

# **The Brigham and Women's Hospital, Inc.**

**Report on Federal Awards in  
Accordance with OMB Circular A-133  
September 30, 2008  
EIN 042312909**

**The Brigham and Women's Hospital, Inc.**  
**Report on Federal Awards in Accordance with OMB Circular A-133**  
**Index**  
**September 30, 2008**

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**Part I**  
**Financial Statements**

## Report of Independent Auditors

To the Board of Trustees of  
The Brigham and Women's Hospital, Inc.

In our opinion, the accompanying balance sheets and the related statements of operations, changes in net assets and cash flows present fairly, in all material respects, the financial position of The Brigham and Women's Hospital, Inc. at September 30, 2008 and 2007, and the results of its operations, its changes in 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 Brigham and Women's Hospital, Inc.'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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 on our consideration of The Brigham and Women's Hospital, Inc.'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 September 30, 2008. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2008 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



December 19, 2008

**The Brigham and Women's Hospital, Inc.**  
**Balance Sheets**  
**September 30, 2008 and 2007**

<i>(dollars in thousands)</i>	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Current assets		
Cash and equivalents	\$ 34,125	\$ 62,685
Current portion of investments limited as to use	76,041	72,816
Patient accounts receivable, net of allowance for bad debts 2008 - \$10,960; 2007 - \$10,984	199,357	171,317
Research grants receivable	59,936	55,979
Other current assets	70,735	58,177
Receivable for settlements with third-party payers	<u>1,341</u>	<u>2,774</u>
Total current assets	441,535	423,748
Investments limited as to use, less current portion	16,622	19,575
Long-term investments	123,737	149,950
Pledges receivable, net and contributions receivable from trusts, less current portion	69,459	49,632
Property and equipment, net	964,321	788,880
Other assets	<u>93,566</u>	<u>83,130</u>
Total assets	<u>\$ 1,709,240</u>	<u>\$ 1,514,915</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term obligations	\$ 22,869	\$ 20,871
Accounts payable and accrued expenses	58,198	47,520
Accrued compensation and benefits	97,949	81,835
Current portion of accrual for settlements with third-party payers	9,572	5,069
Unexpended funds on research grants	69,670	62,768
Due to affiliates	<u>14,755</u>	<u>39,859</u>
Total current liabilities	273,013	257,922
Other liabilities		
Accrual for settlements with third-party payers, less current portion	11,109	11,898
Accrued professional liability	13,270	13,186
Accrued employee benefits	18,718	17,950
Accrued other	<u>2,112</u>	<u>2,069</u>
	45,209	45,103
Long-term obligations, less current portion	<u>583,080</u>	<u>484,825</u>
Total liabilities	<u>901,302</u>	<u>787,850</u>
Commitments and contingencies		
Net assets		
Unrestricted	587,257	488,667
Temporarily restricted	170,906	199,755
Permanently restricted	<u>49,775</u>	<u>38,643</u>
Total net assets	<u>807,938</u>	<u>727,065</u>
Total liabilities and net assets	<u>\$ 1,709,240</u>	<u>\$ 1,514,915</u>

The accompanying notes are an integral part of these financial statements.

**The Brigham and Women's Hospital, Inc.**  
**Statements of Operations**  
**Years Ended September 30, 2008 and 2007**

<i>(dollars in thousands)</i>	<b>2008</b>	<b>2007</b>
<b>Operating revenue</b>		
Net patient service revenue	\$ 1,390,362	\$ 1,262,777
Direct academic and research revenue	352,797	327,264
Indirect academic and research revenue	108,448	106,236
Other revenue	<u>37,970</u>	<u>35,019</u>
Total operating revenue	<u>1,889,577</u>	<u>1,731,296</u>
<b>Operating expenses</b>		
Employee compensation and benefits	709,913	658,467
Supplies and other expenses	607,581	557,608
Direct academic and research expenses	352,797	327,264
Depreciation and amortization	85,896	76,412
Provision for bad debts	14,419	21,520
Interest	<u>20,835</u>	<u>19,252</u>
Total operating expenses	<u>1,791,441</u>	<u>1,660,523</u>
Income from operations	<u>98,136</u>	<u>70,773</u>
Nonoperating gains (expenses)		
Income (loss) from investments	(1,446)	3,983
Gifts and other	<u>(969)</u>	<u>2</u>
Total nonoperating gains (expenses), net	<u>(2,415)</u>	<u>3,985</u>
Excess of revenues over expenses	95,721	74,758
Other changes in net assets		
Funds utilized for property and equipment	34,850	7,628
Transfers (to) from affiliates, net	(40,521)	46,538
Other	36	1,187
Change in funded status of defined benefit plans	<u>8,504</u>	<u>59,739</u>
Increase in unrestricted net assets	<u>\$ 98,590</u>	<u>\$ 189,850</u>

The accompanying notes are an integral part of these financial statements.

**The Brigham and Women's Hospital, Inc.**  
**Statements of Changes in Net Assets**  
**Years Ended September 30, 2008 and 2007**

<i>(dollars in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Net assets at October 1, 2006</b>	\$ 298,817	\$ 161,520	\$ 33,669	\$ 494,006
Increases (decreases)				
Income from operations	70,773	-	-	70,773
Income from investments	3,983	18,676	-	22,659
Gifts and other	2	25,181	4,974	30,157
Funds utilized for property and equipment	7,628	-	-	7,628
Transfers from (to) affiliates, net	46,538	(5,622)	-	40,916
Other	1,187	-	-	1,187
Change in funded status of defined benefit plans	59,739	-	-	59,739
Change in net assets	<u>189,850</u>	<u>38,235</u>	<u>4,974</u>	<u>233,059</u>
<b>Net assets at September 30, 2007</b>	<u>488,667</u>	<u>199,755</u>	<u>38,643</u>	<u>727,065</u>
Increases (decreases)				
Income from operations	98,136	-	-	98,136
Loss from investments	(1,446)	(23,499)	-	(24,945)
Gifts and other	(969)	20,159	12,090	31,280
Funds utilized for property and equipment	34,850	(26,467)	-	8,383
Transfers to affiliates, net	(40,521)	-	-	(40,521)
Other	36	958	(958)	36
Change in funded status of defined benefit plans	8,504	-	-	8,504
Change in net assets	<u>98,590</u>	<u>(28,849)</u>	<u>11,132</u>	<u>80,873</u>
<b>Net assets at September 30, 2008</b>	<u>\$ 587,257</u>	<u>\$ 170,906</u>	<u>\$ 49,775</u>	<u>\$ 807,938</u>

The accompanying notes are an integral part of these financial statements.

**The Brigham and Women's Hospital, Inc.**  
**Statements of Cash Flows**  
**Years Ended September 30, 2008 and 2007**

<i>(dollars in thousands)</i>	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 80,873	\$ 233,059
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in funded status of defined benefit plans	(8,504)	(59,739)
Depreciation and amortization	85,896	76,412
Provision for bad debts	14,419	21,520
Loss on retirement of property	954	-
Net realized and change in unrealized appreciation on investments	23,826	(23,375)
Transfers (from) to affiliates, net	40,521	(40,916)
Restricted contributions	(27,737)	(21,174)
Increase (decrease) in cash resulting from a change in		
Patient accounts receivable	(42,459)	(41,333)
Research grants receivable	(3,957)	(9,007)
Other current assets	(9,040)	(975)
Pledges receivable and contributions receivable from trusts	(23,345)	(15,242)
(Increase) decrease in other assets	(428)	191
Accounts payable and accrued expenses	10,678	583
Accrued compensation and benefits	16,114	6,948
Settlements with third-party payers	5,147	1,887
Unexpended funds on research grants	6,902	10,677
Accrued employee benefits and other	(609)	4,936
Due to affiliates	(25,104)	10,315
Net cash provided by operating activities	<u>144,147</u>	<u>154,767</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(262,291)	(213,658)
Purchase of investments	(18,410)	(29,052)
Proceeds from sales of investments	20,525	25,389
Net cash used for investing activities	<u>(260,176)</u>	<u>(217,321)</u>
<b>Cash flows from financing activities</b>		
Payments on long-term obligations	(16,364)	(22,116)
Proceeds from long-term obligations	116,617	58,164
Transfers (to) from affiliates, net	(40,521)	43,994
Restricted contributions	27,737	21,174
Net cash provided by financing activities	<u>87,469</u>	<u>101,216</u>
Net (decrease) increase in cash and equivalents	(28,560)	38,662
Cash and equivalents at beginning of year	62,685	24,023
Cash and equivalents at end of year	<u>\$ 34,125</u>	<u>\$ 62,685</u>

The accompanying notes are an integral part of these financial statements.



# The Brigham and Women's Hospital, Inc.

## Notes to Financial Statements

### September 30, 2008 and 2007

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*(dollars in thousands)*

#### **1. Organization and Community Benefit Commitments**

The Brigham and Women's Hospital, Inc. (BWH) operates an acute-care general hospital established to provide healthcare services to patients primarily from the Greater Boston area as well as New England and beyond. In addition, BWH conducts research and provides education for physicians and other healthcare professionals. As such, operating revenue includes those generated from direct patient care and reimbursement of research and educational activities. Brigham and Women's/Faulkner Hospitals, Inc. (BW/F) is the sole member of BWH, Faulkner Hospital, Inc., Brigham and Women's Physicians Organization, Inc., and other affiliates.

Partners HealthCare System, Inc. (PHS) is the sole member of BW/F, The Massachusetts General Hospital (MGH), NSMC HealthCare Inc., Newton-Wellesley Health Care System, Inc., Partners Continuing Care, Inc., Partners Harvard Medical International, Inc. and Partners International Medical Services, LLC. PHS appoints the two physicians who are members of Partners Community HealthCare, Inc. PHS, together with all of its affiliates, is referred to as "Partners HealthCare."

BWH is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

#### **Community Benefit**

BWH is committed to serving the health care needs of persons from diverse communities and makes a unique commitment to the neighboring residents of Jamaica Plain and Mission Hill. BWH also commits to meeting the needs of low-income pregnant women and their families from the communities of Roxbury and Dorchester. As such, BWH engages in several mission-related activities aimed at maintaining its tax-exempt status. These activities include supporting a broad-based community benefits program, operating essential clinical services, including an emergency room and outpatient clinics serving low-income patients, and providing free or discounted care, in conjunction with a clear charity care policy based on community needs.

The Massachusetts Attorney General's Community Benefits Guidelines require health maintenance organizations and nonprofit acute care hospitals to prepare annual reports documenting the status and level of their community benefit programs and initiatives. These annual reports serve the important purpose of providing the public with access to useful information about these programs and initiatives. BWH has a community benefit planning and service delivery structure and has filed its report separately with the Attorney General.

BWH's community benefit program also includes career and workforce development, encouraging students to pursue nursing and other clinical careers, asthma education services, and domestic violence intervention. In addition, several community health centers are licensed or affiliated with BWH, providing patient access to BWH and other Partners HealthCare hospitals. BWH invests in these health centers' infrastructure, programming and operation and also helps with relocation, renovation, and other capital requirements.

# The Brigham and Women's Hospital, Inc.

## Notes to Financial Statements

### September 30, 2008 and 2007

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*(dollars in thousands)*

#### **Uncompensated Care**

BWH provides care to all patients regardless of their ability to pay. The cost of providing that care is reflected in the statements of operations. The cost related to those patients, for which BWH receives either partial or no reimbursement for healthcare services provided, is summarized as follows:

#### **State Programs**

##### ***Uncompensated Care***

Free care services are partially reimbursed to acute hospitals through the statewide Health Safety Net (HSN, formerly known as the Uncompensated Care Pool) established by the Massachusetts Health Care Reform Law (Chapter 58 of the Acts of 2006). A portion of the funding for HSN is paid by hospitals through a statewide hospital assessment levied each year by the Massachusetts Legislature. All acute care hospitals in the state are assessed their share of this total statewide hospital assessment amount (\$160,000 in 2008 and 2007) based on each hospital's charges for private sector payers. BWH reports this assessment as a deduction from net patient service revenue.

