.	Dynamic Wing Test	12		(23,992)
Flexsys, Inc.	Compliant Wing Structure	12		22,273
Galt LLC	Research Agmt	12		3,082
Group VIII Technology, Inc.	SUB(K)-81396	12		(1,000)
Massachusetts Institute of Technology	3044167	12		76,509
Massachusetts Institute of Technology	5710001866	12		112,925
Massachusetts Institute of Technology	5710001867	12		70,211
Mayaterials Company	Letter	12		26,469
Nomadics, Inc.	Research Agreement	12		(34,487)
Nufern	Subcntrct Agrmt under FA9454-0	12		48,497
Ohio State University	600002059	12		14,826
Opteos, Inc.	Award Ltr	12		(32)
Opteos, Inc.	Opteos Agreement	12		84,531
Opto-Knowledge Systems, Inc. (OKSI)	Subk to F004611-	12		(15,280)
Qynergy Corporation	Subct. To SUB-04-21	12		27,937
Rolls Royce, PLC	PO#1830013981	12		1,203
SET Associates Corporation	Check # 2772 & email dtd 9	12		14,704
Southwest Sciences, Inc.	STTR Res Agmt dtd 11/15/05	12		36,525
Southwest Sciences, Inc.	STTR Rsrch Agmt dtd 9/15/04	12		8,869
Stellar Micro Devices	Subcntrt dtd 6/1/04	12		(2,073)
Stellar Micro Devices	Sub-K dtd 8/1/05	12		46,228
UES, Inc.	710-003-0283 10/14/04	12		5,292
Universal Technology Corporation	SK 06S531042C1(R1)PM F33...	12		7,906
University of California	SA2795	12		90,677
University of Illinois	Subcontract - U. of Illinois	12		20,424
University of Illinois	Subcontract-U. of Illinois	12		75,283
University of Illinois-Urbana-Champaign	2003-07178-01-00	12		27,055
University of New Mexico	P0022841	12		80,970
University of Wisconsin	A867086	12		25,500

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Waveband Corporation	Rsrch Agmt. Dtd 9/1/04	12		38,441
Waveband Corporation	Subk 2/1/05	12		39,149
Wyle Laboratories	PO# 19041 OB 11-315S dtd 1/13/	12		90,360
Wyle Laboratories	PO#19041.0A01-394S	12		1,514
Defense, Department of-Army, Department of the				
Direct		12		23,358,912
Subcontract:				
Alion Science and Technology	Agmt#1270022JP	12		125,912
Alion Science and Technology	SubK# 1270063JP	12		481,660
Alion Science and Technology	SubK#1272849JP dtd 7/22/05	12		155,571
BAE Systems	PO#RP6897, No.15	12		353,974
Battelle	TCN 05106	12		90,665
Battelle Memorial Institute	TCN-04069	12		75,116
Bell Helicopter Textron, Inc.	PO No. 738099-33	12		(647)
Brigham and Women's Hospital	Memo of Agrmnt-Core A	12		(443)
Brigham and Women's Hospital	Memo of Agrmnt-Project 9	12		56,327
California Institute of Technology	77-1069043	12		82,523
Cybernet Systems	AGMT DTD 3/1/98	12		(11,082)
Dendritech, Inc.	Subct under W81ZWH-04-C-0	12		(1,470)
General Dynamics Corporation	Subcontract# S-8844-UM-03	12		69,544
Jet Propulsion Laboratory	1257849	12		52,734
Lynntech, Inc.	Research Agreement	12		49,034
Micro Analysis and Design, Inc.	DAAD19-01-2-0009	12		101,076
Purdue University	531-1285-0338	12		(14,942)
Techno-Sciences, Inc. (TSi)	S041115-01A	12		134,985
Telcordia Technologies	SubK#10085872-9/1/03	12		170,023
University of Illinois	2005-03207-01-00	12		11,413
University of Pennsylvania	5-37360-B	12		276,202
University of Texas	DAMD17-01-1-0741	12		(892)
University of Virginia	GO10166-113792	12		290,696
University of Washington	145611	12		47,872
Defense, Department of-Air Force, Department of the	FA8650-05-C-7253	12		548,118
Defense, Department of-Air Force, Department of the	FA9550-04-1-0136	12		(13)
Defense, Department of-Army, Department of the	DAAD19-02-1-0262	12		153,739
Defense, Department of-Army, Department of the	W31P4Q-04-1-R001	12		882,151
Defense, Department of-Army, Department of the	W81XWH-04-2-0012	12		1,724,774
Defense, Department of-Army, Department of the	W911NF-04-1-0429	12		232,043
Defense, Department of-Navy, Department of the	N66001-02-C-8039	12		(3,294)
Defense, Department of-Navy, Department of the	N66001-02-C-8059	12		1,594
Defense, Department of-Navy, Department of the	N66001-03-C-8045	12		183,207
Defense, Department of-Defense Advanced				
Research Projects Agency				
Direct		12		1,915,175
Subcontract:				
Case Western Reserve University	Cost Reimb. Consortium Agmt...	12		1,824
Dendritech, Inc.	Sub-K to DOD STTR Ph 2	12		90,761
EPIR, Ltd.	Agreement	12		14,953
EPIR, Ltd.	Res Agmt to W31P4Q-05-C-0254	12		21,568

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
General Dynamics Advanced Information Systems	JK00000550SC	12		3,190
Honeywell International	C09340023 FA8650-04-C-2502	12		137,051
Honeywell International	PO C09050025 under HL-C09...	12		234,986
Inst for the Study of Learning and Expertise (ISLE)	Subaward Agrmt	12		143,708
Institute for Clinical Research, Inc.	Ltr of Agreement	12		13,710
International Business Machines Corporation	A0033560	12		(301)
Johns Hopkins University	907975	12		88,526
Omni Sciences, Inc.	RT Res. Agmt.	12		36,050
Powerix Technologies, LLC	Research Agreement	12		437,767
Pratt and Whitney Aircraft	Svc Agreement	12		223,145
Princeton University	SubK# 00001195 dtd 3/29/06	12		231
Purdue University	531-0495-01	12		51,492
Raytheon Company	4400112536	12		166,418
Rice University	R15271	12		25,249
Rutgers University	SubK #1853	12		127,364
Science Applications International Corporation	Sub-K Agmt. #4400118869	12		70,001
SET Associates Corporation	SC0173-01-01	12		16,965
SRI International	03-000221 Release 002	12		68,045
SRI International	03-000221 Rls 003	12		237,114
SRI International	SubK #55-000672	12		65,431
Tethers Unlimited, Inc.	Agrmnt dtd 1/5/04	12		2,187
University of California - Berkeley	SA4474-32446	12		193,691
University of California - Berkeley		12		1,157,111
University of Massachusetts	03-001843 B 00	12		(2,377)
University of North Carolina	5-55651	12		195,338
VaxDesign	70003-W81XWH-04-C-0139	12		1,206,481
Defense, Department of-Defense Threat Reduction Agency				
Subcontract:				
Constellation Technology Corporation	SubK #G4-0007	12		15,350
Constellation Technology Corporation	Sub-K#D5-0383 dtd 9/1/05	12		67,748
Science Applications International Corporation	SubK #44016269	12		458,754
Defense, Department of-National Geospatial-Intelligence Agency				
Direct		12		205,982
Defense, Department of-National Security Agency				
Direct		12		112,608
Defense, Department of-Navy, Department of the				
Direct		12		7,028,387
Subcontract:				
Advance Ceramics Research, Inc.	Subcnt effect 1/2/03	12		(3,126)
Advanced Cochlear Systems	Rndtable Rsrch Agmnt 6/1/99	12		(1,551)
Alion Science and Technology	Agmt to PO SUB1176705...	12		21,603
Computer Sciences Corporation	Agmt # 11-17-04	12		(22)
Computer Sciences Corporation	S-9292 Task Order 011	12		79,066
Computer Sciences Corporation	Sub-K# S-9292	12		143,852
Georgia Institute of Technology	E -21-6RU-G6	12		70,543
GPA Technologies, Inc		12		82,865
ITT Industries	PO #175757J	12		(3,205)
ITT Industries	PO# 186424J to P.Cnt	12		109,489

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
ITT Industries	PO#197191J TO RFP ITT-006-017	12		18,590
Michigan State University	61-3488A	12		67,805
Ohio State University	RF00959544	12		63,814
Praxis, Inc	PO20060017	12		2,188
QuesTek Innovations, LLC	PO# 05-194	12		77,279
San Diego State University Foundation	53904A P1705 7816	12		20,000
University of California	KK120	12		22,977
University of California - Santa Barbara	KK5152	12		12,728
University of California - Santa Barbara	KK5153	12		151,663
University of Chicago	27499	12		269,417
University of Minnesota	E4406126101	12		(3,681)
University of Wisconsin	X223532	12		9,458
Defense, Department of-Other				
Direct		12		949,913
Subcontract:				
Alion Science and Technology	Subc Agmt #19185KR	12		11,776
Boeing Company, The	PO #R44PXZ-04035774	12		(3,536)
Innovative Biotherapies	Research Agmt dtd 12/13/04	12		247,930
Logistics Management Institute	Master SubK#0508	12		18,345
Polatin Corporation	SC-0048-05-0001	12		68,348
Science Applications International Corporation	Sub-K #4400117769	12		47,371
Westat	PO#804907-PO-001	12		1,867
Education, Department of				
Direct		84		2,571,985
Subcontract:				
American Educational Research Association	Award letter dtd 2/27/02	84		10,634
American Institutes for Research	Ltr dtd 1/3/01 & ltr w/mod 8	84		73,932
Association for Institutional Research	ltr dtd 4/1/05	84		13,500
Center for Applied Special Technology (CAST)	Consultant Agreement dtd	84		53,146
Co-nect Schools	SubK agrmnt dtd 9/1/03	84		79,813
Corporation for Public Broadcasting	Agmt For CPB#9811	84		39,386
Craig Hospital	Subcontract 2/2001	84		26,634
Detroit Public Schools	Contract #4-0134-2	84		11,136
Florida Institute of Technology	P0033272	84		11,309
Florida State University	R00311	84		51,159
Florida State University	Subentrt #R00119	84		75,710
Learning Point Associates	Contract # S2006-043	84		5,882
Learning Point Associates	S2006-044	84		39,011
Learning Point Associates	S2006-057	84		41,943
Michigan, State of, Education, Department of	P.O. #313P6200446	84		635,538
Northwest Regional Educational Laboratory	Contract	84		31,314
Pacific Resources for Education and Learning	Contract Agreement-R203F990026	84		(34,535)
University of California - San Francisco	Subcontract #3332sc	84		66,614
University of Pennsylvania	Agmt #5-43287-A - PO#1740407	84		266,123
University of Pennsylvania	Subcontract #5-30802 A	84		496,683
University of Pittsburgh	701512	84		443,348
Wayne State University	Subawd #WSU05023	84		36,498
Westat	PO #105114	84		(398)

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Energy, Department of				
Direct		81		13,610,274
Subcontract:				
Battelle Energy Alliance	41014	81		146,215
Battelle Memorial Institute	17172	81		42,793
Battelle Pacific Northwest Laboratories	22898	81		75,922
Bechtel BWXT Idaho, LLC	20906	81		65,654
Brookhaven National Laboratory	67832	81		557
Brookhaven National Laboratory	89911	81		40,503
Brookhaven National Laboratory	90770	81		29,788
Brookhaven National Laboratory	97496	81		83,132
Case Western Reserve University	RES501429	81		16,656
Duke University	02-SC-DOE-1009	81		(5,526)
Duke University	05 SC DOE 1016	81		42,710
Electric Power Research Institute (EPRI)	EP-P18924/C9349	81		149,750
Fermi National Accelerator Laboratory	563763	81		64,075
Fermi National Accelerator Laboratory	PO#500154 (FERMI)	81		(21,281)
General Motors Corporation	PO# TCS75069	81		183,303
Honeywell International	PO #C09350173	81		20,139
Idaho National Laboratory	38523	81		176,266
Idaho National Laboratory	52244	81		8,670
Idaho National Laboratory	52338	81		16,442
Idaho State University	02 220D	81		65,218
Indiana University	PO# 87881	81		112,883
Lawrence Berkeley National Laboratory	6455828 (LBNL)	81		(379)
Lawrence Berkeley National Laboratory	6720903 (LBNL)	81		179,948
Lawrence Livermore National Laboratory	B522013	81		(665)
Lawrence Livermore National Laboratory	B523296	81		(20,703)
Lawrence Livermore National Laboratory	B548853	81		151,574
Los Alamos National Laboratory	22868-001-05	81		75,180
Michigan, State of, Labor and Economic Growth,				
Department of	Grant # PLA-02-47	81		188,541
Oak Ridge Associated Universities	Res. Apptmnt from CDC	81		4,122
OG Technologies, Inc.	DE-FC36-04G014003	81		12,363
Ohio State University	Fndn Project #60007050	81		15,160
Ohio State University	PO# RF01018033	81		144,275
Ohio State University	RF Project No. 979861	81		(4,182)
Pennsylvania State University	2141-UM-DOE-5912	81		51,027
Pennsylvania State University	2504-UM-DOE-4530-FDP	81		148,182
Pennsylvania State University	2851 UM DOE 4423	81		9,080
Radiation Monitoring Devices, Inc.	SBIRDE-FG02-05ER84298	81		7,375
Rensselaer Polytechnic Institute	A30449	81		(454)
Sandia National Laboratories	121415	81		(8,471)
Sandia National Laboratories	199068	81		86,407
Sandia National Laboratories	237284	81		13,672
Sandia National Laboratories	240975	81		44,434
Sandia National Laboratories	240985	81		250,941
Sandia National Laboratories	359929	81		9,083