Hospitals are reimbursed for free care based on claims for eligible patients that are submitted to, and adjudicated by the HSN. Rates of payments are based on Medicare rates and payment policies. Hospitals with a high proportion of free care and government funding receive more favorable reimbursement. In aggregate, BWH's share of uncompensated care funding covered 78% of the estimated cost of free care provided in 2008 and 61% of the estimated cost in 2007, excluding the assessment.

##### ***Medicaid***

Medicaid is a means-tested health insurance program, jointly funded by state and federal governments. States administer the program and set rules for eligibility, benefits and provider payments within broad federal guidelines. The program provides health care coverage to low-income children and families, pregnant women, long-term unemployed adults, seniors and persons with disabilities. Eligibility is determined by a variety of factors, which include income relative to the federal poverty line, age and immigrant status, and assets.

Medicaid payments to BWH do not cover the cost of services provided. In aggregate, reimbursement from Medicaid covered 81% of the estimated cost of services provided in 2008 and 79% of the estimated cost in 2007.

#### **Federal Program**

##### ***Medicare***

Medicare is a federally sponsored health insurance program for people age 65 or older, under age 65 with certain disabilities, and any age with End-Stage Renal Disease. For many years, Medicare payments have not kept pace with increases in the cost of care provided for many hospitals. Additionally, payments to physicians have seen little or no increases over the past several years. Compounding this shortfall in payments is the shift of care from higher paying inpatient services to lower paying outpatient services.

Consequently, Medicare payments to BWH also do not cover the cost of services provided. In aggregate, reimbursement from Medicare covered 81% of the estimated cost of services provided in 2008 and 2007.

**The Brigham and Women's Hospital, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

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*(dollars in thousands)*

For free care, Medicaid and Medicare, the total cost of services provided by BWH exceeds the net reimbursement received under these programs by \$117,767 and \$119,998 for the years ended September 30, 2008 and 2007, respectively. The following summarizes, by program, the cost of services provided, net reimbursement and cost of services in excess of reimbursement for each year:

	<b>Years Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
Cost of services provided		
Free Care, including assessment payment to HSN of \$17,340 and \$15,367 in 2008 and 2007, respectively	\$ 34,472	\$ 41,663
Medicaid	130,055	124,400
Medicare	378,163	351,701
	<u>\$ 542,690</u>	<u>\$ 517,764</u>
Net reimbursement		
Free Care	13,395	16,079
Medicaid	105,025	98,370
Medicare	306,503	283,317
	<u>\$ 424,923</u>	<u>\$ 397,766</u>
Cost of services in excess of reimbursement		
Free Care	21,077	25,584
Medicaid	25,030	26,030
Medicare	71,660	68,384
	<u>\$ 117,767</u>	<u>\$ 119,998</u>

**Bad Debts**

In addition to free care and inadequate funding from the Medicaid and Medicare programs, there are significant losses related to self-pay patients who fail to make payment for services rendered or insured patients who fail to remit co-payments and deductibles as required under the applicable health insurance arrangement. The provision for bad debts of \$14,419 in 2008 and \$21,520 in 2007 represents charges for services provided that are deemed to be uncollectible. The estimated cost of providing these services was approximately \$4,729 and \$7,661 for 2008 and 2007, respectively.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting. BWH follows the accounting policies and practices of PHS and these statements should be read in conjunction with the Partners HealthCare consolidated financial statements.

# The Brigham and Women's Hospital, Inc.

## Notes to Financial Statements

### September 30, 2008 and 2007

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*(dollars in thousands)*

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made in the areas of patient accounts receivable, research grants receivable, investments, receivables and accruals for settlements with third-party payers, accrued professional liability, accrued compensation and employee benefits, and accrued other.

#### **Fair Value of Financial Instruments**

The fair value of financial instruments approximates the carrying amount reported in the balance sheets for cash and equivalents, investments, investments limited as to use, patient accounts receivable, pledges receivable, research grants receivable, contributions receivable, and accounts payable, except for long-term obligations which is disclosed in Note 6.

#### **Cash and Equivalents**

Cash and equivalents represent money market and highly liquid debt instruments with a maturity at the date of purchase of three months or less.

#### **Investments**

BWH holds investments which represent units in a partnership (Note 3) and are recorded on the equity method of accounting, with the change in net unrealized appreciation included in excess of revenues over expenses as a component of income from investments. Separately invested investments (marketable investments) are measured at fair value, generally based on quoted market prices, with the change in net unrealized appreciation excluded from excess of revenues over expenses.

Income from investments (including realized gains and losses, change in net unrealized appreciation in equity method investments, interest, dividends, and endowment income distributions) is included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Income from investments is reported net of investment related expenses.

Investments with unrealized depreciation are reviewed each quarter to determine whether these investments are other-than-temporarily impaired. This review considers factors including the anticipated holding period for the investment and the extent and duration of below cost valuation.

A write-down in the cost basis of securities is recorded when the decline in fair value of certain investments below cost has been judged to be other-than-temporary. Depending on any donor-imposed restrictions on the underlying investments, the amount of the write-down is reported as a realized loss in either temporarily restricted net assets or in excess of revenues over expenses as a component of income from investments, with no adjustment in the cost basis for subsequent recoveries in fair value.

Partners HealthCare has an endowment spending policy for pooled endowment funds. A fixed distribution rate for spending is determined each year which will come from either income and/or net accumulated gains in fair value.

# The Brigham and Women's Hospital, Inc.

## Notes to Financial Statements

### September 30, 2008 and 2007

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*(dollars in thousands)*

#### **Investments Limited as to Use**

Investments limited as to use primarily include assets whose use is contractually limited by external parties and assets set aside by the Board of Trustees (or management) for identified purposes, over which the Board (or management) retains control and may, at its discretion, subsequently use for other purposes. Certain investments corresponding to deferred compensation are accounted for such that all income and appreciation (depreciation) is recorded as a direct addition (reduction) to the asset balance and corresponding liability balance.

#### **Patient Accounts Receivable**

BWH receives payments for services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care payers, commercial insurance companies, and patients. Patient accounts receivable are reported net of contractual allowances and reserves for denials, uncompensated care, and doubtful accounts. The level of reserves is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental and private employer health care coverage and other collection indicators.

#### **Research Grants Receivable**

BWH receives research funding from departments and agencies of the U.S. Government, industry and corporate sponsors, and other private sponsors. Research grants receivable include amounts due from these sponsors of externally funded research. The amounts have been billed or are billable to the sponsor, or in limited circumstances, represent accelerated spending in anticipation of future funding. Research grants receivable are reported net of reserves for uncollectible accounts.

#### **Property and Equipment**

Property and equipment is reported on the basis of cost less accumulated depreciation. Donated items, exclusive of transfers from related organizations, are recorded at fair value at the date of contribution. All research grants received for capital are recorded in the year of expenditure as a change in net assets. Property and equipment is reviewed for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Depreciation of property and equipment is calculated by use of the straight-line method at rates intended to depreciate the cost of assets over their estimated useful lives, which generally range from three to forty years. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized, net of any interest earned, as a component of the cost of acquiring those assets.

#### **Asset Retirement Obligations**

Asset retirement obligations, reported in accrued other, are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. BWH records changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. BWH reduces these liabilities when the related obligations are settled.

# The Brigham and Women's Hospital, Inc.

## Notes to Financial Statements

### September 30, 2008 and 2007

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*(dollars in thousands)*

#### **Other Assets**

Other assets consist of long-term receivables, investments in healthcare related limited partnerships and benefit assets for overfunded defined benefit plans. The carrying value of other assets is reviewed if the facts and circumstances suggest that it may be impaired.

#### **Compensated Absences**

In accordance with formal policies concerning vacation and other compensated absences, accruals of approximately \$45,871 and \$41,616 were recorded as of September 30, 2008 and 2007, respectively.

#### **Unexpended Funds on Research Grants**

Research grants received in advance of corresponding grant expenditures are accounted for as a direct addition to investments limited as to use and unexpended funds on research grants.

#### **Self-Insurance Reserves**

BWH is self-insured for employee healthcare, disability, workers' compensation and certain other employee benefits. These costs are accounted for on an accrual basis to include estimates of future payments for claims incurred.

#### **Net Assets**

Permanently restricted net assets include only the historical dollar amounts of gifts which are required by donors to be permanently retained. Temporarily restricted net assets include gifts, and income and gains on permanently restricted net assets which can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift (capital projects, pledges to be paid in the future, life income funds) or by interpretations of law (gains available for appropriation but not appropriated in the current period). Unrestricted net assets include all the remaining net assets of BWH. See Note 12 for further information on the composition of restricted net assets.

Realized gains and losses are classified as unrestricted net assets unless they are restricted by the donor or law. Unless permanently restricted by the donor, realized gains and unrealized net appreciation on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by BWH in accordance with policies established by Partners HealthCare and the Massachusetts Management of Institutional Funds Act. Net losses on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the fair value exceeds book value.

#### **Gifts and Grants**

Unconditional promises to give cash and other assets to BWH are reported at fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted gifts in the accompanying financial statements.

Gifts of long-lived assets with explicit restrictions that specify use of assets and gifts of cash or other assets that must be used to acquire long-lived assets are reported as additions to temporarily restricted net assets if the assets are not placed in service during the year.

# The Brigham and Women's Hospital, Inc.

## Notes to Financial Statements

### September 30, 2008 and 2007

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*(dollars in thousands)*

Grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. BWH recognizes revenue associated with direct and indirect costs as direct costs are incurred. The recovery of indirect costs is based on predetermined rates for U.S. government grants and contracts and negotiated rates for other grants and contracts.

#### **Statement of Operations**

All activities of BWH deemed by management to be ongoing, major and central to the provision of healthcare services, training and research activities are reported as operating revenue and expenses. Other activities are deemed to be nonoperating and include unrestricted gifts (net of fund-raising expenses) and substantially all income from investments.

BWH recognizes changes in third-party payer settlements and other estimates in the year of the change in estimate. For the years ended September 30, 2008 and 2007, adjustments to prior year estimates resulted in an increase to income from operations of \$13,372 and \$6,767, respectively.

The statements of operations include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses include change in unrealized appreciation on marketable investments, transfers of assets to and from affiliates, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for acquisition of such assets) and change in funded status of defined benefit plans.

#### **Net Patient Service Revenue**

BWH maintains agreements with the Centers for Medicare and Medicaid Services (CMS) of the United States Department of Health and Human Services (DHHS) under the Medicare Program, The Commonwealth of Massachusetts under the Medical Assistance Program (Medicaid) and various managed care payers that govern payment to BWH for services rendered to patients covered by these agreements. The agreements generally provide for per case or per diem rates or payments based on discounted charges for inpatient care and discounted charges or fee schedules for outpatient care. Certain "pay for performance" contracts also provide for payments that are contingent upon meeting agreed upon quality and efficiency measures.

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Contracts, laws and regulations governing the Medicare, Medicaid, and the HSN programs (Note 1) and managed care payer arrangements are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. A portion of the accrual for settlements with third-party payers has been classified as long-term because such amounts, by their nature or by virtue of regulation or legislation, will not be paid within one year.

# The Brigham and Women's Hospital, Inc.

## Notes to Financial Statements

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#### **Charity Care**

BWH provides either full or partial charity care to patients who cannot afford to pay for their medical services based on income and family size. Charity care is generally available to qualifying patients for medically necessary services. BWH reports certain bad debts related to emergency services as charity care. Charity care is reported at gross charges with an offsetting allowance, as there is no expectation of collection. Accordingly, there is no net patient service revenue related to charity care.

#### **Other Revenue**

Other revenue includes parking revenue, rental income and cafeteria sales.

#### **Reclassifications**

Certain amounts in the 2007 financial statements have been classified to conform with the 2008 presentation. Direct academic and research revenue and direct academic expenses have been reduced by \$2,413 for the year ended September 30, 2007 to reflect the elimination of intercompany research activity.

### **3. Investments and Investments Limited as to Use**

Investments are either separately invested or included in pooled investment funds. The Partners HealthCare System Pooled Investment Accounts (Partnership) is structured as a single general partnership composed of four investment pools, with PHS and substantially all of its affiliates participating in the pools as partners. Each partner's interest in the Partnership is based on its underlying investments in one or more of the four separate pools. Amounts included in the investment pools are accounted for using the fair value method whereby each partner is assigned a number of units based on the fair value of the assets of a pool at the time of entry of the funds into the pool. Current fair value is used to determine the number of units allocated to additional amounts placed in a pool and to value withdrawals from a pool. Income from investments of the pools, including realized gains and losses, is allocated on a unitized basis to a partner based on the partner's share of units in a pool.

The Partnership participates in a securities lending program with its custodian bank whereby securities are loaned to qualified financial institutions in exchange for collateral. Investments that have been loaned to another institution are reported as pledged assets in the consolidated balance sheets of Partners HealthCare. Cash or investments received as collateral on the securities lending transaction are also reported as assets in such consolidated balance sheets. Because the collateral must be returned in the future, a corresponding liability is reported in such consolidated balance sheets.



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The composition of investments and investments limited as to use is as follows:

	Cost	September 30, 2008		Fair Value
		Gross Unrealized Appreciation	Gross Unrealized Depreciation	
Pooled investments				
Invested cash equivalents	\$ 5,765	\$ -	\$ -	\$ 5,765
Equities	69,265	3,738	(4,592)	68,411
U.S. Government, domestic and foreign fixed income securities	8,059	416	(658)	7,817
Private partnerships and other	111,790	21,439	(4,008)	129,221
Accruals, net	(110)	-	-	(110)
	<u>194,769</u>	<u>25,593</u>	<u>(9,258)</u>	<u>211,104</u>
Separately invested				
Invested cash equivalents	3,262	-	-	3,262
Equities	260	-	-	260
U.S. Government and domestic fixed income securities	1,774	-	-	1,774
	<u>5,296</u>	<u>-</u>	<u>-</u>	<u>5,296</u>
	<u>\$ 200,065</u>	<u>\$ 25,593</u>	<u>\$ (9,258)</u>	<u>\$ 216,400</u>
	Cost	September 30, 2007		Fair Value
		Gross Unrealized Appreciation	Gross Unrealized Depreciation	
Pooled investments				
Invested cash equivalents	\$ 15,957	\$ -	\$ -	\$ 15,957
Equities	83,821	21,643	-	105,464
U.S. Government, domestic and foreign fixed income securities	10,789	821	(171)	11,439
Private partnerships and other	71,854	34,666	(225)	106,295
Accruals, net	(6)	-	-	(6)
	<u>182,415</u>	<u>57,130</u>	<u>(396)</u>	<u>239,149</u>
Separately invested				
Invested cash equivalents	1,162	-	-	1,162
Equities	409	-	-	409
U.S. Government and domestic fixed income securities	1,621	-	-	1,621
	<u>3,192</u>	<u>-</u>	<u>-</u>	<u>3,192</u>
	<u>\$ 185,607</u>	<u>\$ 57,130</u>	<u>\$ (396)</u>	<u>\$ 242,341</u>

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Subsequent to September 30, 2008, the U.S. and global financial markets have experienced significant volatility and illiquidity, due in part, to current economic conditions and declines in the financial sector. BWH's investment portfolio has experienced similar negative volatility. However, BWH has been able to maintain its liquidity and its operations have not been significantly impacted.

Investments and investments limited as to use are recorded in the balance sheet as follows:

	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
Current assets		
Current portion of investments limited as to use	\$ 76,041	\$ 72,816
	76,041	72,816
Investments limited as to use, less current portion	16,622	19,575
Long-term investments	123,737	149,950
	<u>\$ 216,400</u>	<u>\$ 242,341</u>

Investments limited as to use consist of the following:

	<b>September 30, 2008</b>		<b>September 30, 2007</b>	
	<b>Current Portion</b>	<b>Long-Term Portion</b>	<b>Current Portion</b>	<b>Long-Term Portion</b>
Internally designated funds				
Deferred compensation	\$ -	\$ 2,151	\$ -	\$ 2,120
Externally limited funds				
Unexpended funds on research	69,670	-	62,768	-
Contributions held for others	6,362	-	10,048	-
Professional liability trust fund	-	11,334	-	16,384
Held by trustees under debt and other agreements	9	3,137	-	1,071
	<u>76,041</u>	<u>14,471</u>	<u>72,816</u>	<u>17,455</u>
	<u>\$ 76,041</u>	<u>\$ 16,622</u>	<u>\$ 72,816</u>	<u>\$ 19,575</u>

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Investment income and gains (losses) from cash and equivalents, investments (including long-term) and investments limited as to use are comprised of the following:

	<b>Years Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
Unrestricted		
Dividends and interest income	\$ 2,749	\$ 2,553
Endowment income distributions, net of reinvested gains	409	531
Net realized gains (losses) on investments		
Trading gains	537	1,075
Other-than-temporary impairment	(274)	(205)
Change in net unrealized appreciation on equity method investments	(2,892)	1,554
(Losses) recoveries on endowment funds	(640)	19
Total investment activity included in excess of revenues over expenses	<u>(111)</u>	<u>5,527</u>
Temporarily restricted		
Dividends and interest income	2,270	2,428
Endowment income distributions	(5,212)	(4,684)
Net realized gains (losses) on investments		
Trading gains	7,879	7,444
Other-than-temporary impairment	(2,882)	(1,914)
	<u>2,055</u>	<u>3,274</u>
Change in net unrealized appreciation on equity method investments	(26,194)	15,421
Losses (recoveries) on endowment funds	640	(19)
	<u>(25,554)</u>	<u>15,402</u>
Total temporarily restricted investment activity	<u>(23,499)</u>	<u>18,676</u>
	<u>\$ (23,610)</u>	<u>\$ 24,203</u>

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Investment income (loss) included in operating results and excess of revenues over expenses are comprised of the following:

	<b>Years Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
Investment income (loss) included in operations and reported in		
Other revenue	\$ 1,335	\$ 1,544
Investment income (loss) included in nonoperating gains (expenses) and reported in		
Income (loss) from investments	<u>(1,446)</u>	<u>3,983</u>
Total investment activity included in excess of revenues over expenses	<u>\$ (111)</u>	<u>\$ 5,527</u>

**4. Pledges Receivable and Contributions Receivable from Trusts**

Pledges receivable represent unconditional promises to give and are net of allowances for uncollectible amounts. Pledges are recorded at the present value of their estimated future cash flows. Pledges collectible within one year are classified as other current assets and total \$28,623 and \$25,105 as of September 30, 2008 and 2007, respectively. Estimated cash flows due after one year are discounted using published treasury bond and note yields that are commensurate with estimated collection risks. The blended discount rate was 2.6% and 4.2% for 2008 and 2007, respectively. Pledges are expected to be collected as follows:

	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
Amounts due		
Within one year	\$ 30,241	\$ 27,752
In one to five years	64,092	46,866
In more than five years	<u>12,833</u>	<u>12,550</u>
Total pledges receivable	107,166	87,168
Less: Unamortized discount	<u>7,840</u>	<u>8,834</u>
	99,326	78,334
Less: Allowance for uncollectibles	<u>3,107</u>	<u>4,704</u>
Net pledges receivables	96,219	73,630
Contributions receivable from trusts	<u>1,863</u>	<u>1,107</u>
	<u>\$ 98,082</u>	<u>\$ 74,737</u>

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**5. Property and Equipment**

Property and equipment consists of the following:

	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
Land and land improvements	\$ 19,891	\$ 19,891
Buildings and building improvements	1,095,744	738,282
Equipment	290,037	255,322
Construction in progress	62,459	236,406
	<u>1,468,131</u>	<u>1,249,901</u>
Accumulated depreciation	<u>(503,810)</u>	<u>(461,021)</u>
Property and equipment, net	<u>\$ 964,321</u>	<u>\$ 788,880</u>

Interest costs, net of interest earned, aggregating \$6,845 and \$5,556 were capitalized in 2008 and 2007, respectively.

For the years ended September 30, 2008 and 2007, fully depreciated assets with an original cost of \$43,107 and \$84,591, respectively, were written off.

**6. Long-Term Obligations**

Long-term obligations consist of the following:

	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
Notes payable to PHS		
Partners HealthCare Capital Framework Loan, variable interest rate of 4.88% and 5.10% at September 30, 2008 and 2007, respectively, final maturity in 2038	\$ 603,858	\$ 502,440
Capital lease obligations	<u>2,091</u>	<u>3,256</u>
	605,949	505,696
Less current portion	<u>22,869</u>	<u>20,871</u>
	<u>\$ 583,080</u>	<u>\$ 484,825</u>

The Partners HealthCare Capital Framework Loan bears interest at a variable rate based upon the weighted average cost of Partners HealthCare's debt, reset annually, effective October 1.

Partners HealthCare Series 2007 Taxable Bonds and the Authority's Series A, B, C, D, E, F, G and H bonds issued on behalf of Partners HealthCare and Series P loan to PHS are unsecured general obligations of PHS, supported by guarantees from BW/F, BWH, MGH, and The General Hospital Corporation (the General) which may be suspended under certain conditions.

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Aggregate maturities and payments of long-term obligations, including obligations under capital leases (Note 7), during the next five years are as follows: 2009 - \$22,869; 2010 - \$24,020; 2011 - \$24,414; 2012 - \$25,949 and 2013 - \$27,390.

Long-term obligations have variable interest rates that reflect currently available terms and conditions for similar debt. The carrying amount for this debt is a reasonable estimate of its fair value.

Interest expense approximates interest paid, net of capitalized interest, during the years ended September 30, 2008 and 2007.

**7. Commitments**

**Leases**

BWH has capital and noncancelable operating leases for certain buildings and equipment. Rental expense under operating leases approximated \$54,347 and in 2008 and \$51,395 in 2007, including expenses under leases with BW/F of \$768 in 2008 and 2007. Minimum future lease commitments under noncancelable leases, including a total commitment of \$7,680 for research building rentals with BW/F, for the next five years and thereafter are as follows:

	<b>Capital Leases</b>	<b>Operating Leases</b>
2009	\$ 1,316	\$ 57,351
2010	877	52,707
2011	-	50,851
2012	-	45,862
2013	-	44,597
Thereafter	-	262,419
	<hr/>	<hr/>
Total lease payments	2,193	\$ 513,787
	<hr/>	<hr/>
Less amount representing interest	102	
	<hr/>	
Capital lease obligations at September 30, 2008	<u>\$ 2,091</u>	

**Construction Project**

BWH is creating a multi-specialty ambulatory care center (MACC), to be located in Foxboro, Massachusetts at Patriot Place. The goal is to create a comprehensive, community-based-MACC, offering a comprehensive mix of outpatient medical and surgical services, diagnostic testing and ambulatory surgery. Plans call for fit-out construction of approximately 78,000 square feet of leased space. The total project cost is expected to be approximately \$43,000 with a scheduled opening of February 2009.

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**8. Pension and Postretirement Healthcare Plans**

Substantially all employees of BWH are covered under The Brigham and Women's Hospital Retirement Plan (BWH Plan), a noncontributory defined benefit pension plan. Benefits under the cash balance accrual formula consist of annual allocations to participants' accounts based on the participants' age, years of service and salary. Interest is credited to participants' accounts annually at market rates. The amount of pension expense allocated under this plan to the BWH was \$20,663 in 2008 and \$22,609 in 2007.