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Sandia National Laboratories	360222	81		40,468
Sandia National Laboratories	516365	81		31,223
Sandia National Laboratories	554742	81		47,131
Sandia National Laboratories	335220 0	81		35,591
Sandia National Laboratories	BG-0005 (Sandia)	81		63,283
Sandia National Laboratories	Microsystem Engr Fellow.	81		18,653
Sandia National Laboratories	PECASE Awd-5-4-04	81		41,073
Stanford University	PO#0000052901	81		86,743
United Oil Processing (UOP LLC)	RsSch SubAgrmnt	81		68,725
United States Council for Automotive Research	04-1163	81		2,082
United States Council for Automotive Research	06-1576	81		130,667
United States Council for Automotive Research	PO #04-1158	81		35,485
United States Council for Automotive Research	PO #04-1193	81		(3,373)
United States Council for Automotive Research	PO #04-1223	81		4,823
United States Council for Automotive Research	PO# 05-1296	81		14,053
University of California	13137-002-06	81		52,695
University of California	25369-001-06	81		28,025
University of California	33673-001-06	81		8,072
University of California	73713-001-03 8T	81		61,337
University of California	78139 002 05 4V	81		34,173
University of California	B539659	81		32,152
University of Chicago	4F 02141	81		38,990
University of New Mexico	048479 871E	81		137,286
University of Wisconsin	A824316	81		60,710
University of Wisconsin	A827761	81		119,769
UT-Battelle, LLC	4000019189	81		(17,458)
UT-Battelle, LLC	4000030047	81		35,101
UT-Battelle, LLC	4000031899	81		41,063
UT-Battelle, LLC	4000039699	81		69,541
Z, Inc.	04-EI-40502.000	81		5,378
Environmental Protection Agency				
Direct		66		2,414,432
Subcontract:				
Consortium for Plant Biotechnology Research	Agmt # EPA8294901	66		18,265
Environmental Science and Engineering, Inc.	3921101GB1002115	66		4,477
Great Lakes Commission	Ltr dtd 3/20/06	66		13,345
Great Lakes Commission	Ltr dtd 8/3/04	66		154,317
Michigan State University	61 3361A	66		57,292
Michigan State University	61-3371A	66		86,582
Michigan State University	61-3383F	66		115,915
Michigan, State of, Community Health, Department of	20050588	66		12,587
Michigan, State of, Community Health, Department of	20060152	66		37,749
Michigan, State of, Environmental Quality, Department of	Grant Agreement #2000-0168/Pay	66		(3,185)
University of Washington	202634	66		19,631
University of Wisconsin	144KF84 H02	66		27,167
Federal Reserve System				
Direct		18		68,274
General Services Administration				

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Direct		39		16,324
Subcontract:				
CFI Group, Inc.	Letter dated 1/2/02	39		1,139,033
Georgia Institute of Technology	Subcnt#D-48-6BM-S1	39		21,059
Health and Human Services, Department of- Administration for Children and Families				
Subcontract:				
Columbia University	90YE0063/01	93		472
Health and Human Services, Department of-Agency for Health Care Research and Quality				
Direct		93		673,349
Subcontract:				
American Institutes for Research	SubK#SC-02-1825-04	93		(2,034)
Cincinnati Foundation for Biomedical Research and Education (CFBRE)	CFBRE Account #79	93		3,426
University of Illinois	Grant App dtd 7/28/05	93		17,432
Health and Human Services, Department of-Centers for Disease Control and Prevention				
Direct		93		6,036,929
Subcontract:				
Association of American Medical Colleges	MM-0789-04/04	93		207,070
Association of Schools of Public Health, Inc.	ASPH/CDC#A1208-21/2	93		(7,242)
Association of Schools of Public Health, Inc.	S1957-21/23	93		10,292
Association of Schools of Public Health, Inc.	S1964-21/23	93		70,389
Association of Schools of Public Health, Inc.	S2200-22/23	93		94,434
Association of Schools of Public Health, Inc.	S3011-23/23	93		86,419
Association of Schools of Public Health, Inc.	S3204-23/23	93		329,296
Association of Schools of Public Health, Inc.	S3341-23/23	93		34,872
Association of Teachers of Preventive Medicine	TS-0634	93		(413)
Columbia University	Agmt of 9/30/04	93		21,267
Community Health and Social Services, Inc.	Letter dtd 7/23/03	93		168,971
Duke University	Subcontract #04-SC-CDC	93		101,008
Eastern Research Group, Inc. (ERG)	CDC-10039/2	93		27,809
Genesee County	Agreement of 10/1/05	93		150
Genesee County	Email 8/10/05 for Agmt	93		27,080
Hemophilia Foundation of Michigan	UR6/CCU520599-01	93		(32,823)
Marin, County of	H57/CCH923112-01	93		10,500
Medical College of Wisconsin	Agmt of 8/1/04	93		(6,673)
Michigan, State of, Community Health, Department of	20041923	93		(69)
Michigan, State of, Community Health, Department of	20050584	93		25,594
Michigan, State of, Community Health, Department of	20051362	93		27,446
Michigan, State of, Community Health, Department of	20051500	93		48,745
Michigan, State of, Community Health, Department of	20060049	93		31,215
Michigan, State of, Community Health, Department of	20060149	93		44,875
Michigan, State of, Community Health, Department of	20062172	93		7,500
University of North Carolina	Subcntrt #5-38414	93		16,164
University of North Carolina	UNC-CH Subcontract # 5-38610	93		6,782

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Health and Human Services, Department of-Centers for Medicare and Medicaid Services				
Direct		93		551,210
Subcontract:				
Arbor Research Collaborative For Health	Subcnt under HHSM-500-2005-000	93		121,748
Arbor Research Collaborative For Health	SubK 10/1/04-9/30/05	93		263,354
Colorado Foundation for Medical Care	Dept E-mail of 6/28/04	93		8,827
Iowa Foundation for Medical Care	CMS500-02-0030/TSK ORD	93		32,284
Medstat	Subcontract SRRP-MICH-01	93		73,996
Michigan Public Health Institute	N-12003-11-504200	93		758,371
Michigan Public Health Institute	N-12004-11-504200	93		594,615
Michigan Public Health Institute	N-12005-11-504200	93		81,296
Michigan, State of, Community Health, Department of	20001264	93		(244,381)
Michigan, State of, Community Health, Department of	20053551	93		63,804
Michigan, State of, Community Health, Department of	20060401	93		40,000
Qualis Health	Agrmnt/7th Sow Esrd	93		53,040
Health and Human Services, Department of-Food and Drug Administration				
Direct		93		801,864
Health and Human Services, Department of-Health Resources and Services Administration				
Direct		93		584,303
Subcontract:				
American Medical Student Association (AMSA)	Subcont to 230-03-0015	93		6,035
Arbor Research Collaborative For Health	SubContractor Agmt dtd 10/01/0	93		201,694
Arbor Research Collaborative For Health	SubK Agrmnt 9/25/05...	93		646,396
Hemophilia Foundation of Michigan	2003-2004 DHHS/MCHB	93		(9,830)
National Kidney Foundation of Michigan	Agmt 1/11/05	93		33,486
Thomas Jefferson University	080-31000-R67002	93		(2,046)
University of California - Davis	K009415-02	93		108,170
University of North Carolina	UNC # 5-52113	93		28,367
University of Utah	PO 0000125086	93		453
Health and Human Services, Department of-National Institutes of Health				
Direct		93		390,298,675
Subcontract:				
Abramson, Madlyn and Leonard, Center for Jewish Life				
Polisher Research Institute	928-PSID	93		(195)
Advanced Circulatory Systems, Inc.	SubK-4/26/06-#R43 NS054372-01	93		2,353
Albany Medical College	290169	93		(4,025)
Albert Einstein College of Medicine	Agmt of 9/1/03	93		2,759
Alliance for the Prudent Use of Antibiotics (APUA)	Memo of Agrmnt # UM-ROAR-01	93		7,253
American College of Radiology	ACRIN 6654	93		377,331
American College of Radiology	Check No. 77904 dtd 7/23/02	93		92,484
American Medical Student Association (AMSA)	Subcontract Agreement	93		21,618
Arizona State University	06-642	93		145
Arizona State University	SC 34105M00037	93		62,597
AT Sciences	Subcont effec 12/12/03	93		1,364

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Atactic Technologies	SubK dtd 8/12/04	93		13,605
Beth Israel Hospital	7 R01 CA095662-03	93		255,005
Beth Israel Hospital	Mem of Agmt 6/14/05	93		203,235
Beth Israel Hospital	R01 DA 03574	93		12,727
Bethesda Pharmaceuticals, Inc.	RT Res. Agmt dtd	93		(8,287)
Bio Logic Engineering, Inc.	Awd ltr dtd 7/15/02	93		1,662
Boston University	Agreement of 9/1/04	93		2,878
Brigham and Women's Hospital	1 U01 AG22312-01	93		2,941
Brigham and Women's Hospital	BWH#726971:	93		110,132
Brown University	1223-27313	93		(151)
California Pacific Medical Center	Agmt# 3803204-S020	93		505,358
Cancer Therapy and Research Center	Contract#SWOG-05004	93		(115)
Cancer Therapy and Research Center	Ct# SWOG-05005	93		(14,829)
Cancer Therapy and Research Center	SWOG dtd 10/24/03	93		(2,406)
Case Western Reserve University	Agmt dtd 9/1/04	93		10,707
Case Western Reserve University	Agreement of 07/1/03	93		(12,239)
Case Western Reserve University	Amend #2 5 R01 DK069764-02	93		60,164
Cedars-Sinai Medical Center	Consortium Agmt. IND#10,519	93		(296)
Children's Hospital of Los Angeles	CT Agmt to NANT Consortium	93		14,721
Children's Research Institute	Subcnt #7928-04-04	93		95,015
Coley Pharmaceutical Group	Agmts dtd 1/26/04 Standiford	93		246,185
Colorado State University	G-4413-1/PO P319713	93		88,060
Columbia University	90YE0063/03	93		495,830
Columbia University	Agmt 07/01/04	93		243,351
Columbia University	MD000206-02	93		(10,723)
Columbia University	MD000206-04PO#556439	93		14,088
Columbia University	PO# 557602	93		8,625
Columbia University	PO551070:MD000206-02	93		87,643
Columbia University	R01-MH63852	93		(118)
Columbia University		93		34,041
Community Health and Social Services, Inc.	Sub-Contract dtd 9/1/05 CDC GR	93		37,553
Constella Group Product Development, LLC	Genelink 32831 0008	93		(7,539)
Core MicroSolutions, Inc.	Email dtd 6/24/04	93		97,065
Cornell University	Agrmnt of 9/01/03	93		(265)
Duke University	02-SC-NIH-1048	93		78,111
Duke University	04-SC-NIH-1009	93		(744)
Duke University	05SC-NIH-1008	93		(2,954)
Duke University	Agrmnt of 9/4/03	93		195,577
Duke University	Clinical Resch Agmt	93		1,250
Duke University	ID#820	93		51,519
Duke University	N01-A1-05419 SubK#10GC102970..	93		45,371
Duke University	Protocol No. Z0010	93		135
Eastern Michigan University	1 R03 AA0H601-01A1	93		21,979
Emmes Corporation, The	Letter Agreement	93		7,962
Emmes Corporation, The	Ltr Agrmnt Study NAPR	93		1,279
Emory University	Agmnt of 3/1/03	93		16,268
Emory University	Agrmt of 2/1/03	93		80
Forsyth Institute, The	Under Grant# R01 DE016376	93		28,646