Effective January 2005, eligible employees of BWH and BWPO can participate in the BWH Retiree Medical Savings Account Plan. This plan will be funded primarily with employee contributions. The employer will also provide an annual match and interest will be credited annually to participant accounts at market rates.

Certain professional staff employed by BWH who hold appointments at the Harvard Medical School, as well as certain administrative staff, participate in the Brigham and Women's Hospital Professional Staff Retirement Plan, which is a defined contribution plan. BWH contributes to the plan a percentage, as defined by the plan agreement, of each participant's annual compensation. The amount of expense incurred under this plan by BWH for 2008 and 2007 was \$10,634 and \$10,253, respectively.

BWH uses a measurement date of June 30 for the defined pension benefit and postretirement healthcare benefit plans.

**Benefit Obligations**

Change in Benefit Obligations	Defined Benefit Pension Plan		Postretirement Healthcare Benefit Plan	
	2008	2007	2008	2007
Benefit obligations at beginning of year	\$ 635,960	\$ 583,635	\$ 6,650	\$ 3,578
Service cost	33,511	31,894	522	404
Interest cost	41,168	37,848	446	247
Plan amendments	2,347	-	-	-
Actuarial (gain) loss	(42,414)	3,509	430	170
Employee contributions	-	-	2,441	2,272
Benefits paid	(20,578)	(20,926)	(42)	(21)
Benefit obligations at end of year	<u>\$ 649,994</u>	<u>\$ 635,960</u>	<u>\$ 10,447</u>	<u>\$ 6,650</u>

The accumulated benefit obligation for the defined benefit pension plan at the end of 2008 and 2007 was \$566,594 and \$548,677, respectively.

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<b>Weighted-Average Assumptions Used to Determine End of Year Benefit Obligation</b>	<b>Defined Benefit Pension Plan</b>		<b>Postretirement Healthcare Benefit Plan</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Discount rate	6.75%	6.25%	5.75%	6.25%
Rate of compensation increase	5.10%	5.10%	N/A	N/A

**Plan Assets**

<b>Change in Plan Assets</b>	<b>Defined Benefit Pension Plan</b>		<b>Postretirement Healthcare Benefit Plan</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Fair value of plan assets at beginning of year	\$ 707,429	\$ 597,121	\$ 5,598	\$ 2,832
Actual return on plan assets	21,283	107,467	(657)	494
Employer contributions	23,855	23,767	42	21
Employee contributions	-	-	2,441	2,272
Benefits paid	<u>(20,578)</u>	<u>(20,926)</u>	<u>(42)</u>	<u>(21)</u>
Fair value of plan assets at end of year	<u>\$ 731,989</u>	<u>\$ 707,429</u>	<u>\$ 7,382</u>	<u>\$ 5,598</u>

Subsequent to June 30, 2008 (measurement date), there has been significant volatility and illiquidity in the U.S. and global financial markets which has had a significant negative effect on the valuation of plan assets. However, BWH is able to meet the obligations of the plans with existing plan assets or any additional contributions as may be required under federal pension regulations.

BWH's benefit plan weighted-average target asset allocation ranges as well as actual allocations, by asset category for 2008 and 2007, are as follows:

<b>Asset Category</b>	<b>Defined Benefit Pension Plan</b>			<b>Postretirement Healthcare Benefit Plan</b>		
	<b>Target Allocation</b>	<b>Percentage of Plan Assets</b>		<b>Target Allocation</b>	<b>Percentage of Plan Assets</b>	
		<b>2008</b>	<b>2007</b>		<b>2008</b>	<b>2007</b>
Domestic equity securities	4% - 24%	14.5%	17.6%	40% - 60%	48.0%	44.2%
Foreign equity securities	15% - 35%	20.2%	26.4%	10% - 30%	10.0%	14.3%
Fixed income securities	1% - 21%	18.3%	14.5%	30% - 50%	42.0%	41.5%
Less market sensitive strategies	20% - 40%	30.4%	27.9%	-	-	-
Inflation protection strategies	6% - 26%	16.6%	13.6%	-	-	-
		<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>



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Less market sensitive investments include hedge funds employing long/short equity, diversified arbitrage and absolute return strategies, which in the aggregate are expected to generate positive returns on a consistent basis. Inflation protection strategies include investments in real estate assets/commodities, equity securities of commodity related companies and inflation protection bonds.

The investment objective is to achieve the highest reasonable total return after considering (i) plan liabilities, (ii) funding status and projected cash flows, (iii) projected market returns, valuations and correlations for various asset classes, and (iv) Partners HealthCare's ability and willingness to incur market risk. Partners HealthCare's Investment Committee actively manages plan assets in order to add incremental returns by manager selection and asset allocation (increasing/decreasing allocations within allowable ranges based on current and projected valuations).

**Funded Status**

In September 2006, the Financial Accounting Standards Board issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158). SFAS 158 focuses primarily on balance sheet reporting for the funded status of benefit plans and requires recognition of benefit liabilities for underfunded plans and benefit assets for overfunded plans, with offsetting impacts to unrestricted net assets.

SFAS 158 also requires companies to measure benefit plan assets and liabilities and determine the discount rate for subsequent year expense recognition as of the balance sheet date for financial reporting purposes, thus eliminating the opportunity to use a measurement date up to 90 days prior to the balance sheet date. The effective date for this change is 2009. BWH currently uses a June 30 measurement date and will adopt a September 30 measurement date in 2009 as required. Converting to the new measurement date will require a one-time adjustment to unrestricted net assets per the transition guidance in SFAS 158.

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The funded status of the plans recognized in the balance sheet and amounts recognized in unrestricted net assets, follows:

End of Year	Defined Benefit Pension Plan		Postretirement Healthcare Benefit Plan	
	2008	2007	2008	2007
Fair value of plan assets at measurement date	\$ 731,989	\$ 707,429	\$ 7,382	\$ 5,598
Contributions received after measurement date	5,834	6,352	34	15
Benefit obligations at measurement date	(649,994)	(635,960)	(10,447)	(6,650)
Funded status	<u>\$ 87,829</u>	<u>\$ 77,821</u>	<u>\$ (3,031)</u>	<u>\$ (1,037)</u>
<b>Amounts recognized in balance sheet consist of</b>				
Noncurrent assets	\$ 87,829	\$ 77,821	\$ -	\$ -
Long-term liabilities	-	-	(3,031)	(1,037)
<b>Amounts recognized in unrestricted net assets consist of</b>				
Actuarial net (gain) loss	\$ (91,408)	\$ (79,025)	\$ 1,321	\$ (183)
Prior service cost	3,579	1,204	-	-
	<u>\$ (87,829)</u>	<u>\$ (77,821)</u>	<u>\$ 1,321</u>	<u>\$ (183)</u>

**Expected Cash Flows**

Information about the expected cash flows for the defined benefit pension and postretirement healthcare benefit plans are as follows:

	Defined Benefit Pension Plan	Postretirement Healthcare Benefit Plan
Expected employer contributions - 2009	\$ 13,976	\$ 153
Expected benefit payments		
2009	23,708	153
2010	25,859	216
2011	28,771	288
2012	32,460	385
2013	35,993	484
2014 and thereafter	241,469	3,085

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**Net Periodic Benefit Cost**

	<b>Defined Benefit Pension Plan</b>		<b>Postretirement Healthcare Benefit Plan</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Service cost	\$ 33,511	\$ 31,894	\$ 522	\$ 404
Interest cost	41,168	37,848	446	247
Expected return on plan assets	(51,314)	(44,304)	(417)	(210)
Amortization of prior service credit	(29)	(29)	-	-
Net periodic benefit cost	<u>\$ 23,336</u>	<u>\$ 25,409</u>	<u>\$ 551</u>	<u>\$ 441</u>

Amounts expected to be amortized from unrestricted net assets into net periodic benefit cost during the year ending September 30, 2009, are as follows:

	<b>Defined Benefit Pension Plans</b>	<b>Postretirement Healthcare Benefit Plan</b>
Actuarial net loss	\$ -	\$ 34
Prior service cost	160	-

<b>Weighted-Average Assumptions Used to Determine Net Periodic Cost and Postretirement Cost</b>	<b>Defined Benefit Pension Plan</b>		<b>Postretirement Healthcare Benefit Plan</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Discount rate	6.25%	6.25%	6.25%	6.25%
Expected return on plan assets	8.25%	8.25%	7.50%	7.50%
Rate of compensation increase	5.10%	5.10%	N/A	N/A

Partners HealthCare considers multiple factors in establishing a multi-year projected return assumption for its benefit programs. These include, but are not limited to: its current asset allocation policy and target ranges by asset class; asset valuations; historical and projected rates of return by asset class; historical and projected correlations among asset classes; the opportunity to exceed passive index returns via active management through a combination of manager selection and alternative weightings among and within asset classes; and Partners HealthCare's historical performance experience.

**9. Professional Liability Insurance**

BWH insures substantially all of its professional and general liability risk on a claims-made basis in cooperation with PHS affiliates and other organizations in the Greater Boston area through a captive insurance company, Controlled Risk Insurance Company Ltd. (CRICO). The policy covers claims made during its term, but not those occurrences for which claims may be made after

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expiration of the policy, except for certain tail liabilities which CRICO has assumed on an occurrence basis through December 31, 2008. Management intends to renew its coverage on a claims-made basis and has no reason to believe that it will be prevented from such renewal.

BWH follows the accounting policy of establishing reserves to cover all professional liability claims incurred but not reported to the insurance company as of the end of the year (tail liability), excluding the tail liability assumed by CRICO. These reserves have been estimated by consulting actuaries on a discounted basis using an interest rate of 5.75% at September 30, 2008 and 2007.

Management is not aware of any claims against BWH or factors affecting CRICO that would cause the expense for professional liability risks to vary materially from the amount provided.

**10. Transactions with Affiliates**

BWH received fund-raising, investment management, legal, financial and administrative services from PHS and BW/F of \$139,259 and \$125,660 in 2008 and 2007, respectively. BWH also purchased certain teaching and administrative services, professional services, as well as leased space from PHS affiliates which amounted to \$62,809 and \$60,431 in 2008 and 2007, respectively. BWH provided certain administrative and support services, as well as leased space and professional services to PHS affiliates, which totaled \$10,349 and \$10,995 in 2008 and 2007, respectively. All services among these affiliated corporations were reimbursed on an estimated cost basis.

During 2008 and 2007, BWH transferred funds to, and received funds from, certain affiliated corporations. These equity transfers are reported separately as changes in net assets and are excluded from excess of revenues over expenses. Amounts transferred were as follows:

	<b>Years Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
Transfers from (to)		
BW/F	\$ (42,362)	\$ 43,633
Brigham Community Practices, Inc.	-	(48)
PHS	1,841	409
	<u>(40,521)</u>	<u>43,994</u>
Liability transfer from PHS	-	(3,078)
Transfers from (to) affiliates, net	<u>\$ (40,521)</u>	<u>\$ 40,916</u>

**11. Concentrations of Credit Risk**

Financial instruments that potentially subject BWH to concentrations of credit risk consist of patient accounts receivable, pledges receivable, research grants receivable and certain investments. BWH receives a significant portion of its payments for services rendered from a limited number of government and commercial third-party payers, including Medicare, Medicaid, Blue Cross and Blue Shield of Massachusetts, Harvard Pilgrim Health Care and Tufts Associated Health Plan. Research funding is provided through many government and private sponsors. Pledges receivable are due from multiple donors. BWH considers the credit risk for pledges to be minimal based on

**The Brigham and Women's Hospital, Inc.**  
**Notes to Financial Statements**  
**September 30, 2008 and 2007**

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*(dollars in thousands)*

history and the financial wherewithal of donors, most of which are individuals or organizations well known to the Hospital. Investments, which include government and agency securities, stocks and corporate bonds, and private partnerships and other investments are not concentrated in any corporation or industry or with any single counterparty.

**12. Restricted Net Assets**

Restricted net assets are available for the following purposes:

	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
Temporarily restricted		
Charity care	\$ 15,027	\$ 18,606
Buildings and equipment	67,420	65,190
Clinical care, research and academic	88,459	115,959
	<u>\$ 170,906</u>	<u>\$ 199,755</u>
Permanently restricted		
Charity care	\$ 1,846	\$ 1,846
Clinical care, research and academic	47,929	36,797
	<u>\$ 49,775</u>	<u>\$ 38,643</u>

**13. Functional Expenses**

Total operating expenses by function are as follows:

	<b>Years Ended</b>	
	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
Healthcare services	\$ 1,196,355	\$ 1,105,648
Research and academic	461,245	433,500
General and administrative	133,841	121,375
	<u>\$ 1,791,441</u>	<u>\$ 1,660,523</u>

**14. Contingencies**

BWH is subject to complaints, claims and litigation which have risen in the normal course of business. In addition, BWH is subject to reviews by various federal and state government agencies to assure compliance with applicable laws, some of which are subject to different interpretations. Recently, governmental review of compliance by healthcare institutions, including BWH, has increased.

**The Brigham and Women's Hospital, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>RESEARCH AND DEVELOPMENT AND RESEARCH AND TRAINING CLUSTER</b>		
<b>Research and Development Direct Programs</b>		
Department of Health and Human Services		
National Institutes of Health		
Biological Response to Environmental Health Hazards	93.113	\$ 1,073,916
Applied Toxicological Research and Testing	93.114	43,720
Biometry and Risk Estimation-Health Risks from Environmental Exposures	93.115	2,200,902
Oral Diseases and Disorders Research	93.121	4,840,079
Human Genome Research	93.172	1,958,771
Research Related to Deafness and Communication Disorders	93.173	89,375
Medical Treatment Effectiveness Research	93.180	240,115
Research and Training in Complementary and Alternative Medicine	93.213	1,021,298
National Center on Sleep Disorders Research	93.233	1,866,432
Mental Health Research Grants	93.242	5,800,478
Alcohol Research Programs	93.273	778,239
Drug Abuse and Addiction Research Programs	93.279	1,899
Biomedical Imaging Research	93.286	7,580,827
Trans-NIH Research Support	93.310	1,524,805
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.371	363,375
National Center for Research Resources	93.389	11,195,716
National Institute of General Medical Sciences	93.390	191,529
Cancer Cause and Prevention Research	93.393	20,377,926
Cancer Detection and Diagnosis Research	93.394	6,181,852
Cancer Treatment Research	93.395	1,340,089
Cancer Biology Research	93.396	5,076,842
Cancer Centers Support Grants	93.397	4,086,174
Cancer Research Manpower	93.398	52,680
Health Cancer Control	93.399	1,691,654
Heart and Vascular Diseases Research	93.837	24,596,354
Lung Diseases Research	93.838	22,693,297
Blood Diseases and Resources Research	93.839	2,588,818
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	8,443,646
Diabetes, Endocrinology and Metabolism Research	93.847	5,218,419
Digestive Diseases and Nutrition Research	93.848	3,633,010
Kidney Diseases, Urology and Hematology Research	93.849	9,048,267
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	12,459,273
Biological Basis Research in the Neurosciences	93.854	(4,964)
Allergy, Immunology and Transplantation Research	93.855	25,496,165
Microbiology and Infectious Diseases Research	93.856	195,823
Biomedical Research and Research Training	93.859	7,459,275
Genetics and Developmental Biology Research and Research Training	93.862	(5,115)
Population Research	93.864	477,847
Child Health and Human Development Extramural Research	93.865	2,827,640
Aging Research	93.866	13,123,281
Vision Research	93.867	2,300,861
Medical Library Assistance	93.879	4,828,602
Fogarty International Research Collaboration Award	93.934	22
International Research and Research Training	93.989	123,512
National Institutes of Health Contracts	93	1,584,487
Subtotal - National Institutes of Health		<u>226,667,213</u>
Other Department of Health and Human Services		
Agency for Health Care Policy and Research	93	31,483
Health Services Research and Development Grants	93.226	2,465,416
Center for Disease Control		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.262	870,144
Centers for Disease Control-Investigations and Technical Assistance	93.283	201,383
Research, Treatment and Education Programs on Lyme Disease in the United States	93.942	87,836

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The Brigham and Women's Hospital, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

	Federal CFDA Number	Total Federal Expenditures
<b>Research and Development Direct Programs (cont.)</b>		
Centers for Medicare and Medicaid Services		
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	\$ 1,567
Health Resources and Services Administration		
Maternal and Child Health Federal Consolidated Programs	93.110	966
Office of the Secretary, Department of Health and Human Services Office on Women's Health		
Office of Public Health and Science	93.088	<u>304,105</u>
Subtotal - Other Department of Health and Human Services		<u>3,962,900</u>
Subtotal - Department of Health and Human Services		<u>230,630,113</u>
Department of Agriculture		
Grants for Agricultural Research - Competitive Research Grants	10.206	<u>75,972</u>
Subtotal - Department of Agriculture		<u>75,972</u>
Department of Defense		
Air Force Defense Research Sciences Program	12.800	649,201
Military Medical Research and Development	12.420	<u>3,301,081</u>
Subtotal - Department of Defense		<u>3,950,282</u>
Department of Homeland Security		
Federal Emergency Management Agency	97.044	<u>39,360</u>
Subtotal - Department of Homeland Security		<u>39,360</u>
Department of Justice		
Corrections and Law Enforcement Family Support	16.563	<u>20,992</u>
Subtotal - Department of Justice		<u>20,992</u>
Department of the State		
Professional Exchange-Annual Open Grant	19.415	35,906
U.S. Department of State	19	<u>47,059</u>
Subtotal - Department of the State		<u>82,965</u>
Department of Transportation		
Aviation Research Grants	20.108	<u>368,923</u>
Subtotal - Department of Transportation		<u>368,923</u>
Department of Veterans Affairs		
Veterans Rehabilitation - Alcohol and Drug Dependence	64.019	<u>568,390</u>
Subtotal - Department of Veterans Affairs		<u>568,390</u>
National Aeronautics and Space Administration		
Aerospace Education Services Program	43.001	<u>977,627</u>
Subtotal - National Aeronautics and Space Administration		<u>977,627</u>
National Science Foundation		
Biological Sciences	47.074	1,617
Computer and Information Science and Engineering	47.070	<u>22,929</u>
Subtotal - National Science Foundation		<u>24,546</u>
Environmental Protection Agency		
Environmental Protection Consolidated Research	66.500	<u>8,883</u>
Subtotal - Environmental Protection Agency		<u>8,883</u>
Total Research and Development Direct Programs		<u>236,748,053</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The Brigham and Women's Hospital, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>Research and Development Passed Through from Other Organizations</b>			
Department of Health and Human Services			
National Institutes of Health			
Michigan State University	93	615889BW	\$ (5,432)
New England Research Institute, Inc.	93	N01HC045207	17,606
Strang Cancer Prevention Center	93	N01CN95015	328,578
University of Alabama	93	N01HV58198	12,116
Children's Hospital of Boston	93.113	1R01ES016283-01	7,350
Harvard Pilgrim Health Care	93.113	1R01ES016314-01	6,534
Harvard School of Public Health	93.113	1P01ES012874-04	111,438
Harvard School of Public Health	93.113	1R01ES014433-01	158,366
Harvard School of Public Health	93.113	1R01ES015172-01	326,960
Harvard School of Public Health	93.113	5P01ES009825-08	155,973
Harvard School of Public Health	93.113	5R01ES013967-02	80,236
Harvard School of Public Health	93.113	5R01ES014370-03	22,771
University of California, Berkeley	93.113	1 U01 HG00425801	181,290
University of California, Los Angeles	93.114	5R01-ES013717-02	59,852
Harvard Medical School	93.121	5 P01 DE012467-05	(27,000)
Harvard Medical School	93.121	5 P01 DE124605-05	(34,244)
Harvard Medical School	93.121	5P50DE016191-03	552
Harvard Medical School	93.121	K12DE014528	69,967
Massachusetts General Hospital	93.121	5R01DE017821-02	71,418
New England Medical Center	93.121	5R01DE015302-04	133,989
University of Chicago	93.121	2R01DE012322-09	(13,959)
University of Chicago	93.121	RO1DE015830-01A2	96,026
University of Puerto Rico	93.121	1R01DE017176-02	13,224
Dartmouth College	93.143	ES007373-14	12,356
Harvard School of Public Health	93.143	P42ES005947	(37,269)
Children's Hospital of Boston	93.172	5R01HD046855-03	78,199
Dana Farber Cancer Institute	93.172	1 P50 HG04233-01	352,323
Fred Hutchinson Cancer Research Center	93.172	5P41HG004059-02	117,165
Fred Hutchinson Cancer Research Center	93.172	5R33HG002708-04	61
University of California at Berkeley	93.172	1-U01HG004258-01	438,158
Children's Hospital of Boston	93.173	5R01DC007127-03	6,989
Massachusetts General Hospital	93.213	5P01AT002048-04	32
Wake Forest University	93.213	5P50AT002782-03	409,233
Beth Israel Deaconess Medical Center	93.233	5P50HL060292-10	420,802
Beth Israel Deaconess Medical Center	93.242	P50MH080272	752,648
Harvard School of Public Health	93.242	1R01MH078928-01A1	198,396
Massachusetts General Hospital	93.242	5R01MH063989-05	31,132
Massachusetts General Hospital	93.242	5R01MH073445-02	673,588
Wake Forest University	93.273	1R01AA016748-01	114,134
Harvard School of Public Health	93.279	2R01DA015223	18,985
Harvard School of Public Health	93.279	5 R21 DA022600-02	129,814
Inflexion, Inc.	93.279	2R44DA015617-02	(353)
Massachusetts General Hospital	93.279	5R21DA019709-02	150,290
Duke University	93.286	7R21 EBOO5690-03	100,598
Massachusetts Institute of Technology	93.286	1R01EB003805-02	178,095
University Of Massachusetts	93.307	1P20MD002290-01	29,478
Scripps Research Institute	93.310	1R01CA132630-01	44
Harvard Medical School	93.389	1P20RR023409-01	29,516
Harvard University	93.389	1 UL1 RR025758-01	1,902,570
Massachusetts General Hospital	93.389	5U54RR021382-03	453,834
Mount Sinai School of Medicine	93.389	1R01HL082950-01	(57,115)
Tufts University	93.389	R21RR021987	7,945
University of California, Irvine	93.389	1U24RR021992	364,034
University of Rochester Medical Center	93.389	5U54NS059065-05	157,920

The accompanying notes are an integral part of the schedule of expenditures of federal awards.