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
George Washington University	04-C03	93		24,235
George Washington University	Sub#05-B02 Awrd#N01-DK-6-2204	93		222,786
Georgetown University	Subcnt #RX4300-019-	93		24,677
Greater Detroit Area Health Council	GFA No.SP08146-01	93		(4,327)
Gynecologic Oncology Group	GOG - U of M-Lieberman	93		9,824
H. Lee Moffitt Cancer Center & Research Institute	Subaward No. 2005-005	93		76,662
Harvard University	149928-0506	93		231,869
Harvard University	Agmnt of 09/30/02	93		237
Harvard University	Agmt of 06/20/06	93		85,629
Harvard University	Agmt of 9/1/04	93		40,226
Harvard University	Subawd #149979-0002	93		21,785
Harvard University	U01-MH60220-01	93		45,892
Harvard University		93		242,193
Health Research, Inc	Agreement dtd 5/6/05	93		21,179
Health Research, Inc	Subctr Under ...	93		(3,520)
Henry Ford Health System	5 R01 HL68971-02	93		33,493
Henry Ford Health System	Subcontract to U01 AI042174	93		41,055
Henry Ford Health System	U19CA7968905 HFHS B40321	93		73,555
Henry Ford Hospital	1 R01-HL070023-01A2	93		20,455
Henry Ford Hospital	5 R01 AR047994-03	93		(17,312)
Hutchinson, Fred, Cancer Research Center	PO#0000582798 Subaward 05-2009	93		87,098
Hutchinson, Fred, Cancer Research Center	Sbwrdr Agmt #06-200889-02-S1460	93		16,292
Indiana University	PO# 10404-0118	93		30,928
Indiana University	R01-AG010436	93		13,554
Indiana University	R01-DC006436	93		116,566
Industrial Science and Technology Network	1 R43 DK067723-01	93		24,279
Innovative Biotherapies	Resch Agmt dtd 2/1/06	93		4,891
International Union, UAW	5 U45 ES006180-12	93		59,625
IUPUI (Indiana University Purdue University Indianapolis)	Agmnt of 9/28/01	93		23,870
IUPUI (Indiana University Purdue University Indianapolis)	GM061376 -PO#25098	93		233,029
Johns Hopkins University	8408-56108-X	93		296,152
Johns Hopkins University	Agmt dtd 9/30/02	93		95,328
Johns Hopkins University	Agmt of 5/1/05 (EY014660)	93		84,368
Johns Hopkins University	Agreement of 5/1/02	93		164,839
Johns Hopkins University	Agmnt of 9/30/03	93		221,017
Johns Hopkins University	JHU PO#8510-36900-X	93		58,560
Johns Hopkins University	JHU PO#8510-36910-X	93		34,311
Johns Hopkins University	P.O. #8311-97168-6	93		27,862
Johns Hopkins University	PO #27221	93		14,722
Johns Hopkins University	PO #8212-34234-X	93		(29,258)
Johns Hopkins University	PO 8502 89474-7	93		187
Johns Hopkins University	PO# 8512-50114	93		146,533
Johns Hopkins University	Subaward No. 8405-32784-5	93		15,934
Joslin Diabetes Center	5-R01-DK064568-02	93		12,783
Kaiser Permanente Northern California	SubK#115-9119,#CN-03Jselb-05-H	93		(12,053)
LigoCyte Pharmaceuticals, Inc.	Roundtab Res Agree dtd 6/15/00	93		(8,968)
Massachusetts Eye & Ear Infirmary	Agmt of 6/17/04	93		43,093
Massachusetts General Hospital	5-U54-GM62119-02	93		(114,338)

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Massachusetts General Hospital	Cnsrtm Agmt FDP IV uner 5 R	93		23,768
Massachusetts General Hospital	R01 NS042147-01A2	93		82
Massachusetts General Hospital	Weissman-Goold 1R01NR009289	93		25,152
Mayo Clinic	1 R21 HL 77123-01	93		56,297
Mayo Clinic	5 R01 HL075794-04	93		205,220
Mayo Clinic	NS 42759	93		126,788
MedArray, Inc.	Research Agreement	93		27,816
MedArray, Inc.	Sponsor Ltr/Ck. #755	93		(483)
Medical College of Ohio	Agmt. No. NS 2005-080	93		77
Medical University of Ohio	N2004-43, PO#19385	93		28,034
Medical University of Ohio	Subctr #N2005-102,PO#35337	93		7,830
Medical University of South Carolina	MH070552-Michigan	93		61,160
Metabolic Solutions	Ltr of 2/14/03-Ck#4918	93		21,504
Metabolic Solutions	Sp.Em 11/11 & 11/12/02	93		81
Michigan Critical Care Consultants, Inc.	Agmt dtd 3/29/05	93		47,651
Michigan Critical Care Consultants, Inc.	Allocation of Rights Agreement	93		72,018
Michigan Critical Care Consultants, Inc.	PHS Grant #4-R44-HL	93		13,199
Michigan Critical Care Consultants, Inc.	Research Agreement	93		(250)
Michigan Critical Care Consultants, Inc.	Rsrch Agmt	93		91,965
Michigan State University	1-R01-ES11856-01	93		61,681
Michigan State University	Agrmnt No. 610340	93		653,192
Michigan State University	Agrmt #610746UM	93		13,750
Michigan State University	Subaward # 61-0754UM1	93		1,267
Michigan State University	Subcontract #611149	93		114,816
Michigan State University	Subcontract #661130	93		7,681
Michigan State University		93		29,634
Microbiotix, Inc.	Award letter	93		(44)
Microbiotix, Inc.	Awd letter	93		132,372
Microbiotix, Inc.	Ltr Agreeemnt dtd 07/10/03	93		(1,803)
Molecular Design International	Agreement	93		2,456
Molecular Design International		93		150,853
Mount Sinai Medical Center, The	MSSM No. 0254-6641-4609	93		1
Mount Sinai Medical Center, The	MSSM No. 0255-0911-4609	93		10,391
Mount Sinai Medical Center, The	MSSM#0254-6643-4609	93		7,028
Mount Sinai Medical Center, The	MSSM#0254-66434609 PO#SM91528V	93		48,760
National Childhood Cancer Foundation	P.O. 13587 Grant BAA-RM-04-23	93		45,322
National Surgical Adjuvant Breast and Bowel Project (NSABP) Foundation, Inc.	Amendment #2 PFED16-MIC-01	93		(1,020)
National Surgical Adjuvant Breast and Bowel Project (NSABP) Foundation, Inc.	LETTER 9/17/97	93		(404)
New England Organ Bank (NEOB)	1 H39-OT00123-01	93		6,847
New England Research Institute	Subcontract	93		173,949
New York Academy of Medicine	Contract	93		45,325
New York Medical College	2 R01 0K54602-07A2	93		12,551
Northern California Institute for Research & Education, Inc. (NCIRE)	1 U01 AG024904-01	93		61,999
Northern California Institute for Research & Education, Inc. (NCIRE)	Subcontract Weiner 000855	93		241,094

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Ohio State University	1 P50 CA105632-01	93		484
Ohio State University	60003546/PO RF01030015	93		86,041
Ohio State University	747087/985017	93		1,756
Ohio State University	Agmt of 9/1/05	93		72,109
Ohio State University	PO No. RF01012715	93		33,287
Ohio State University	RF01025301	93		77,740
Oregon Health and Science University	Agmt #GPRC00618A3	93		43,796
Oregon Health and Science University	J745E	93		241,802
Oregon Health and Science University	Sub No. GCROE00065A	93		(22,172)
Oregon Health and Science University	SubContract No. 8401386	93		4,734
Oregon Social Learning Center	SUBCONTRACT	93		14,732
Pennsylvania State University	2399-UM-DHHS-1203	93		67,078
Pennsylvania State University	2497-UM-DHHS-0673	93		212,644
Pennsylvania State University	3140-UM-DHHS-0075	93		57,711
Pennsylvania State University	DHHS-TPSU-UM-10075-1488	93		19,463
Pixel Velocity	RT Res Agmt 10/1/05	93		3,978
Portland State University	PSU PIAF #040235	93		81,162
Princeton University	00000972 (400-6225)	93		41,824
Purdue University	511-1662-01	93		324,212
Purdue University	511-1853-01	93		117,737
Purdue University	Subgrant Agrmnt	93		(73,426)
Radiation Monitoring Devices, Inc.	1 R43 CA99104-01	93		14,074
Radiation Monitoring Devices, Inc.	Subcontract No. C05-24	93		32,699
Radiation Monitoring Devices, Inc.	Subcontract No. C05-34	93		15,000
Rainbow Babies and Children's Hospital	N01-DK-6-2203	93		140,506
Rand Corporation	9920050013	93		39,973
Rand Corporation	9920050077	93		26,168
Rand Corporation	Subctret9920040012R01A6024058	93		(571)
Rand Corporation	SubK Agmt#9920050059	93		20,816
Rehabilitation Institute of Chicago	Research Agrmnt	93		40,167
Research Foundation of Mental Hygiene, Inc.	Consortium Agrmnt-RFMH	93		13,781
Rhode Island Hospital	U01-DK61700-FAVORIT	93		35,884
Rockefeller University	2 R01 MH061399-04A2	93		61,560
Roswell Park Cancer Institute	1 R01 CA119358-01	93		17,344
Roswell Park Cancer Institute	SubK Grnt #5 R01 CA104479-02	93		7,817
Sandia National Laboratories	102315 and Revision #1	93		435,189
Science Applications International Corporation	25XSQ24A	93		176,205
Science Applications International Corporation	Sub-K323XS110A dtd 9/21/04	93		2,152,809
Scripps Research Institute	PO # 5-74061	93		(8,785)
SmartCells, Inc	Agmt dtd 1/12/06	93		9,180
Solohill Engineering, Inc.	Rndtbl Resch Agrmnt	93		1,994
Solohill Engineering, Inc.	RT Res Agmt 4/29/05	93		191,618
Southern Illinois University Medical School	1-R01-AG19899-01	93		21,578
Southwest Oncology Group	CA37429	93		19,568
Southwest Oncology Group	purchase service agmt	93		18,466
Stanford University	12714740-28197-C	93		35,974
Stanford University	5-R01-MH47573-12	93		10,002
Stanford University	PY-2339	93		16,643

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Stanford University	PY-2384-23154-A	93		14,372
State University of New York	Subaward #36846-1049287-2	93		32,652
State University of New York	Subaward No. 1044050-2-34555	93		22,769
Texas A & M Research Foundation	Agmt S060049	93		29,532
Therapeutics System Research Lab, Inc. (TSRL, Inc.)	Res Agmt dtd 02/01/05	93		191,737
Therapeutics System Research Lab, Inc. (TSRL, Inc.)	Res Agmt dtd 2/1/05	93		118,419
Therapeutics System Research Lab, Inc. (TSRL, Inc.)	Subcontract Agreement	93		(3,852)
Therapeutics System Research Lab, Inc. (TSRL, Inc.)	Subcontract dtd 11/20/03	93		(9,264)
Tulane University	Sbawd#TUL-175-04/05	93		78,354
University of Alabama at Birmingham (UAB)	Agreement of 9/1/03	93		99,563
University of Alabama at Birmingham (UAB)	BAMSG Study 4-01	93		88,888
University of Arkansas for Medical Sciences	G250108557	93		97,879
University of Bath	Agmt 9/25/05	93		59,658
University of Bath	SH184X	93		(2,711)
University of Calgary	2 R01 HL58955-05	93		49,654
University of California	Agmt of 9/30/02 Turgeon	93		81,458
University of California - Davis	RA 011125-UM	93		13,229
University of California - Irvine	subaward no. 2005-1672	93		65,556
University of California - Irvine	Subawd # 2004-1506	93		380,876
University of California - Irvine		93		(32,641)
University of California - Irvine	2005-1677 & 1678	93		209,094
University of California - Los Angeles	1558 GEB934	93		3,945
University of California - Los Angeles	Subaward No. 1920 G GC053	93		57,792
University of California - Los Angeles	Subawd #1580-G-EC799	93		(18,471)
University of California - San Francisco	3801SC	93		(136)
University of California - San Francisco	Subcontract #3680SC	93		105,127
University of California - San Francisco	Subctr No. 3825SC	93		130,689
University of California - San Francisco		93		20,293
University of California-San Diego	#6.00,protocol 6-LL	93		16,215
University of California-San Diego	Mstr Agmt #6-00-ANDI	93		4,012
University of California-San Diego	PO#10231573	93		9,739
University of California-San Diego	Protocol Attchmnt to MOA 6-OC	93		7,243
University of California-San Diego	Prtrl.Atcmnt. to MOA 6-00	93		23,151
University of California-San Diego	Trial Protocol Attachmnt	93		4,442
University of Chicago	05/19/06 Agmt under UC # U54 A	93		6,312
University of Chicago	26020/5-30404 Amnd 2	93		113,211
University of Chicago	4/11/06 spn/eml 26020/5-30463	93		19,209
University of Chicago	5-30167-8602	93		1,430
University of Chicago	5-30167-8606	93		(12,579)
University of Chicago	5-30404-8602	93		21,561
University of Chicago	5-30404-8603	93		100,233
University of Chicago	5-30404-8607	93		122,400
University of Chicago	5-30404-8608	93		63,024
University of Chicago	Agmnt of 4/14/00	93		(42,550)
University of Chicago	ID # 21489	93		206,085
University of Chicago	U54 A157153-04	93		77,203
University of Chicago	5-30404-8601	93		183,337
University of Chicago	5-30404-8604	93		54,240