**The Brigham and Women's Hospital, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>Research and Development Passed Through Other Organizations (cont.)</b>			
Columbia University	93.393	1R01CA127532-01	\$ 16,424
Columbia University	93.393	5R01CA104842-03	143,700
Dana Farber Cancer Institute	93.393	7R01CA124908-02	133,713
Dana Farber Cancer Institute	93.393	P30CA06516-42	(21,780)
Florida State University	93.393	1R01CA069222	25,399
Harvard School of Public Health	93.393	2P01 CA55075	122,464
Harvard School of Public Health	93.393	2R01CA050385-15	(74,924)
Harvard School of Public Health	93.393	2R01CA067262-12A1	291,617
Harvard School of Public Health	93.393	5R01CA050385-18	1,031,929
Harvard School of Public Health	93.393	5R01CA067262-10	(15,275)
Harvard School of Public Health	93.393	5R01CA095589-04	(24,292)
Harvard School of Public Health	93.393	CA50597	107,850
University of Arizona	93.393	5R03CA125821-02	25,368
University of California, San Francisco	93.393	5R01CA101849-04	9,327
University of North Carolina	93.393	5R01CA074015-10	27,297
University of Texas, MD Anderson Cancer	93.393	1R01CA119215-01	145,922
Washington University	93.393	1R01CA127435-02	49,444
American College of Radiology	93.394	U01CA080098	176,893
Children's Hospital of Boston	93.394	HHSN266200400030C	498,671
Dana Farber Cancer Institute	93.394	5R01CA114465-04	25,318
Fred Hutchinson Cancer Research Center	93.394	2P01 CA091955-06	100,276
Georgetown University Medical Center	93.394	1R01CA124377-01	53,592
Mass General Hospital	93.394	5R01CA115746-02	94,298
Massachusetts Institute of Technology	93.394	R01CA979660	111,306
New England Research Institute, Inc.	93.394	HHSN268200425207C	178,345
Ohio State University	93.394	HHSN26800764316C	38,781
University of Chicago	93.394	5U24CA114725-03	257,375
University of Florida	93.394	HHSN2662070023C	101,355
University of Pennsylvania	93.394	1R01CA104976-03	(10)
Boston University	93.395	7 U19 CA048626-08	(13,955)
Dana Farber Cancer Institute	93.395	2P01CA066996	216,830
Dana Farber Cancer Institute	93.395	5P01CA068484-12	413,159
Dana Farber Cancer Institute	93.395	5P01CA092625	411,163
Duke Clinical Research Institute	93.395	7U10CA076001-04	242
Massachusetts General Hospital	93.395	1R21CA117128-01-A1	7,716
Opto Sonics, Inc.	93.395	5R44CA114839	106,913
Thomas Jefferson University	93.395	5R01CA100370-03	(13,602)
University of Chicago	93.395	U10CA031946	95,967
University of Michigan	93.395	CA069568	5,011
University of Texas, MD Anderson Cancer Center	93.395	5P01CA108631-02	323,638
Children's Hospital of Boston	93.396	2-P01-CA045548-21	28,348
Dana Farber Cancer Institute	93.396	1P01CA117969-01	21,428
Dana Farber Cancer Institute	93.396	5U01CA105423-05	253,471
Princeton University	93.396	5P01CA087661	(596)
University of Michigan	93.396	5 P01 CA039542-17	(18,611)
University of Michigan	93.396	U01CA111275	(24,883)
University of Pennsylvania	93.396	5P01CA093615-05	(5,001)
University of Pennsylvania	93.396	2R01CA093237	30,146
Albert Einstein College of Medicine	93.397	5R01CA077290-07	(300)
Beth Israel Deaconess Medical Center	93.397	5P50CA101942	379,357
Dana Farber Cancer Institute	93.397	5 P30 CA006516	1,308,762
Dana Farber Cancer Institute	93.397	5P01CA089393-08	190,802
Dana Farber Cancer Institute	93.397	5P01DK070756-02	66,050
Dana Farber Cancer Institute	93.397	5P50CA090381-04	37,521
Dana Farber Cancer Institute	93.397	5P50CA090578-04	105,407
Dana Farber Cancer Institute	93.397	P50CA127003	243,360

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The Brigham and Women's Hospital, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>Research and Development Passed Through Other Organizations (cont.)</b>			
Dana Farber Cancer Institute	93.397	U54CA112962	\$ 10,261
Massachusetts General Hospital	93.397	5U56CA113004-03	(2,503)
Beth Israel Deaconess Medical Center	93.399	5U01CA113913-02	(43,097)
Fred Hutchinson Cancer Research Center	93.399	5P01CA091955-05	11,821
Massachusetts General Hospital	93.399	1R01CA119388-02	2,637
Massachusetts Institute of Technology	93.399	5U54CA119349-03	268,742
Albert Einstein College of Medicine	93.837	R01HL075619	39,619
Beth Israel Deaconess Medical Center	93.837	1R21HL085720-01A1	68,248
Children's Hospital of Oakland	93.837	2U01HL069757-06	92,579
Duke Clinical Research Institute	93.837	1 U01 HL084904-01	25
Duke Clinical Research Institute	93.837	1U01HL063747-01-A2	15,298
Emory University	93.837	R01 HL089755-02	14,649
Harvard Medical School	93.837	5R25HL075487-05	13,663
Harvard School of Public Health	93.837	1R01HL085710-01	195,539
Harvard School of Public Health	93.837	5R01HL070159-04	(33,701)
Harvard School of Public Health	93.837	5R01HL071981-04	20,780
Harvard School of Public Health	93.837	5R01HL080644-03	143,113
Harvard School of Public Health	93.837	5R21HL077548-02	453
Harvard School of Public Health	93.837	5U01HL073286-04	100,367
Johns Hopkins University	93.837	R01HL067098	66,886
Joslin Diabetes Center	93.837	R01HL077554	12,752
Massachusetts General Hospital	93.837	5U01HL080731-02	275,754
Massachusetts General Hospital	93.837	5U01HL081341-02	635,726
Massachusetts Institute of Technology	93.837	5P01HL064858-05	(342)
Medical University of South Carolina	93.837	5R01HL086576-02	35,132
Nitrosoci	93.837	2R44AG020445-03	(9,868)
Stanford University	93.837	5U01HL068060-06	62,402
State University of New York	93.837	1R01HL066076-04	84,494
University of California at San Francisco	93.837	3 U01 HL055981-05-S1	2,309
University of Pennsylvania	93.837	5R01HL048093-13	209
University of Pittsburgh	93.837	1R01HL089750-01	170,405
University of Pittsburgh	93.837	1R01HL089750-01	1,908
University of Rochester	93.837	412262-G	2,038
Vanderbilt University	93.837	5R01HL089755-02	211,455
Washington University	93.837	5U01HL087071-03	110,993
Yale University	93.837	1R01HL081153-01A1	14,955
Beth Israel Deaconess Medical Center	93.838	5P01HL067664-05	(33,035)
Beth Israel Deaconess Medical Center	93.838	5U01HL072737-04	105,970
Boston University	93.838	R01HL076778	288,206
Harvard Pilgrim Health Care	93.838	2R01HL064925-06	316,439
Harvard Pilgrim Health Care	93.838	5R01HL075504-04	158,379
National Jewish Medical and Research Cen	93.838	1U01HL089897-01A1	53,888
University of California at San Diego	93.838	3R01HL081663-04S1	182,776
University of Louisville	93.838	1P01HL078825	195,815
University of Massachusetts Medical Cent	93.838	5R01HL064884-05	(47,489)
University of Pittsburgh	93.838	5R01HL082541-04	470,472
Washington University	93.838	5P01HL029594-21	143
Yale University School of Medicine	93.838	5R01HL068201-03	50,053
Albert Einstein College of Medicine	93.839	P01HL055435	(28,338)
Boston Medical Center	93.839	5U54HL070819-05	60,743
Boston University Medical Center	93.839	5P01HL081587-03	504,251
Case Western Reserve University	93.839	5R01HL085816-02	26,630
Center for Blood Research, Inc.	93.839	P01HL056949	595,567
Children's Hospital of Boston	93.839	2U01 HL072291-06	(22,144)
Children's Hospital of Boston	93.839	5P01HL032262-27	234,933
Dana Farber Cancer Institute	93.839	U01HL069249	69,990

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The Brigham and Women's Hospital, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>Research and Development Passed Through Other Organizations (cont.)</b>			
Harvard Medical School	93.839	5P50HL060292-02	\$ 3
New England Research Institute, Inc.	93.839	U01HL072268	1,279
Northwestern University	93.839	5R01HL082950-04	145,859
Washington University	93.839	5R01HL074724-04	1,793
Yale University School of Medicine	93.839	5P01HL063357-09	462,083
Boston University Medical Center	93.846	5P01AR049920-02	(648)
California Pacific Medical Center	93.846	5R01AR048919-03	(12)
California Pacific Medical Center	93.846	5R01AR052817-02	227,136
Mattek, Inc.	93.846	R43AR082982	10,036
Palo Alto Institute for Research and Edu	93.846	5R01AR054822-03	56,854
Stanford University	93.846	R01AR054822-01	4,761
Beth Israel Deaconess Medical Center	93.847	5R01DK063296-06	102,853
Boston University	93.847	5R01DK065089-03	(2,725)
Children's Hospital of Boston	93.847	1R01DK059240-04	(137,256)
Children's Hospital of Boston	93.847	5R01DK062363-03	(107,384)
Children's Hospital of Boston	93.847	5R01DK072428-04	92,963
Joslin Diabetes Center	93.847	5R01DK070648-03	35,692
Joslin Diabetes Center	93.847	R01DK072090-02	75,065
Massachusetts General Hospital	93.847	5R01DK067397-02	8,939
University of California, Los Angeles	93.847	7R01DK066401-03	227,230
University of California, Los Angeles	93.847	DK062290	14,448
Boston Medical Center	93.848	5P30DK046200-14	12
Children's Hospital of Boston	93.848	1R21DK073130-01	(46)
Children's Hospital of Boston	93.848	2P30DK034854	263,472
Harvard Clinical Nutrition Research Cent	93.848	2P30DK040561-11	1,750
University of Nebraska Medical Center	93.848	5R01DK048794-09	(28,103)
University of Pittsburgh	93.848	1U01DK075803-01A1	34,484
Baylor College of Medicine	93.849	R01DK062363	73,103
Dana Farber Cancer Institute	93.849	P01DK050654	13,157
Indiana University	93.849	1P30DK079312-02	34,411
Massachusetts General Hospital	93.849	5P01DK038452	(14,483)
Massachusetts General Hospital	93.849	5P01DK050305-15	28
Massachusetts General Hospital	93.849	5P01DK054711-05	1,024
Massachusetts General Hospital	93.849	5U01DK065187-05	109,718
Rhode Island Hospital	93.849	U01DK061700	124,184
University of California, San Francisco	93.849	1R33DK067645-01-A1	(6,523)
University of Central Florida	93.849	5R01DK055734-09	48,366
Beth Israel Deaconess Medical Center	93.853	1R21NS047371-02	285
Beth Israel Deaconess Medical Center	93.853	2R01NS039466-04-A1	114,279
Children's Hospital of Boston	93.853	5P01NS038475-08	79,810
Children's Hospital of Boston	93.853	5U01NS040069-05	227,604
Columbia University	93.853	R01NS27941	(20,435)
Dana Farber Cancer Institute	93.853	5R01NS044914-01	(1,154)
Harvard Medical School	93.853	1U01NS050560-01-A2	341,772
Harvard Medical School	93.853	5R01NS046630-03	123,023
Harvard School of Public Health	93.853	5R01NS045893-04	39,855
Harvard School of Public Health	93.853	5R01NS047467-03	171,347
Harvard School of Public Health	93.853	5R01NS048517-03	119,559
Massachusetts General Hospital	93.853	1R01NS049263-01-A2	55,865
Massachusetts General Hospital	93.853	5P50NS010828-32	165,101
Massachusetts General Hospital	93.853	P50NS051343-01-A2	112,306
Massachusetts General Hospital	93.853	P01 NS058793-01A1	69,662
Mayo Clinic Jacksonville	93.853	2R01NS039072-01	(47,175)
Tufts University School of Medicine	93.853	R01NS036524	407,986
University of Alabama, Birmingham	93.853	1U01NS042685-01-A2	250
University of California, Santa Barbara	93.853	5R01NS049477-03	171,542