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
University of Chicago	UC# U54 A157153-04	93		66,250
University of Cincinnati	P021-040-P111-1078	93		139,222
University of Cincinnati	P50-NS044283	93		16,294
University of Cincinnati	Subaward No P021-040-N151-1105	93		16,148
University of Colorado	SPO 34341	93		117,348
University of Florida, The	00051551-UM	93		55,733
University of Georgia	Agreement of 09/30/01	93		35,262
University of Illinois	03-207	93		48,699
University of Illinois	Agreement of 09/01/00	93		47,716
University of Iowa	4000504407	93		(6,591)
University of Kansas	Subcontract No. FY2001-93	93		93,775
University of Kentucky	4-68740-05-394	93		20,708
University of Kentucky	Agreement of 10/1/04	93		45,900
University of Maryland, The	Agmt dtd 09/30/01	93		21,277
University of Maryland, The	P.O. #S01861	93		24,098
University of Maryland, The	S02068	93		438,949
University of Maryland, The		93		215,423
University of Massachusetts	Sub Awrd #04-002625A00	93		149,288
University of Massachusetts	Subawrd #: 06-003477 A 00	93		49,015
University of Medicine and Dentistry of New Jersey (UMDNJ)	Agreement of 8/1/05	93		22,292
University of Medicine and Dentistry of New Jersey (UMDNJ)	PO 253663	93		53,625
University of Medicine and Dentistry of New Jersey (UMDNJ)	Prtcl #99-705	93		22,515
University of Minnesota	Agmt dtd 9/1/03	93		29,906
University of Minnesota	Agrmnt of 9/27/02	93		9,191
University of Minnesota	PO #S2986091201	93		29,621
University of Minnesota	S4496017201	93		25,208
University of New Mexico	Consort Agmt ID#U01/C	93		(34)
University of New Mexico	PO026478 - 3R28L/328 LQ	93		7,357
University of New York at Buffalo	R40827	93		7,530
University of New York City	Subcnrt #41506-00001 A	93		(7,236)
University of New York City	Subcnt#41506-0002A	93		4,341
University of New York City	Subcnrtct #41506-0003A	93		42,738
University of North Carolina	5-34711	93		10,453
University of North Carolina	5-50094	93		34,401
University of North Carolina	Subaward No. 5-50056	93		10,306
University of North Carolina	Subaward No. 5-50173	93		99,735
University of North Carolina	UNC #5-52194	93		(723)
University of North Carolina	UNC-CH # 5-51918	93		11,649
University of North Carolina	UNC-CH #5-52143	93		(1,799)
University of North Carolina	UNCCH Acct No. 5-31591	93		1,710
University of Pennsylvania	PO 1593227 Sub-award 5-45327	93		26,985
University of Pennsylvania	PO 1735960	93		118,022
University of Pennsylvania	PO# 1750152 Subawrd #5-44131	93		18,409
University of Pennsylvania	PO#1723509 Agmt dtd 12/5/4	93		31,771
University of Pennsylvania	Subaward #5-42764	93		63,956

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
University of Pennsylvania	Subaward No. 544524-B	93		8,245
University of Pennsylvania	Subawd #5-45383-C PO# 1671818	93		10,973
University of Pittsburgh	agmt of 6/1/02	93		10,705
University of Pittsburgh	Agrmnt of 7/01/02	93		9,154
University of Pittsburgh	Project # 401415	93		67,228
University of Pittsburgh	Subaward #402913-1	93		92,045
University of Pittsburgh	U of Pitt Sub Agmt #110092-1	93		(295)
University of Pittsburgh		93		49,212
University of Rhode Island	Subaward No. 022705/000046...	93		29,088
University of Rochester	P.O. #411883-G	93		(2,577)
University of Rochester	P.O.#412658-G	93		8,370
University of Rochester	PO#	93		38,603
University of South Carolina	Sub#05-1015 PO41615	93		2,924
University of Southern California	PO No. H28966	93		82,880
University of Southern California		93		11,850
University of Texas	100634/100623	93		(1,196)
University of Texas	Agmt of 09/15/02	93		162,668
University of Texas	Agreement of 11/02/00	93		9,043
University of Texas	GMO-010114 (N01MH90003)	93		100,346
University of Texas	GMO-010147	93		45
University of Texas	No. NO1 MH90003- GMO-010148	93		(22,579)
University of Texas	Subaward # 004293	93		188,749
University of Texas	Subaward #0003389C	93		12,290
University of Texas		93		163,197
University of Texas Southwestern	4/1/05 #GMO-601107	93		70,815
University of Texas Southwestern	GMO-030923	93		1,900
University of Texas Southwestern	GMO-400928	93		11,094
University of Texas Southwestern	GMO-500811	93		26,230
University of Texas Southwestern	GMO-600123	93		26,396
University of Utah	2101146-03 PO # 000129019	93		53,966
University of Utah	R01-NS40458	93		48,889
University of Virginia	GC11136-121377	93		1,836
University of Virginia	GC11270-123803	93		85,785
University of Virginia	Subct#GC10139-123-029	93		46,898
University of Washington	Sub# 119700	93		28,819
University of Washington	Subcontract No. 589581	93		18,792
University of Washington	Subct#874617	93		(5,510)
University of Wisconsin	Agmt #04-8167 PO#095H185 07069	93		378
University of Wisconsin	Agmt No. 835F542	93		193,509
University of Wisconsin	Agmt P392011, UW Acct 144-NY98	93		45,979
University of Wisconsin	PO#807G343 121870	93		(853)
Vanderbilt University	R01 NS042698-04	93		148,918
Vanderbilt University	VUMC31973-R	93		66,338
Vanderbilt University	VUMC31974-R/ 1 U010CA114771	93		118
Victor/Harder Productions, Inc.	RT ResAgmt 1/1/05	93		27,776
Washington University	5 U01 NS42167-03	93		68,832
Washington University	P.O. No. 29423T, WU-03-33	93		146,020
Washington University in St. Louis	WU-04-180 PO#29974W	93		13,749

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Washington University in St. Louis	WU-06-31 PO#29181M	93		27,130
Wayne State University	6035	93		4,551
Wayne State University	PO P0429302 -WSU05018	93		5,292
Wayne State University	PO# P0437957	93		46,325
Wayne State University	Subawd #WSU05005	93		25,410
Wayne State University	SWU04048/PO# P0416983	93		28,129
Wayne State University	WSU02021-A2 PO#411527	93		84,027
Wayne State University	WSU04009	93		81,673
Wayne State University	WSU04055	93		204,617
Wayne State University	WSU95002 N01 AR-5-2217	93		(368)
Yale University	2-U19-HD35482-06	93		(70,594)
Yale University	5 U19 HD35482-08	93		86,343
Yale University	A05972	93		531,491
Yale University	Sub Award # A06138	93		22,891
Health and Human Services, Department of-Office of the Secretary				
Direct		93		1,362,518
Subcontract:				
Arkansas, State of	PO 4500366398 02ASPE411A	93		100,591
Columbia University	90YE0063/02	93		96,861
Michigan, State of, Community Health, Department of	20040394	93		(3)
Michigan, State of, Community Health, Department of	20050531	93		(90,775)
Michigan, State of, Community Health, Department of	20051361	93		(7,010)
Michigan, State of, Community Health, Department of	20052187	93		183,139
Michigan, State of, Community Health, Department of	20060548	93		142,386
Michigan, State of, Community Health, Department of	20060939	93		275,878
University of California	2326SC	93		94,182
University of California	2327SC	93		93,176
Health and Human Services, Department of-Substance Abuse and Mental Health Services Adm.				
Direct		93		552,839
Subcontract:				
Michigan, State of, Human Services, Department of	ADMIN 02-99002-4	93		31,743
National Opinion Research Center	Subcontract Agrmnt 4833-00-01	93		(675)
Southwest Counseling & Development Services	Ltr Agrmnt dtd 8/18/04	93		33,260
Homeland Security, Department of				
Direct		97		719,749
Housing and Urban Development, Department of				
Direct		14		55,919
Subcontract:				
SOS Crisis Center	Subcontractor Agreement	14		(18,763)
Institute of Museum and Library Services				
Direct		3		77,098
Subcontract:				
University of Washington	619722	3		(3,784)
Interior, Department of the				
Direct		15		416,500
Subcontract:				

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Michigan State University	61-3809A	15		9,844
Michigan, State of, Natural Resources, Department of	#230712-20 PO#751P5200318	15		5,049
Michigan, State of, Natural Resources, Department of	#230716-00/751P4003235	15		79,787
Michigan, State of, Natural Resources, Department of	#230741-20 PO 751P5200316	15		5,087
Michigan, State of, Natural Resources, Department of	#232211-20 PO#751P5200319	15		4,009
Michigan, State of, Natural Resources, Department of	#237004-30/PO#751BB4200070	15		13,648
Michigan, State of, Natural Resources, Department of	751P5200312	15		20,416
Michigan, State of, Natural Resources, Department of	751P5200313	15		4,810
Michigan, State of, Natural Resources, Department of	ck#222182493 dtd 5/17/04	15		727
Michigan, State of, Natural Resources, Department of	Contract#751B4200012	15		(12)
Michigan, State of, Natural Resources, Department of	Ctr #751B4200070/#237004	15		37,277
Michigan, State of, Natural Resources, Department of	Ctr#751B420007	15		22,195
Michigan, State of, Natural Resources, Department of	Ctr#751B4200070/#237009	15		44,814
Michigan, State of, Natural Resources, Department of	Ctr#751B4200071-237005-30	15		(1,885)
Michigan, State of, Natural Resources, Department of	Ctr#751B4200071-237005	15		73,189
Michigan, State of, Natural Resources, Department of	Ctr#751B4200071-237007	15		16,528
Michigan, State of, Natural Resources, Department of	P.O.#751P5200380 for Ctr#75	15		5,038
Michigan, State of, Natural Resources, Department of	PO# 751P6200299-MDNR#230712	15		15,437
Michigan, State of, Natural Resources, Department of	PO# 751P6200309-MDNR#232211	15		9,334
Michigan, State of, Natural Resources, Department of	PO# 751P6200501-MDNR#237001	15		60,437
Michigan, State of, Natural Resources, Department of	PO# 751P6200502-MDNR#237004	15		47,321
Michigan, State of, Natural Resources, Department of	PO# 751P6200503-MDNR#237005	15		49,465
Michigan, State of, Natural Resources, Department of	PO#751P5200381	15		8,973
Michigan, State of, Natural Resources, Department of	PO#751P6200308-MDNR	15		11,340
Michigan, State of, Natural Resources, Department of	PO#751P6200500-MDNR#237000	15		57,395
Michigan, State of, Natural Resources, Department of	Prj #237006-30 PO# 751P4003238	15		6,467
Justice, Department of				
Direct		16		1,499,027
Subcontract:				
Harvard University	93 IJ CX K005	16		31,360
Labor, Department of				
Direct		17		230
Subcontract:				
WorldWide Strategies, Inc (WSI)	SubK Agmt	17		86,867
Library of Congress				
Direct		42		647,636
National Aeronautics and Space Administration				
Direct		43		10,477,709
Subcontract:				
Aerospace Corporation, The	PO #4600002177	43		3,035
Aerospace Corporation, The	PO# 4600002720 dtd 6/6/05	43		107,024
American College of Sports Medicine Foundation	Awd ltr dtd 5/5/04	43		5,000
Carnegie Institution of Washington	DTM-3250-04	43		106,804
Center for Rotorcraft Innovation	04-B-01-017-A17 (RITA)	43		(4,223)
Center for Rotorcraft Innovation	04-B-01-017-A17(NRTC)	43		56,359
EMAG Technologies, Inc.	Award Letter	43		18,216
EMAG Technologies, Inc.	Award Ltr	43		173,005
EMAG Technologies, Inc.	Ltr Auth 2/21/05	43		6,267

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
George Mason University Foundation	E600446-1	43		7,761
Jet Propulsion Laboratory	1248252	43		18,888
Jet Propulsion Laboratory	1250087	43		(7,034)
Jet Propulsion Laboratory	1250337	43		32,756
Jet Propulsion Laboratory	1252578	43		167,667
Jet Propulsion Laboratory	1255625	43		409
Jet Propulsion Laboratory	1257158	43		102,368
Jet Propulsion Laboratory	1258282	43		28,949
Jet Propulsion Laboratory	1259068	43		(37,151)
Jet Propulsion Laboratory	1262144	43		21,615
Jet Propulsion Laboratory	1262525	43		35,674
Jet Propulsion Laboratory	1263862	43		8,784
Jet Propulsion Laboratory	1264150	43		1,921
Jet Propulsion Laboratory	1264323	43		6,453
Jet Propulsion Laboratory	1264326	43		1,196
Jet Propulsion Laboratory	1264528	43		7,139
Jet Propulsion Laboratory	1265336	43		39,380
Jet Propulsion Laboratory	1266313	43		154,528
Jet Propulsion Laboratory	1266314	43		23,094
Jet Propulsion Laboratory	1267021	43		1,113
Jet Propulsion Laboratory	1267460	43		42,698
Jet Propulsion Laboratory	1268016	43		346,312
Jet Propulsion Laboratory	1268339	43		13,855
Jet Propulsion Laboratory	1269328	43		68,370
Jet Propulsion Laboratory	1270683	43		7,247
Jet Propulsion Laboratory	1271775	43		60,405
Jet Propulsion Laboratory	1272783	43		81,598
Jet Propulsion Laboratory	1274822	43		23,265
Jet Propulsion Laboratory	1275482	43		6,698
Jet Propulsion Laboratory	1277433	43		58,868
Jet Propulsion Laboratory	1277575	43		628
Jet Propulsion Laboratory	1277577	43		4,399
Jet Propulsion Laboratory	1277581	43		48
Jet Propulsion Laboratory	1277901	43		8,210
Jet Propulsion Laboratory	1278510	43		27,543
Jet Propulsion Laboratory	1279089	43		139,076
Jet Propulsion Laboratory	1279285	43		39,769
Jet Propulsion Laboratory	1279720	43		63,468
Jet Propulsion Laboratory	1280710	43		4,376
Jet Propulsion Laboratory	JPL # 1228303	43		1,260,513
Jet Propulsion Laboratory	JPL #1214369	43		80,006
Jet Propulsion Laboratory	JPL #961176	43		26,344
Jet Propulsion Laboratory	JPL #961177	43		55,130
Jet Propulsion Laboratory	JPL #961178	43		160,587
Jet Propulsion Laboratory	JPL# 1219351	43		(13,274)
Jet Propulsion Laboratory	JPL# 1237109	43		22,634
Jet Propulsion Laboratory	JPL# 1237843	43		616
Johns Hopkins University	871789	43		20,803

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Johns Hopkins University	887874	43		1,376
Lockheed Martin Corporation	Lockheed SubK #SY01H5701R	43		(4,220)
Michigan State University	622731	43		132,537
Michigan Technic Corporation	MTC Research Agrmt dtd 9/29/00	43		(79,055)
Princeton University	999	43		51,582
Reisz Engineers	Awd ltr dtd 6/23/05	43		100,942
Science Applications International Corporation	4400052999	43		(10)
Southwest Research Institute	599788Q	43		20,000
Southwest Research Institute	599966Q	43		38,360
Southwest Research Institute	699056KC	43		3,491
Space Telescope Science Institute	HST GO 09906.07-A	43		3,783
Space Telescope Science Institute	HST-AR-05924.05-A	43		5,600
Space Telescope Science Institute	HST-AR-0993201-A	43		(6,195)
Space Telescope Science Institute	HST-AR-10301.01-A	43		13,526
Space Telescope Science Institute	HST-AR-10648.01A	43		25,148
Space Telescope Science Institute	HST-GO-08591.01-A	43		3,404
Space Telescope Science Institute	HST-GO-09036.16-A	43		2,461
Space Telescope Science Institute	HST-GO-09066.08-A	43		10,449
Space Telescope Science Institute	HST-GO-09106.01-A	43		22,426
Space Telescope Science Institute	HST-GO-09107.01-A	43		20,134
Space Telescope Science Institute	HST-GO-09158.02-A	43		16,817
Space Telescope Science Institute	HST-GO-09370.01-A	43		(6,155)
Space Telescope Science Institute	HST-GO-09374.04-A	43		3,280
Space Telescope Science Institute	HST-GO-09392.01-A	43		25,009
Space Telescope Science Institute	HST-GO-09496.07-A	43		4,249
Space Telescope Science Institute	HST-GO-09776.01-A	43		25,957
Space Telescope Science Institute	HST-GO-09796.12-A	43		13,674
Space Telescope Science Institute	HST-GO-09858.01-A	43		9,986
Space Telescope Science Institute	HST-GO-10341.07-A	43		3,379
Space Telescope Science Institute	HST-GO-10438.09-A	43		48,621
Space Telescope Science Institute	HST-GO-10491.07-A	43		4,545
Stanford University	26966-A	43		130,009
Streamline Numerics, Inc	Res Agrmt 2/7/05	43		59,634
Tethers Unlimited, Inc.	Subcontract 1/5/04	43		15,000
Universities Space Research Association	07605-003-051	43		75,004
University of Arizona	Y402840	43		157,555
University of California - Berkeley	SA 4700-10477	43		25,732
University of California - Berkeley	SA4320-26327	43		(2,340)
University of California - Berkeley	SA4503-24345	43		32,049
University of California - Berkeley	SA4765-26309	43		10,767
University of California - Los Angeles	2090 G EB255	43		57,844
University of Colorado	154-1083	43		4,311
University of Florida, The	UF-EIES-0502007-UM	43		337,910
University of Maryland, The	Q223201	43		14,522
University of Maryland, The	Z689204	43		1,255,204
University of New Hampshire	03-697	43		2,010
University of Texas	04-092	43		9,539
University of Texas	SC 04-08	43		22,896

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Washington University in St. Louis	WU-HT-06-13 under NASA Grant #	43		28,582
Wheeling Jesuit University, Inc.	4976	43		24,994
Wheeling Jesuit University, Inc.	NAG5-13782	43		110,391
Yale University	Y-01-0019	43		(6)
National Archives and Records Administration				
Direct		89		(2,049)
Subcontract:				
University of Minnesota	X3719027101	89		2,052
National Endowment for the Humanities				
Direct		6		89,447
Subcontract:				
American Council of Learned Societies		6		10,532
National Science Foundation				
Direct		47		63,463,861
Subcontract:				
American Association for the Advancement of Science (AAAS)	ESI-0227557	47		494,792
American Educational Research Association	Letter dtd 02/23/05	47		14,920
Arizona State University	ASU 03-068	47		59,810
Association for Institutional Research	AIR GR #05-406 dtd 6/30/05	47		10,270
Brandeis University	4-00674	47		270,678
California Institute of Technology	PHY 0427110	47		49,670
Carnegie-Mellon University	1120171-120735	47		19,436
Carnegie-Mellon University	Subgrant 1120201-127990	47		63,544
Clemson University	692-7557-206-2003627	47		11,734
Columbia University	PHY 0301292 Subawrd3 PO#541377	47		531,157
Columbia University	PHY-9722537	47		56,606
Cornell University	33990	47		1,472,108
Cornell University	46222-7763	47		37,163
Cornell University	46417-7752	47		48,758
Detroit Public Schools	DPS01-0000514638	47		94,102
Eastern Michigan University	Agmt	47		401
General Dynamics Corporation	Ck #761209	47		5,726
Georgia Institute of Technology	C36-A98-G3	47		220,545
Georgia Institute of Technology	E-20-K28-G3	47		170,366
Georgia Institute of Technology	G-41-A30-G1	47		280,986
Illinois Institute of Technology	SA302-1005-4369	47		16,007
Industrial Optical Measurement Systems	Agmt #CK-542	47		29,968
Iowa State University	ISU 420-60-02	47		4,743
Joint Oceanographic Institutions	T309A2	47		3,046
Joint Oceanographic Institutions	T312A2	47		109,208
Joint Oceanographic Institutions	Task F001842 Ref.418921 BA	47		19,618
Joint Oceanographic Institutions	Task Order #T302A2	47		10,058
Joint Oceanographic Institutions	Task Order F001776	47		(5,522)
Kent State University	442192-PO60553-A	47		79,758
Kent State University	442197-PO60510	47		1,212
Marine Biological Laboratory	MBL Subaward #25282	47		83,605
Marine Biological Laboratory	PO No. 4122 MBL 0026450650	47		52,690

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Merit Network, Inc.	Award #DUE-0226323	47		41,856
Merit Network, Inc.	Awd ltr	47		7,227
Michigan State University	61-2422UM CMS 0501294	47		22,594
Michigan State University	61-2651 UM	47		28,893
Michigan Technological University	MTU 030171Z	47		68,993
Nanodynamics, Inc.	Research Agreement	47		30,057
National Academy of Sciences	Terms of Agmt 2/1/05	47		9,760
New York Hall of Science	ESI-0540152	47		16,331
North Carolina State University	2004-0679-01	47		71,920
North Carolina State University	NCSU #2001-0425-01	47		(1,544)
Northwestern University	0830 520 T618 1031	47		196,903
Ohio State University	60002999	47		49,696
Oklahoma State University	AA-5-66452 under ECS01154	47		(75,142)
Pennsylvania State University	2095-UM-NSF-3354	47		59,138
Pennsylvania State University	2792-UM-NSF-9002	47		7,022
Pennsylvania State University	3020-UM-NSF-7146	47		2,399
Sonetics Ultrasound, Inc.	RT Res Agmt 1/1/05	47		31,810
Southwest Research Institute	SUBK#499951Q 15-10694	47		137
SRI International	Letter dtd. 10/17/01	47		25,727
SRI International	SubK# 11-000188	47		5,101
Stanford University	16391370-34122	47		50,879
State University of New York	Award #28104/Project 103	47		87,408
Syagen Technology, Inc.	SBIR Ph2	47		5,092
Syagen Technology, Inc.	Subcnt dtd 6/30/05	47		32,105
Texas A & M Research Foundation	Task Order F001733	47		332
Texas A & M Research Foundation	Task Order F001802	47		18,787
United States Civilian Research and Development Foundation	AR-P2 2580-YE-04	47		3,667
United States Civilian Research and Development Foundation	MO-E2-2588-CH-04	47		1,869
United States Civilian Research and Development Foundation	RUG2-2800-KR-06	47		3,341
United States Civilian Research and Development Foundation	RUP1-2689PE-05	47		1,094
University of Arizona	Y430190	47		3,758
University of California	J02 IIS 0083075 UM	47		4,778
University of California	K005830-02	47		(2,369)
University of California	K981108-01	47		(897)
University of California	kk2120	47		(94)
University of California	PO# 10182854-006	47		(546,485)
University of California - Irvine	0144M2004-1430	47		110,585
University of California - Santa Barbara	KK4105	47		21,925
University of California-San Diego	PO# 10248242	47		355,942
University of Georgia	RR229-227/5812127	47		656,543
University of Georgia	RR551-224/9822917	47		3,172
University of Illinois	2003-01053-14	47		80,769
University of Illinois	2003-01847-2	47		104,483
University of Illinois	2003-07913-01	47		170,194