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The Brigham and Women's Hospital, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>Research and Development Passed Through Other Organizations (cont.)</b>			
University of California, Santa Barbara	93.853	U01NS051424	\$ 281,990
University of Cincinnati	93.853	5R01NS039512-05	(15,543)
University of Florida	93.853	5R01NS038455-07	7,124
University of Medicine and Dentistry of New Jersey	93.853	R01NS038384-05	(216)
University of Missouri	93.853	1R01NS052470-01A2	43,446
University of Pennsylvania	93.853	1R01NS045021-04	(960)
University of Rochester	93.853	5R01NS037167-02	81
University of Rochester	93.853	5U01NS050095-03	1,650
University of Rochester, Medical Center	93.853	5R01NS045686-02	482
University of Virginia	93.853	5 R01 NS035142-04	12
Mayo Clinic Jacksonville	93.854	5R01NS039072-08	91,938
Beth Israel Deaconess Medical Center	93.855	5U19AI066305-04	136,257
Beth Israel Deaconess Medical Center	93.855	7U01AI051706-05	67,691
Children's Hospital of Boston	93.855	1P01AI050157-02	(830)
Children's Hospital of Boston	93.855	2R01AI037691-01	5,110
Children's Hospital of Boston	93.855	5 R01 AI03901-11	58,983
Children's Hospital of Boston	93.855		17
Columbia University	93.855	7U19AI056362-04	70,112
Dana Farber Cancer Institute	93.855	5P01AI045757-08	156,492
Dana Farber Cancer Institute	93.855	5U19AI029530-17	62,551
Dana Farber Cancer Institute	93.855	5U19AI057330	836,278
Dana Farber Cancer Institute	93.855	5U19AI067751	53,427
Feinstein Institute for Medical Research	93.855	U19AI056362	367,125
Fred Hutchinson Cancer Research Center	93.855	U01AI068614	186,698
Harvard Medical School	93.855	1U01AI069412-01	528,625
Harvard Medical School	93.855	3U54AI057159	979,520
Harvard Medical School	93.855	5P01AI056299	580,859
Harvard Medical School	93.855	5P30AI060354-05	94,500
Harvard Medical School	93.855	5R01AI057786-02	31,008
Harvard School of Public Health	93.855	1U01AI069456-01	120,846
Harvard School of Public Health	93.855	5U01AI066454-03	38,132
Harvard School of Public Health	93.855	5U01AI068616-03	83,695
Massachusetts General Hospital	93.855	1R21AI072599-01	44,412
Massachusetts General Hospital	93.855	1U01AI051706-04	(5,357)
Massachusetts General Hospital	93.855	5 R37AI042006-11	210,150
Massachusetts General Hospital	93.855	5R01AI058736-03S1	99,272
Massachusetts General Hospital	93.855	5U01AI069472-02	471,790
Mount Sinai School of Medicine	93.855	5U01AI070107-02	90,873
Osel, Inc.	93.855	R21AI071978	41,753
President and Fellows of Harvard College	93.855	5 P30AI060354-04	64,480
Tufts University	93.855	N01AI30050	73,203
University of Alabama	93.855	7U19AI056362-05	22,947
University of Pennsylvania	93.855	P01AI041521	319,079
University of Texas	93.855	1R1AI067827-01	38,091
University of Wisconsin, Madison	93.855	N01AI025496	253,682
Aridis, LLC	93.856	1R41AI072866-01A1	127,644
Beth Israel Deaconess Medical Center	93.856	5R01AT002454-04	10,290
Brandeis University	93.856	5U01AI075466-02	51,406
Children's Hospital of Boston	93.856	5U01AI025934	71,666
Children's Hospital of Boston	93.856	U01AI055801-03	25,549
Dana Farber Cancer Institute	93.856	5R21AI067032-02	(13,126)
Duke University	93.856	U01AI067854-02	100,179
Harvard Medical School	93.856	1U54AI057159	392,599
Harvard Medical School	93.856	3U01AI027659	(28,486)
Harvard Medical School	93.856	5P30AI060354	303,350
Harvard Medical School	93.856	5U01AI048023	(150,886)

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The Brigham and Women's Hospital, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>Research and Development Passed Through Other Organizations (cont.)</b>			
Harvard School of Public Health	93.856	1U01 AI38858-01	\$ 11,041
Harvard School of Public Health	93.856	5U01AI041110-08	(2,904)
Massachusetts General Hospital	93.856	5U01AI052403-02	(2,073)
Massachusetts General Hospital	93.856	5U01AI058935-08	21,243
President and Fellows of Harvard College	93.856	5U54AI057159-03	115,372
Social and Scientific Systems, Inc.	93.856	1U01AI068636-01	383,845
University of Massachusetts, Worcester	93.856	5R01AI052455	(36,086)
Georgia State University	93.859	1R01GM081749-02	15,560
Harvard Pilgrim Health Care	93.859	U01CM076672	49,681
Kaiser Permanente Medical Care Program	93.859	5R01GM080180-02	85,601
University of Washington	93.859	5R01GM071852-03	93,046
Massachusetts General Hospital	93.864	5U54HD028138-16	233,200
University of Rochester	93.864	5 R01 HD044870-05	103,376
Children's Hospital of Boston	93.865	5R01HD043869-05	16,684
Children's Hospital of Boston	93.865	5U01HD045991-05	41,453
Dana Farber Cancer Institute	93.865	5U01HD044256-05	25,077
Harvard School of Public Health	93.865	5R01 HD044391-05	49,688
Massachusetts General Hospital	93.865	5R01HD055150-03	24,172
University of Rochester	93.865	0N01AI025495	5,873
Beth Israel Deaconess Medical Center	93.866	7P60AG008812-15	13,730
Columbia University	93.866	5P01AG023028-03	20
Harvard School of Public Health	93.866	5P30AG024409-03	277
Harvard School of Public Health	93.866	5U01AG027669-03	37,054
Hebrew Rehabilitation Center	93.866	P01AG004390	137,700
Massachusetts Alzheimer's Disease Resear	93.866	5P50AG005134-24	33,170
Massachusetts General Hospital	93.866	1R01AG029411-01A1	24,807
Massachusetts General Hospital	93.866	5P01AG004953-23	(59,367)
Massachusetts General Hospital	93.866	5P50AG005134-25	169,118
Massachusetts Institute of Technology	93.866	5710002186	26,230
Rush University Medical Center	93.866	1R01AG030146-01	29,544
University of California, Los Angeles	93.866	1558GHB903	(6,344)
University of California, San Diego	93.866	U01AG024904	109,729
University of California, San Diego	93.866	U01AG10483	52,222
University of Connecticut Health Center	93.866	1R01AG022092-04	303,154
University of Wisconsin	93.866	1R01AG029624-01	61,669
Massachusetts Eye and Ear Infirmary	93.867	5R01EY015473-04	260,485
The Methodist Hospital Research Institut	93.879	1G08LM008937-01A2	31,703
Harvard Medical School	93.931	5R01CA101034-03	30,489
Children's Hospital of Boston	93	1U19 DK080652-01	14,839
Children's Hospital of Boston	93	R01AI070820-02	47,613
Fred Hutchinson Cancer Research Center	93	5 U01AI068614-02	28,934
Harvard School of Public Health	93	0N01RC017027	(104,485)
Johns Hopkins University	93		69,656
Massachusetts Institute of Technology	93		6,794
Sunnybrook Health Science Center	93	7R33EB000705-04	102,573
University of California, San Francisco	93	N01AI-15416	17,930
Subtotal - National Institutes of Health			36,544,647
<b>Other Department of Health and Human Services</b>			
Agency for Health Care Policy and Research			
Regenstrief Institute, Inc.	93.226	PO-149871	(44,450)
Massachusetts General Hospital	93.226	1R01HS015002-02	(9,655)
Massachusetts General Hospital	93.226	5R01HS015175-03	16,336
Harvard Pilgrim Health Care	93.226	HHSA29020050031	7,564
Children's Hospital of Philadelphia	93.226	5U18HS016678-02	18,917
University of Chicago	93.226	290-04-0016	27,905
Harvard School of Public Health	93.226	1R18HS17048-01	35,453

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The Brigham and Women's Hospital, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>Research and Development Passed Through Other Organizations (cont.)</b>			
Boston Medical Center	93.226	5R01HS013912-05	\$ 64,886
Board of Trustees of the University of Illinois	93.226	1U18HS016973-01	65,566
Harvard Pilgrim Health Care	93.226	1R18 HS017201-01	94,100
Massachusetts eHealth Collaborative	93.226	5UC1HS015397-03	344,679
Center for Disease Control			
Harvard Pilgrim Health Care	93.061	P01CD000260	596,684
Ohio State University Research Foundation	93.262	1R01OH008649-01-A1	19,494
University of Texas	93.262	1R01OH003523-03	(14)
University of Massachusetts at Lowell	93.262	5R01OH008254-02	47,455
Harvard School of Public Health	93.283	AH000083Z/PH000083BZ	3,265
Harvard School of Public Health	93.283	CDC200200108007	35,338
Harvard School of Public Health	93.283	UR8/CCU115079-08	(86,719)
Food and Drug Administration-Research			
Children's Hospital of Boston	93.103	FD-R-002202-02	5,813
Health Resources and Services Administration			
University of Massachusetts. Worcester	93.145	5H4AHA00050-06 00	15,012
Harvard Medical School	93.929	5R01HD042141-05	2,587
Harvard Medical School	93.969	D31HP070114-06	872
Subtotal - Other Department of Health and Human Services			<u>1,261,088</u>
US Army Research Medical Command			
Brentwood Biomedical Research Institute	12.420		(34,652)
Dana Farber Cancer Institute	12.420	DAMD-17-02-1-0692	(30,640)
SAIC-Frederick, Inc.	12.420	25XS102A	(21,804)
Beth Israel Deaconess Medical Center	12.420	P6555	6,229
Ultra Diagnostics, Inc.	12.420	W81XWH-08-1-0152	38,986
Emory University	12.420	DAMD17-03-2-0033	43,323
Energid	12.420	W81XWH-05-C0159	137,398
University of Michigan	12.420	DAMD17-03-2-0054	(247,556)
University of Michigan	12.420	W81XWH-0602-0044	720,111
Massachusetts General Hospital	12.420	203149	(584)
Massachusetts General Hospital	12.420	DAMD17-02-2-0006	67,491
Massachusetts General Hospital	12.420	W81XWH-07-2-0011	635,807
Subtotal - US Army Research Medical Command			<u>1,314,109</u>
Department of Energy			
Office of Science Financial Assistance Program			
Harvard Medical School	81.049	DE-FG02-02ER63445	9,273
Subtotal - Office of Science Financial Assistance Program			<u>9,273</u>
National Aeronautics and Space Administration			
National Space Biomedical Research Institute	43.001	CA00202	(4,851)
National Space Biomedical Research Institute	43.001	CA00206	(11,811)
National Space Biomedical Research Institute	43.001	CA00402	(76,952)
National Space Biomedical Research Institute	43.001	HPF00403	22,111
National Space Biomedical Research Institute	43.001	NCC9-58-8/CA00406	(72,423)
Subtotal - National Aeronautics and Space Administration			<u>(143,926)</u>
National Science Foundation			
Johns Hopkins University	47.070	8207-94564	(2,384)
University of California, Berkeley	47.076	SA4892-10801	(248)
Subtotal - National Science Foundation			<u>(2,632)</u>
Total - Research and Development Pass-Through Programs			<u>38,982,559</u>
Total Research and Development			<u>275,730,612</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The Brigham and Women's Hospital, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>RESEARCH TRAINING</b>			
<b>Research Training Direct Programs</b>			
Department of Health and Human Services			
National Institutes of Health			
Biological Response to Environmental Health Hazards	93.113		\$ 233,037
Human Genome Research	93.172		174,675
Research Related to Deafness and Communication Disorders	93.173		16,139
National Center on Sleep Disorders Research	93.233		633,032
Mental Health Research Grants	93.242		9,315
Alcohol Research Career Development Awards for Scientists and Clinicians	93.271		123,151
Drug Abuse and Addiction Research Programs	93.279		144,504
Mental Health Research Career/Scientist Development Awards	93.281		279,928
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		323,085
Biomedical Research Technology	93.371		540,512
National Center for Research Resources	93.389		383,533
Cancer Research Manpower	93.398		1,402,406
Refugee and Entrant Assistance - Discretionary Grants	93.461		52
Heart and Vascular Diseases Research	93.837		3,526,926
Lung Diseases Research	93.838		1,208,112
Blood Diseases and Resources Research	93.839		429,898
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		1,498,535
Diabetes, Endocrinology and Metabolism Research	93.847		865,724
Digestive Diseases and Nutrition Research	93.848		608,350
Kidney Diseases, Urology and Hematology Research	93.849		1,983,762
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		1,237,056
Allergy, Immunology and Transplantation Research	93.855		2,165,022
Microbiology and Infectious Diseases Research	93.856		592
Biomedical Research and Research Training	93.859		657,855
Population Research	93.864		112,079
Child Health and Human Development Extramural Programs	93.865		630,098
Aging Research	93.866		962,442
International Research and Research Training	93.989		398,215
Subtotal - National Institutes of Health			<u>20,548,035</u>
Other Department of Health and Human Services			
Agency for Health Care Policy and Research			
Research Health Care Costs, Quality and Outcomes	93.226		118,521
Subtotal - Other Department of Health and Human Services			<u>118,521</u>
Department of Defense			
Military Medical Research and Development			
	12.420		144,310
Subtotal - Department of Defense			<u>144,310</u>
Total Research Training Direct Programs			
			<u>20,810,866</u>
<b>Research Training Passed Through from Other Organizations</b>			
Department of Health and Human Services			
National Institutes of Health			
Boston Medical Center	93.113	5K23ES013173-04	15,913
Massachusetts Institute of Technology	93.172	5 T32 HG002295	45,163
Health Resources and Services Administra	93.186	T32HP10251-01-00	31,928
Harvard Medical School	93.389	5K30RR022292-09	115,212
Harvard Medical School	93.398	5T32CA09031-31	29,967
Harvard School of Public Health	93.398	5T32CA009001-32	24,750
Northwestern University	93.398	1K07CA109361-02	16,410
Harvard Medical School	93.837	5K30HL004095-06	(29,768)
Harvard Medical School	93.837	5T32HL007623-22	38,982
Children's Hospital of Boston	93.838	5K23HL074202-04	(2,101)
Harvard School of Public Health	93.838	5T32HL07118-32	13,415
Harvard Medical School	93.846	5T32AR007098-30	(8,730)