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
University of Illinois	2003-6198-02	47		325,645
University of Illinois-Urbana-Champaign	2006-01515-01 A5337	47		4,107
University of Illinois-Urbana-Champaign	A7929	47		2,192
University of Maryland, The	Z424801	47		83,174
University of Minnesota	T4496001003	47		94,331
University of Minnesota	V4846038101	47		56,852
University of Minnesota	X4056459201	47		18,218
University of New Hampshire	Agmt 06-035	47		6,615
University of New Mexico	048531-871E PO#P0008436	47		48,330
University of Oregon	206381B-5.8	47		42,699
University of Pennsylvania	5-41191-B	47		22,395
University of Pittsburgh	010268-1	47	(25)	23,295
University of Utah	EEC 0304433	47		58,634
University of Wisconsin	A703776,144-MB68	47		85,972
University of Wisconsin	Subaward A702656	47		72,737
Vanderbilt University	16831-S2	47		237,589
Peace Corps				
Direct		08		8,781
Smithsonian Institution				
Direct		60		327,133
Social Security Administration				
Direct		96		2,417,563
State, Department of				
Direct		19		172,804
Subcontract:				
International Science and Technology Center (ISTC)	AV-05/G1074-2	19		62,283
National Council for Soviet and East European Research	819-9	19		1,900
United States Civilian Research and Development Foundation	AZMI-3104-BA-03	19		7,221
Transportation, Department of-Federal Highway Administration				
Direct		20		2,229,746
Subcontract:				
Battelle Columbus Laboratories	BOA# 168139 dtd 10/11/01 &	20		277,068
Battelle Columbus Laboratories	Task Order 176397-4	20		21,490
Booz Allen Hamilton, Inc.	PO# 86805CBS17	20		32,460
Michigan, State of, Transportation, Department of	2003-0026, Auth #4	20		67,047
Michigan, State of, Transportation, Department of	Auth 8 for IDS #2003-0026	20		35,125
Michigan, State of, Transportation, Department of	Contract No 2005-0307	20		42,850
Michigan, State of, Transportation, Department of	MDOT 95-0242	20		(33,435)
Michigan, State of, Transportation, Department of		20		(3,328)
San Jose State University Foundation	22-1100-2941-2202	20		880
Soils & Materials Engineers, Inc.	pp43920-01	20		41,631
Soils & Materials Engineers, Inc.	PP47973-06	20		9,162
Southeast Michigan Council of Governments	Ntc to Proceed dtd 2/24/05	20		38,366
Transtec Group, Inc.	DTFH61-02-C-00077-1	20		174
Transtec Group, Inc.	DTFH61-02-C-00077-2	20		(14)
Transtec Group, Inc.	Subk dtd 9/10/04	20		21,942
Transtec Group, Inc.		20		22,858

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Transportation, Department of-Federal Motor Carrier Safety Administration Direct		20		311,287
Transportation, Department of-Federal Transit Administration Subcontract:				
MacroSys Research and Technology	Macrosys-JPSM-04-001	20		9,088
Transportation, Department of-National Highway Traffic Safety Administration Direct		20		2,618,911
Subcontract:				
Battelle Columbus Laboratories	SubK #201676	20		19,438
General Motors Corporation	PO# TCS63561	20		(73)
Transportation, Department of-Other Direct		20		86,466
Subcontract:				
Battelle Columbus Laboratories	204243	20		13,386
Battelle Columbus Laboratories	176397-5	20		2,319
Delphi Automotive Systems		20		362,111
Michigan State University	MSU Ref. #61-7882	20		(1,465)
Michigan, State of, State Police, Department of	CP-05-05-FY04-05	20		1
Michigan, State of, State Police, Department of	CP-05-05-FY05-06	20		8,832
Michigan, State of, State Police, Department of	CP-05-06	20		17,460
Michigan, State of, State Police, Department of	CP-06-03	20		50,675
Michigan, State of, State Police, Department of	JJ-05-13	20		33,611
Michigan, State of, State Police, Department of	OP-05-05	20		55,616
Michigan, State of, State Police, Department of	TR-05-01	20		34,715
Michigan, State of, State Police, Department of	TR-06-01	20		111,508
Michigan, State of, Transportation, Department of	2003-0026-1	20		87,741
Michigan, State of, Transportation, Department of	2003-0026-2	20		9,085
Michigan, State of, Transportation, Department of	2003-0026-6	20		70,701
Michigan, State of, Transportation, Department of	2003-0026-5	20		124,085
Michigan, State of, Transportation, Department of	2003-0026-7	20		1,629
National Association of State EMS Directors (NASEMSD)	NASEMSD Subcontr	20		36,874
National Safety Council	LOA under DTNH22-04-H-05087	20		9,259
Society of Automotive Engineers International	PO20375	20		51,852
United States Agency for International Development Subcontract:				
Oregon State University	RD010A-04	98		343,745
United States District Courts Subcontract:				
Community Foundation for Southeastern Michigan	2002-MI	99		61,610
United States Postal Service Direct		22		49,075
Veterans Affairs, Department of Direct				67,080
Subcontract:				
University of Missouri	V255P(589A4)-1556	64		63,164

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Total research and development cluster*				\$ 619,130,304 *
STUDENT FINANCIAL AID CLUSTER				
Education, Department of-Programs-Office of Student Financial Assistance Programs				
Direct		84.007	Federal Supplemental Educational Opportunity Grant	\$ 2,254,958
Direct		84.033	Federal Work-Study Program	4,138,280
Direct		84.038	Federal Perkins Loan Program Federal Capital Contributions (Note 5)	-
Direct		84.063	Federal Pell Grant Program	17,198,171
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	211,629
Total student financial aid cluster*				\$ 23,803,038 *
CENTERS FOR DISEASE CONTROL AND PREVENTION PROGRAM				
Health and Human Services, Department of-Centers for Disease Control and Prevention				
Direct		93.283	Centers for Disease Control and Prevention_Investi	2,107,808
Subcontract:				
Association of Schools of Public Health, Inc.	A1023-21/22	93.283	Centers for Disease Control and Prevention_Investi	(112,850)
Hemophilia Foundation of Michigan	2003/04 DHHS/CDC	93.283	Centers for Disease Control and Prevention_Investi	(59,053)
Michigan, State of, Community Health, Department of	20040934	93.283	Centers for Disease Control and Prevention_Investi	(2,591)
Michigan, State of, Community Health, Department of	20050583	93.283	Centers for Disease Control and Prevention_Investi	54,001
Michigan, State of, Community Health, Department of	20050586	93.283	Centers for Disease Control and Prevention_Investi	40,537
Michigan, State of, Community Health, Department of	20051499	93.283	Centers for Disease Control and Prevention_Investi	56,220
Michigan, State of, Community Health, Department of	20051525	93.283	Centers for Disease Control and Prevention_Investi	23,360
Michigan, State of, Community Health, Department of	20052377	93.283	Centers for Disease Control and Prevention_Investi	4,601
Michigan, State of, Community Health, Department of	20053190	93.283	Centers for Disease Control and Prevention_Investi	6,943
Michigan, State of, Community Health, Department of	20060050	93.283	Centers for Disease Control and Prevention_Investi	1,337
Michigan, State of, Community Health, Department of	20060150	93.283	Centers for Disease Control and Prevention_Investi	181,166
Michigan, State of, Community Health, Department of	20060935	93.283	Centers for Disease Control and Prevention_Investi	24,444
Michigan, State of, Community Health, Department of	20060980	93.283	Centers for Disease Control and Prevention_Investi	276,546
Michigan, State of, Community Health, Department of	20062614	93.283	Centers for Disease Control and Prevention_Investi	2,741
Total centers for disease control and prevention program*				\$ 2,605,210 *
POPULATION FELLOWS PROGRAM				

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
United States Agency for International Development Direct		98.HRN-A-00-00-00001		<u>\$ 5,422,660 *</u>
OTHER PROGRAMS				
Agriculture, Department of Direct		10.250	Agricultural and Rural Economic Research	\$ 18,026
Direct		10.303	Integrated Programs	79,387
Direct		10.961	Scientific Cooperation and Research	4,128
Subcontract:				
Michigan, State of, Community Health, Department of	20041793	10.557	Special Supplemental Nutrition Program for Women,	(3,106)
Michigan, State of, Education, Department of	81000039	10.558	Child and Adult Care Food Program	30,347
Commerce, Department of-Economic & Statistics Administration Subcontract:				
University of Maryland, The	Subcontract Z774901			512,314
Commerce, Department of-Economic Development Administration Direct		11.313	Trade Adjustment Assistance	1,068,955
Commerce, Department of-International Trade Administration Direct		11.114	Special American Business Internship Training Prog	3,281
Commerce, Department of-National Oceanic and Atmospheric Administration Direct		11.NRMAF000-5-05042		3,200
Subcontract:				
Michigan, State of, Environmental Quality, Department of	Proj#04-6217-08	11.419	Coastal Zone Management Administration Awards	6,615
Commerce, Department of-Office of the Secretary Direct		11.55	Public Telecommunications Facilities Planning and	282,362
Direct		11.IPA # 63-05-IPA-02		114,340
Direct		11.YA132305SE0398		27,278
Corporation for National and Community Service Subcontract:				
Michigan, State of, Labor and Economic Growth, Department of	Grnt#MMCS/MAC/F-188	94.006	AmeriCorps	164,500
Michigan, State of, Labor and Economic Growth, Department of	MCSC/MAC/F-176/04	94.006	AmeriCorps	(3,820)
Michigan, State of, Labor and Economic Growth, Department of	MCSC/MAC/F-209/06	94.006	AmeriCorps	91,193
University of North Carolina	UNC #5-55583	94.005	Learn and Serve America_Higher Education	(37)
Defense, Department of-Air Force, Department of the Direct		12.IPA 294		21,869
Direct		12.IPA Assignment-Dr. Lau		45,219
Direct		12.IPA-Phillip L. Roe		10,779
Defense, Department of-Army, Department of the Direct		12.IPA Mary Kratz		48,113
Direct		12.W911NF-04-1-0183		(16)
Defense, Department of-Defense Advanced Research Projects Agency Direct		12.Assignment Agreement		108,954
Subcontract:				
Corporation for National Research Initiatives (CNRI)	Amend #10 to MEMS Exchange			77,246

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
SeaLandAire Technologies, Inc	PSC-F920-001-UMICH			135,855
Defense, Department of-National Security Agency				
Direct		12.901	Mathematical Sciences Grants Program	13,559
Defense, Department of-Navy, Department of the				
Direct		12.300	Basic and Applied Scientific Research	2,981
Direct		12.N000167-05-M-0075		92,743
Direct		12.N00140-97-G-2970		3,382
Subcontract:				
AMSEC LLC	PO#S103185775 9/30/05			37,000
Computer Sciences Corporation	000542767 dtd 3/28/05			35,594
Consortium for Oceanographic Research and Education	Ck# 4907 dtd 11/21/05			16,514
eMagin Corporation	Agreement			21,729
Michigan Aerospace Corporation	C1276-020706-N00167-05-0024			9,194
NAVMAR	PO #CH06 130			22,584
North Carolina A & T State University	210013X			6,477
Defense, Department of-Other				
Subcontract:				
Consortium for Oceanographic Research and Education	Email dtd 10/19/04			(721)
General Dynamics Advanced Information Systems	05-C-0028			4,000
Education, Department of				
Direct		84.002	Adult Education_State Grant Program	(28,847)
Direct		84.004	Civil Rights Training and Advisory Services	657,508
Direct		84.015	National Resource Centers and Fellowships Program	2,354,825
Direct		84.021	Overseas_Group Projects Abroad	16,327
Direct		84.051	Vocational Education_National Programs	238,788
Direct		84.116	Fund for the Improvement of Postsecondary Educatio	22,460
Direct		84.133	National Institute on Disability and Rehabilitatio	305,426
Direct		84.170	Javits Fellowships	357,073
Direct		84.195	Bilingual Education Training Grants	121,867
Direct		84.220	Centers for International Business Education	354,313
Direct		84.335	Child Care Access Means Parents in School	41,525
Direct		84.336	Teacher Quality Enhancement Grants	407,771
Direct		84.342	Preparing Tomorrow's Teachers to Use Technology	(31,363)
Direct		84.349	Early Childhood Educator Professional Development	738,130
Direct		84.ED05CO0062		273,634
Direct		84.P021A040052		(9,594)
Direct		84.PO#ED05P02123		2,369
Subcontract:				
Arizona, State of	E6PD1329	84.002	Adult Education_State Grant Program	17,642
Arizona, State of	P.O.#E5PD1212	84.002	Adult Education_State Grant Program	2,325
Arkansas, State of, Department of Workforce Education	Ck#145254 10/20/04	84.002	Adult Education_State Grant Program	4,947
Flint Community Schools	Ck#287086	84.350	Transition to Teaching	102,787
Illinois, State of, Community College Board	Program No. AEL05020	84.002	Adult Education_State Grant Program	24,594
Kentucky, State of, Department for Adult Education & Literacy	Letter dtd 02/02/05	84.002	Adult Education_State Grant Program	11,213
Maine, State of	Awd ltr dtd 9/26/05	84.002	Adult Education_State Grant Program	10,503
Maine, State of	Email dtd 10/6/04	84.002	Adult Education_State Grant Program	(1,172)
Management Planning Research Associates, Inc.	Subcontract#OVAE 99-27	84.002	Adult Education_State Grant Program	122,965

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Maryland, State of	Agreement	84.002	Adult Education_State Grant Program	5,242
Maryland, State of	Grant# 501750	84.002	Adult Education_State Grant Program	19,721
Merit Network, Inc.	50510	84.367	Improving Teacher Quality State Grants	34,033
Michigan State University	Subcontr #61-7056/01	84.336	Teacher Quality Enhancement Grants	118,651
Michigan, State of, Education, Department of	040290-101	84.367	Improving Teacher Quality State Grants	15,077
Michigan, State of, Education, Department of	040290-109	84.367	Improving Teacher Quality State Grants	47,002
Michigan, State of, Education, Department of	050290-0405	84.367	Improving Teacher Quality State Grants	105,903
Michigan, State of, Education, Department of	050290-606	84.367	Improving Teacher Quality State Grants	97,588
Michigan, State of, Education, Department of	060290-190	84.367	Improving Teacher Quality State Grants	22,025
Michigan, State of, Education, Department of	060290-670	84.367	Improving Teacher Quality State Grants	15,281
Michigan, State of, Labor and Economic Growth, Department of	Agreement dtd 11/3/05	84.002	Adult Education_State Grant Program	15,684
Michigan, State of, Labor and Economic Growth, Department of	P.O. 801B3001004			45,970
Michigan, State of, Labor and Economic Growth, Department of	PO# 641P5201200	84.002	Adult Education_State Grant Program	20,124
Missouri, State of	Ltr dtd 12/07/04	84.002	Adult Education_State Grant Program	2,475
National Council on Economic Education	TT-05-5016	84.215	Fund for the Improvement of Education	6,073
National Writing Project	00-M103			70,949
New York, State of	C006842	84.002	Adult Education_State Grant Program	28,016
North Carolina, State of, Community College System	Agrmnt signed 8/20/04	84.002	Adult Education_State Grant Program	3,533
North Carolina, State of, Community College System	Ltr dtd 5/28/05	84.002	Adult Education_State Grant Program	19,721
North Carolina, State of, Community College System	P.O.# EP4342350	84.002	Adult Education_State Grant Program	16,205
Ohio, State of	Agrmt dtd 10/28/05	84.002	Adult Education_State Grant Program	16,688
Ohio, State of	Memo dtd 9/30/04	84.002	Adult Education_State Grant Program	(7,438)
Pennsylvania, State of, Department of Education	Agrmnt Signed 11/10/05	84.002	Adult Education_State Grant Program	5,963
Pennsylvania, State of, Department of Education	Awd ltr 8/24/04	84.002	Adult Education_State Grant Program	5,603
Public Broadcasting Service	Ready to Learn Subcontract Agr			(2,171)
Rhode Island, State of, Department of Elementary & Secondary Education	Ck#7319 dtd 02/18/05	84.002	Adult Education_State Grant Program	1,400
Texas, State of	Sign Agrmt recd 6/7/05	84.002	Adult Education_State Grant Program	35,000
University of Chicago	P337A020018			3,891
University of Missouri	C00001253-2	84.116	Fund for the Improvement of Postsecondary Educatio	26,388
University of Notre Dame, The	UND #200440	84.015	National Resource Centers and Fellowships Program	117,000
Energy, Department of				
Direct		81.086	Conservation Research and Development	183,142
Direct		81.117	Energy Efficiency and Renewable Energy Information	48,515
Direct		81.DE-AP26-05-NT53870		7,025
Direct		81.DE-FC26-98CH10950		14,206
Subcontract:				
BWXT Y-12, LLC	Sub-K # 4300038913 11/9/04			66,339
Krell Institute	ORAU-FELLOWSHIP	81.092	Remedial Action and Nuclear Waste Technology	3,440
Michigan, State of, Labor and Economic Growth, Department of	6000Grant No. PLA-05-20	81.041	State Energy Program	4,698
Environmental Protection Agency				
Direct		66.4D 5653 NAEX		50,485
Subcontract:				
Michigan, State of, Environmental Quality, Department of	Agrmnt #2004-0160	66.454	Water Quality Management Planning	46,316

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Shaw Environmental, Inc.	PO#67408 11/29/04			110
Wayne, County of	Letter of March 10,2006	66.202	Congressionally Mandated Projects	18,065
Wayne, County of	Ltr dtd 2/25/05-agmt	66.202	Congressionally Mandated Projects	52,748
Wayne, County of	Ltr dtd 5/4/04	66.202	Congressionally Mandated Projects	25,729
Federal Reserve System				
Direct		18.MCRDC 2004-7 #289		15,000
Health and Human Services, Department of-Administration for Children and Families				
Direct		93.648	Child Welfare Services Training Grants	194,546
Subcontract:				
National Association of Counsel for Children (NACC)				26,873
United Way of Washtenaw County	PO 33548-000-PS	93.600	Head Start	1,615
Washtenaw, County of	Agmt 8/1/05	93.600	Head Start	10,964
Health and Human Services, Department of- Administration on Aging				
Subcontract:				
Area Agency on Aging - Michigan	04-9048-G-02			18,730
Area Agency on Aging - Michigan	05-9044-08			1,046
Area Agency on Aging - Michigan	05-9048-08			1,429
Area Agency on Aging - Michigan	06-9202-03			29,214
Area Agency on Aging - Michigan	Contract #05-9202-03			14,036
Area Agency on Aging - Michigan	Various Checks			40,680
Washtenaw, County of	Ltr dtd 9/29/04 for Contract	93.044	Special Programs for the Aging_Title III, Part B_G	31,631
Washtenaw, County of	Ltr dtd 9/30/05			47,220
Health and Human Services, Department of-Agency for Health Care Research and Quality				
Direct		93.226	Research on Healthcare Costs, Quality and Outcomes	16,198
Health and Human Services, Department of-Centers for Disease Control and Prevention				
Direct		93.061	Innovations in Applied Public Health Research	180,435
Direct		93.135	Centers for Research and Demonstration for Health	1,140,947
Direct		93.136	Injury Prevention and Control Research and State a	151,601
Direct		93.04IPA24738		1,733
Direct		93.AssignAgmt 051PA28258.1		973
Direct		93.AssignAgmt 051PA28258		19,439
Subcontract:				
Association of Schools of Public Health, Inc.	53247-23/23			25,533
Association of Schools of Public Health, Inc.	D3298-23/23			31,391
Christopher Reeve Paralysis Foundation	Awd dtd 7/19/04			265
Genesee County	Agmt of 10/1/05	93.945	Assistance Programs for Chronic Disease Prevention	25,431
Genesee County	Agmnt of 10/01/04	93.945	Assistance Programs for Chronic Disease Prevention	9,659
Hemophilia Foundation of Michigan	2004-2005 CDC Contract			55,431
Hemophilia Foundation of Michigan	2004-2005 CDC Throm..			29,406
Hemophilia Foundation of Michigan	2005-2006 DHHS/CDC			71,818
Hemophilia Foundation of Michigan	2006 DHHS/CDC Prvnt			16,074
Michigan Public Health Institute	Agmt #C-30308-15-504200	93.136	Injury Prevention and Control Research and State a	41,994
Michigan Public Health Institute	Agmt# C-30307-15-504200	93.136	Injury Prevention and Control Research and State a	11,094
Michigan Public Health Institute	C-30306-111-501600	93.136	Injury Prevention and Control Research and State a	44

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Michigan, State of, Community Health, Department of	20041560	93.778	Medical Assistance Program	3,362
Michigan, State of, Community Health, Department of	20041765	93.994	Maternal and Child Health Services Block Grant to	(163)
Michigan, State of, Community Health, Department of	20050587	93.136	Injury Prevention and Control Research and State a	11,583
Michigan, State of, Community Health, Department of	20050797	93.778	Medical Assistance Program	140,580
Michigan, State of, Community Health, Department of	20052309	93.991	Preventive Health and Health Services Block Grant	9,148
Michigan, State of, Community Health, Department of	20060045	93.919	Cooperative Agreements for State-Based Comprehensi	73,010
University of Illinois	UIC Acct#2-5-20494	93.879	Medical Library Assistance	8,340
Health and Human Services, Department of- Centers for Medicare and Medicaid Services				
Subcontract:				
Medstat	Demos-Mich-01			66,000
Michigan, State of, Community Health, Department of	20021440			224,269
Health and Human Services, Department of-Health Resources and Services Administration				
Direct		93.110	Maternal and Child Health Federal Consolidated Pro	13,561
Direct		93.124	Nurse Anesthetist Traineeships	23,630
Direct		93.127	Emergency Medical Services for Children	660,737
			Financial Aid for Disadvantaged Health Profession	
			Students (Note 5)	-
Direct		93.139	Nursing Workforce Diversity	154,912
Direct		93.178	Advanced Education Nursing Grant Program	148,936
Direct		93.247	Public Health Training Centers Grant Program	311,346
Direct		93.249	Nurse Faculty Loan Program (Note 5)	-
Direct		93.264	Advanced Education Nursing Traineeships	19,716
Direct		93.358	Nurse Education, Practice and Retention Grants	540,812
Direct		93.359	Health Careers Opportunity Program	450,596
Direct		93.822	Grants for Training in Primary Care Medicine and D	134,428
Direct		93.884	Health Care and Other Facilities	2
Direct		93.887	Grants to Provide Outpatient Early Intervention Se	648,515
Direct		93.918		
Subcontract:				
Hemophilia Foundation of Michigan	S/MCHB Comprehensive Care			29,062
Washington University	Subaward No:FY06-151	93.127	Emergency Medical Services for Children	(630)
Health and Human Services, Department of-Indian Health Service				
Direct		93.SD-CA-03-0007		848
Health and Human Services, Department of-National Institutes of Health				
Direct		93.121	Oral Diseases and Disorders Research	184,712
Direct		93.213	Research and Training in Complementary and Alterna	313,764
Direct		93.242	Mental Health Research Grants	314,481
Direct		93.389	National Center for Research Resources	1,469,642
Direct		93.839	Blood Diseases and Resources Research	389,363
Direct		93.847	Diabetes, Endocrinology and Metabolism Research	4,692
Direct		93.853	Extramural Research Programs in the Neurosciences	5,000
Direct		93.866	Aging Research	12,013
Direct		93.879	Medical Library Assistance	88,763
Direct		93.269-MM-504333-1		2,667
Direct		93.Email dated 4/10/06		45,807
Direct		93.HHSN273200520011C		8,778

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Direct		93.IPA for Austr Liepa		6,406
Direct		93.NIH IPA #YI600014-R.Bashshur		116,418
Direct		93.PO#269-MM-508675		25,637
Subcontract:				
American College of Radiology	Agmt dtd 1/1/03			44,149
American College of Radiology	Agreement dtd 7/21/05			507
American College of Radiology	CA21661			28,955
American College of Radiology	CA80098	93.394	Cancer Detection and Diagnosis Research	(5,096)
Booz Allen Hamilton, Inc.				86,399
Cancer Therapy and Research Center	Grant#1U10CA77178	93.399	Cancer Control	19,642
Cancer Therapy and Research Center	Multiple Checks			260,420
Cancer Therapy and Research Center	SELENIUM-05003			17,220
Cayuse, Inc.	subcontract dtd 12/5/02			41,725
CTRC Research Foundation (Cancer Therapy Research Center)	1-U10-CA77178	93.399	Cancer Control	(34,846)
Duke University	040803REGEN			4,340
Duke University	agmt of 5/1/02	93.395	Cancer Treatment Research	5,662
Emmes Corporation, The	Ltr of Agmt			1,702
International Union, UAW	Res Agmt dtd 9/6/05			178,070
Johns Hopkins University	8407-46290-X	93.399	Cancer Control	26,841
Mayo Foundation for Medical Education & Research	Mltp ck from Mayo fdn			12,814
Michigan Coalition Against Domestic and Sexual Violence, The (MCADSV)	Coop Agmt - Delta Prjt			70,754
National Childhood Cancer Foundation	Subcnt#12786			121,299
National Childhood Cancer Foundation	Subcont #14584			13,905
Rose Li Associates, Inc	SubK Agmt dtd 5/30/06			5,104
University of Texas	Check No. 397095			19,901
Wayne State University	WSU04043-A1			6,022
Health and Human Services, Department of-Office of the Secretary				
Direct		93.03T03006107D		(2,208)
Direct		93.IPA Assignment Agreement		83,883
Direct		93.LTR of 09/25/02		(500)
Subcontract:				
HelpSource	Agreement dated 8/3/04			13,614
HelpSource	Awd ltr dtd 8/1/05			31,167
Ingham, County of	Agreement of 10/1/02	93.919	Cooperative Agreements for State-Based Comprehensi	11,230
Michigan Primary Care Association	Health Place 101	93.778	Medical Assistance Program	131,541
Michigan Primary Care Association	Non-Clinical	93.778	Medical Assistance Program	43,268
Michigan Public Health Institute	I-05225-115-504200	93.991	Preventive Health and Health Services Block Grant	9,933
Michigan, State of, Human Services, Department of	FLDSU-02-81002-04			(1,648)
Michigan, State of, Community Health, Department of	20040411	93.778	Medical Assistance Program	(2,021)
Michigan, State of, Community Health, Department of	20042610	93.778	Medical Assistance Program	(26,791)
Michigan, State of, Community Health, Department of	20050868	93.778	Medical Assistance Program	426,027
Michigan, State of, Community Health, Department of	20050943	93.217	Family Planning_Services	34,600
Michigan, State of, Community Health, Department of	20051612	93.778	Medical Assistance Program	153,380
Michigan, State of, Community Health, Department of	20051613	93.778	Medical Assistance Program	106,802
Michigan, State of, Community Health, Department of	20051614	93.778	Medical Assistance Program	136,449