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**The Brigham and Women's Hospital, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2008**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>Research Training Passed Through from Other Organizations (cont.)</b>			
Boston Medical Center	93.848	5K08DK070706-04	\$ 17,196
Children's Hospital of Boston	93.848	5K08DK064256-05	14,334
Harvard School of Public Health	93.855	5K23AI054518-05	198,333
Massachusetts General Hospital	93.859	2T32GM007592	59,687
Boston University	93.864	5K12HD000849	12,588
University of California, San Francisco	93.864	K12HD000849	(14,096)
Children's Hospital of Boston	93.865	5T32HD007466-11A1	75,787
University of Pennsylvania	93.865	5T32HD040135-05	107,846
Beth Israel Deaconess Medical Center	93.866	5T32AG023480-03	(982)
Harvard Medical School	93.866	T32AG00222	82,973
Massachusetts Institute of Technology	93.879	T15LM007092	70,326
Beth Israel Deaconess Medical Center	93	2T32CA081156-06A1	3,854
Harvard Medical School	93	5T32AI007061-31	6,966
Harvard School of Public Health	93	2T32AI007433-16	51,556
Harvard School of Public Health	93	5T32CA009078-33	13,061
Subtotal - National Institutes of Health			<u>990,570</u>
Total Research Training Pass-Through Programs			<u>990,570</u>
Total Research Training			<u>21,801,436</u>
Total Research and Development and Research Training Cluster			<u>297,532,048</u>
<b>OTHER PROGRAMS</b>			
<b>Passed Through from the Commonwealth of Massachusetts</b>			
Department of Agriculture			
Food and Nutrition Service			
Special Supplemental Food Program for Women, Infants and Children Grant	10.557	INTF3502M03700915066	324,751
Subtotal - Department of Agriculture			<u>324,751</u>
Department of Health and Human Services			
Health Resources and Services Administration			
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	SCDPH371252202200000	70,768
Maternal and Child Health Services Block Grant to the States	93.994	SCDPH331058020070000	59,029
Subtotal - Other Department of Health and Human Services			<u>129,797</u>
Total Other Programs			<u>454,548</u>
Total Federal Expenditures			<u>\$ 297,986,596</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.



**The Brigham and Women's Hospital, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**September 30, 2008**

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**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of The Brigham and Women's Hospital, Inc. (the "Hospital") and is presented 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 this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Negative amounts represent adjustments to amounts reported as expenditures in prior years. Pass-through numbers are provided where available.

**2. Facilities and Administrative Costs**

The predetermined facilities and administrative cost rates were based on financial information submitted utilizing the method prescribed in OASC-3. The Hospital negotiated and was awarded a predetermined facilities and administrative cost rate for the period October 1, 2005 through September 30, 2008 of 75% for on-site research and 26% for off-site research. Fringe benefit rates are fixed and range between 25.0% and 35.0% for the period October 1, 2007 through September 30, 2008.

**3. Subrecipients**

During fiscal 2008, the Hospital provided to subrecipients in the Research and Development and Research Training Cluster \$38,543,425 as follows. These amounts are included in the accompanying Schedule of Expenditures of Federal Awards:

Acoustic Medsystems, Inc.	\$ 216,792
Albert Einstein College of Medicine	136,256
American College of Radiology Associates	2,943
American Medical Informatics Association	44,242
Baylor College of Medicine, Inc.	364,731
Beth Israel Deaconess Medical Center	2,472,813
Boston College	24,833
Boston University	945,315
Brown University	112,971
Buck Institute	41,573
C B R Institute for Biomedical Research, Inc.	546,176
Carnegie Mellon University	4,107
Case Western Reserve University	434,726
Centre Additional Mental Health Division	25,480
Children's Hospital Boston	2,084,115
Cleveland Clinic	84,237
Colorado State University	187,824
Columbia University	23,401
Connecticut Children's Medical Center	283,904
Dana-Farber Cancer Institute, Inc.	2,266,194
Dartmouth College	175,327
East Tennessee State University	63,828
Emory University	3,445
Fallon Clinic, Inc.	238,418
Forsyth Institute	2,989

**The Brigham and Women's Hospital, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**September 30, 2008**

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Fred Hutchinson Cancer Research Center	\$ 39,321
Foundation Para El Desarrollo, Hospital Nacional De Ninos	296,865
GE Global Research	469,596
Georgia Tech Research Corporation	211,219
Harvard Pilgrim Health Care, Inc.	300,669
Harvard University	4,662,549
Harvard Vanguard Medical Associates, Inc.	498,118
Health Research, Inc.	60,642
Hebrew University Jerusalem	91,843
Henry M. Jackson Foundation	148,523
Hospital for Sick Children	8,107
Human Research Protection Office	(2,400)
Instituto Nacional de Salu BBVA Bancomer	378,191
Isomics, Inc.	417,543
Jackson Laboratory	514,919
Johannes Gutenberg University Mainz	37,409
Johns Hopkins University	893,842
Joslin Diabetes Center, Inc.	1,034,080
Karolinska Institute	81,771
Kitware, Inc.	503,934
Magee Women's Hospital	290,997
Massachusetts Eye and Ear Infirmary	62,830
Massachusetts General Hospital	6,051,336
Massachusetts Institute of Technology	1,073,719
Max Planck Institute of Molecular Cell Biology Genetics	35,099
Mayo Clinic	1,161
McLean Hospital, Inc.	29,711
Medical College of Georgia Research Institute	72,940
Medical University of South Carolina	12,268
Methodist Hospital Research Institute	102,565
Mind Institute	198,493
Miriam Hospital	11,236
National Jewish Medical Research Center	32,503
National Tuberculosis and Lung Disease Research Institute	38,214
Netherlands Cancer Institute	50,515
Newton Wellesley Hospital	45,336
Northeastern University	39,795
Novartis Vaccines & Diagnostics	397,533
Ohio State University Research Foundation	64,941
Orebro University Hospital	26,669
Oregon Health and Science University	13,523
Ottawa Health Research Institute	174,671
Partners in Health in Russia	146,429
Queen Mary University of London	(59,771)
Queen's University	139,445
Rensselaer Polytechnic Institute	46,305
Research Foundation of State University of New York	307,244
Stanford University	99,136
Strang Cancer Prevention Center	106,516
Thomas Jefferson University	89,731
Tufts University	740,008

**The Brigham and Women's Hospital, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**September 30, 2008**

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University of California	\$ 1,343,020
University of Chicago	71,314
University of Colorado Health Sciences	286,636
University of Connecticut Health Center	143,925
University of Delaware	14,270
University of Kansas	112,007
University of Maryland at Baltimore	444,094
University of Massachusetts	225,750
University of Michigan	278,241
University of Minnesota	198,249
University of Mississippi Medical Center	3,612
University of North Carolina Chapel Hill	202,817
University of Pennsylvania	616,323
University of Pittsburgh	516,040
University of Rochester	525,621
University of Southern California	163,626
University of Utah	494,080
University of Victoria	15,000
University of Virginia	71,775
University of Wisconsin-Madison	31,939
University of Texas Southwestern Medical Center	87,718
Wakeforest University School of Medicine	328,579
Washington University	150,590
Weill Medical College of Cornell University	38,777
Whitehead Institute	101,775
Wyle Laboratories	24,267
Yale University	178,901
Grand Total	<u>\$ 38,543,425</u>

## **Part II**

### **Reports on Compliance and Internal Controls**

**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***

To the Board of Trustees of  
The Brigham and Women's Hospital, Inc.

We have audited the financial statements of The Brigham and Women's Hospital, Inc. as of and for the year ended September 30, 2008, and have issued our report thereon dated December 19, 2008. 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 Brigham and Women's Hospital, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Brigham and Women's Hospital, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Brigham and Women's Hospital, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Brigham and Women's Hospital, Inc.'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*.

We noted certain matters that we reported to management of The Brigham and Women's Hospital, Inc. in a separate letter dated December 17, 2008.

This report is intended solely for the information and use of The Brigham and Women's Hospital, Inc.'s Board of Trustees, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

December 19, 2008

**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**

To the Board of Trustees of  
The Brigham and Women's Hospital, Inc.

**Compliance**

We have audited the compliance of The Brigham and Women's Hospital, Inc. 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 September 30, 2008. The Brigham and Women's Hospital, Inc.'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 Brigham and Women's Hospital, Inc.'s management. Our responsibility is to express an opinion on The Brigham and Women's Hospital, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Brigham and Women's Hospital, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Brigham and Women's Hospital, Inc.'s compliance with those requirements.

In our opinion, The Brigham and Women's Hospital, Inc. 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 September 30, 2008.

### **Internal Control over Compliance**

The management of The Brigham and Women's Hospital, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Brigham and Women's Hospital, Inc.'s internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of The Brigham and Women's Hospital, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of The Brigham and Women's Hospital, Inc.'s Board of Trustees, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, cursive script.

December 19, 2008



**Part III**  
**Findings**

**The Brigham and Women's Hospital, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2008**

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**I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unqualified

Internal control over financial reporting

Material weakness(es) identified? \_\_\_ yes  X  no

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_ yes  X  no

**Federal Awards**

Internal control over major programs

Material weakness(es) identified? \_\_\_ yes  X  no

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_ yes  X  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 OMB Circular A-133? \_\_\_ yes  X  no

**Identification of Major Programs**

**Name of Federal Program or Cluster**

Various CFDA numbers Research and Development and Research Training Cluster

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

Auditee qualified as low-risk auditee?  X  yes \_\_\_ no

**II. Financial Statement Findings**

There were no findings noted in the current year.

**III. Federal Award Findings and Questioned Costs**

There were no findings or questioned costs noted in the current year.

**The Brigham and Women's Hospital, Inc.**  
**Summary Schedule of the Status of Prior Audit findings**  
**Year Ended September 30, 2008**

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There were no findings from prior years to update.