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Michigan, State of, Community Health, Department of	20051615	93.778	Medical Assistance Program	241,670
Michigan, State of, Community Health, Department of	20052160	93.778	Medical Assistance Program	82,340
Michigan, State of, Community Health, Department of	20052258	93.778	Medical Assistance Program	111,363
Michigan, State of, Community Health, Department of	20052588	93.778	Medical Assistance Program	377,153
Michigan, State of, Community Health, Department of	20060153	93.778	Medical Assistance Program	78,350
Michigan, State of, Community Health, Department of	20060549	93.778	Medical Assistance Program	343,102
Michigan, State of, Community Health, Department of	20060936	93.778	Medical Assistance Program	979,965
Michigan, State of, Community Health, Department of	20060937	93.778	Medical Assistance Program	217,742
Michigan, State of, Community Health, Department of	20061456	93.778	Medical Assistance Program	320,647
Michigan, State of, Community Health, Department of	20061458	93.778	Medical Assistance Program	339,141
Michigan, State of, Community Health, Department of	20061480	93.778	Medical Assistance Program	526,652
Michigan, State of, Community Health, Department of	20062129	93.778	Medical Assistance Program	425,757
Homeland Security, Department of				
Subcontract:				
Michigan, State of, State Police, Department of	2003 SHSGP	97.004	State Domestic Preparedness Equipment Support Prog	349,460
Housing and Urban Development, Department of				
Direct		14.511	Community Outreach Partnership Center Program	139,537
Subcontract:				
Ann Arbor, City of	Agmt 7/1/04	14.872	Public Housing Capital Fund	1,924
Institute of Museum and Library Services				
Direct		3.IC-01-06-0128-06		582
Subcontract:				
American Association of Museums	IM-01-03-0028-03	45.302	Museum Assessment Program	(580)
Council on Library and Information Resources	CON 717			108,627
Interior, Department of the				
Direct		15.Awd ltr dtd 7/15/04		1,986
Direct		15.NBCW3T00025/NBCW3Z00452		(36,684)
Subcontract:				
Great Lakes Aquatic Habitat Network & Fund	Contract ltr dtd 4/12/05			2,500
Michigan, State of, Natural Resources, Department of	Ltr dtd 5/18/05	15.634	State Wildlife Grants	7,357
Michigan, State of, Natural Resources, Department of	P.O. #751P5201457	15.615	Cooperative Endangered Species Conservation Fund	17,519
Justice, Department of				
Direct		16.525	Grants to Reduce Violent Crimes Against Women on C	397,642
Labor, Department of				
Direct		17.PO #B9432947		35,405
Direct		17.PO#DOLB059421256		57,740
Subcontract:				
Michigan, State of, Labor and Economic Growth, Department of	Agreement of 2/15/05	17.207	Employment Service/Wagner-Peyser Funded Activities	35,000
National Aeronautics and Space Administration				
Direct		43.NGT5-40118		(2,797)
Direct		43.NNG04GM65G		14,368
Direct		43.NNG05GB08G		(1,350)
Direct		43.NNG05GH68H		323,362
Direct		43.W30945		200,345
Subcontract:				
Diversified Global Resources (DGR) JV LLC	DGR #NNH05CC05D			515
Jet Propulsion Laboratory	1258059			22,734

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Jet Propulsion Laboratory	1280709			8,832
Modern Technology Systems, Inc.	Agmt # NCC5-659			55,800
National Archives and Records Administration				
Direct		89.NAMA-05-C-0007		282,768
Direct		89.NAMAOP9900037		(23,439)
National Endowment for the Arts				
Direct		45.024	Promotion of the Arts_Grants to Organizations and	4,989
Subcontract:				
Michigan, State of, Michigan Council for Arts and Cultural Affairs	06AO0022C1	45.025	Promotion of the Arts_Partnership Agreements	9,166
National Endowment for the Humanities				
Direct		45.130	Promotion of the Humanities_Challenge Grants	450,000
Direct		45.149	Promotion of the Humanities_Division of Preservati	264,823
Direct		45.162	Promotion of the Humanities_Teaching and Learning	25,156
Direct		6.FA-52121		51,520
Subcontract:				
American Musicological Society	RZ-20921			58,957
Michigan Humanities Council	2521 H 04			7,900
Michigan Humanities Council	2639 H 06	45.129	Promotion of the Humanities_Federal/State Partners	775
Michigan Humanities Council	Q034-04	45.129	Promotion of the Humanities_Federal/State Partners	708
Stanford University	13430410-30786-A	45.163	Promotion of the Humanities_Professional Developme	17,787
National Science Foundation				
Direct		47.041	Engineering Grants	69,366
Direct		47.049	Mathematical and Physical Sciences	134,698
Direct		47.050	Geosciences	154,797
Direct		47.070	Computer and Information Science and Engineering	68,303
Direct		47.074	Biological Sciences	107,221
Direct		47.075	Social, Behavioral, and Economic Sciences	107,641
Direct		47.076	Education and Human Resources	1,339,155
Direct		47.DGE-0435717		175,017
Direct		47.IPA Assignment		29,115
Direct		47.OPP-0240005		135,601
Direct		47.SBE-0230128		343,619
Direct		47.SES 0309796		831
Direct		47.SES 0409492		2,135
Subcontract:				
Cornell University	Ck dtd 4/5/05			103,149
Detroit Area Pre-College Engineering Program (DACEP)	Email	47.076	Education and Human Resources	10,225
Harvard University	137245	47.075	Social, Behavioral, and Economic Sciences	42,929
Institute for Advanced Study	IAS-DMS-9900969	47.049	Mathematical and Physical Sciences	650
Management Planning Research Associates, Inc.	IIS 0444492			19,461
University of Illinois	CIC/WISE			(1,000)
Peace Corps				
Direct		8.Order #PC-05-8-057		6,878
Small Business Administration				
Subcontract:				
Grand Valley State University	2004 MI-SBTDC Contract	59.037	Small Business Development Center	(5,350)
Grand Valley State University	2006 No. 6-603001-Z-0023-06	59.037	Small Business Development Center	69,054

The University of Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Cluster Title/Federal Grantor/Program/ Pass-Through Grantor	Pass-through Award Identifier	Federal CFDA Number	CFDA Program Title	Federal Expenditures
Grand Valley State University	MI-SBTCD 2005 Co-op			91,157
State, Department of				
Direct		19.424	Educational Partnerships Program	31,657
Direct		19.S-ECAPE-03-GR-257 (DH)		76,621
Direct		19.S-LMAQM-05-GR-131		9,960
Subcontract:				
Council for International Exchange of Scholars	Grantee ID# 87500496			10,752
Council for International Exchange of Scholars	Grnt#87481953			21,362
National Association of Foreign Student Advisors (NAFSA)	TOA & ltr dtd 10/27/04	19.424	Educational Partnerships Program	6,983
Transportation, Department of-Other				
Subcontract:				
Michigan, State of, State Police, Department of	OP-05-09	20.602	Occupant Protection	9,089
Michigan, State of, State Police, Department of	OP-06-05	20.602	Occupant Protection	12,293
Michigan, State of, State Police, Department of	PT-05-48	20.602	Occupant Protection	12,320
United States Agency for International Development				
Subcontract:				
American Council on Education	Institutional Partnership sub			31,149
IRIS Center	Grant 280/000-04-2005-1020			1,953
Veterans Affairs, Department of				
Direct		64.018	Sharing Specialized Medical Resources	10,030,352
	Total other programs			\$ 41,853,816
	Total federal expenditures			\$ 692,815,028

* Denotes a major program

The University of Michigan

Notes to Schedule of Expenditures of Federal Awards

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%
Other sponsored activities	30%	30%

3. Subrecipient Awards

During 2006, the University disbursed approximately \$49,790,000 to subrecipients. Of that amount, \$47,771,000 related to research and development cluster awards and \$2,019,000 related to other awards.

4. Federal Direct Loan Program

During the fiscal year ended June 30, 2006, 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	\$202,117,000

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

5. University-Administered Federal Loan Programs

The University administers the following federal loan programs:

	<u>CFDA</u> <u>Number</u>	<u>Outstanding</u> <u>balance at</u> <u>June 30, 2006</u>
Department of Education, Federal Perkins Program	84.038	<u>\$ 77,501,913</u>
Department of Health and Human Services:		
Health Professions Loan Program - Medicine/Primary Care	93.342	3,975,399
Health Professions Loan Program - Pharmacy	93.342	2,201,208
Health Professions Loan Program - Dentistry	93.342	<u>7,624,285</u>
		<u>13,800,892</u>
Disadvantaged Student Loan Program - Medicine/Primary Care	93.139	1,294,254
Disadvantaged Student Loan Program - Pharmacy	93.139	170,138
Disadvantaged Student Loan Program - Dentistry	93.139	<u>96,970</u>
		<u>1,561,362</u>
Nursing Student Loan - Baccalaureate	93.364	1,969,723
Nursing Student Loan - Baccalaureate, Flint	93.364	(148)
Nursing Student Loan - Graduate	93.364	<u>364,684</u>
		<u>2,334,259</u>
Nursing Faculty Loan Program	93.264	<u>283,407</u>
Total federal loans outstanding		<u>\$ 95,481,833</u>

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

5. University-Administered Federal Loan Programs (continued)

The total value of new loans issued during the period July 1, 2005 to June 30, 2006 is identified below.

	<u>CFDA Number</u>	<u>Value of loans issued</u>
Department of Education, Federal Perkins Program	84.038	<u>\$ 13,911,010</u>
Department of Health and Human Services:		
Health Professions Loan Program - Medicine/Primary Care	93.342	-
Health Professions Loan Program - Pharmacy	93.342	553,378
Health Professions Loan Program - Dentistry	93.342	<u>1,796,260</u>
		<u>2,349,638</u>
Disadvantaged Student Loan Program - Medicine/Primary Care	93.139	282,752
Disadvantaged Student Loan Program - Pharmacy	93.139	20,500
Disadvantaged Student Loan Program - Dentistry	93.139	<u>-</u>
		<u>303,252</u>
Nursing Student Loan – Baccalaureate	93.364	592,007
Nursing Student Loan - Baccalaureate, Flint	93.364	4,000
Nursing Student Loan – Graduate	93.364	<u>149,146</u>
		<u>745,153</u>
Nursing Faculty Loan Program	93.264	<u>283,407</u>
Total federal loans issued July 1, 2005 – June 30, 2006		<u>\$ 17,592,460</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 the University of Michigan

We have audited the financial statements of the University of Michigan as of and for the year ended June 30, 2006, and have issued our report thereon dated August 29, 2006. 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 an opinion 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 29, 2006

**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, 2006, 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 those 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, 2006.

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. 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.

Princeton House Cooper LLP

August 29, 2006

**The University of Michigan
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2006**

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
98.HRN-A-00-00-00001	Population Fellows Program
92.283	DHHS, Centers for Disease Control and Prevention

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, 2006**

Section III – Federal Award Findings and Questioned Costs

None.

The University of Michigan
Schedule of Status of Prior Year Findings and Questioned Costs

There are no findings from prior years that require a status update.