

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

**Report on Federal Awards in  
Accordance with OMB Circular A-133  
September 30, 2005  
EIN: 042312909**

**The Brigham and Women's Hospital Inc.**  
**Report on Federal Awards in Accordance with OMB Circular A-133**  
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**September 30, 2005**

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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. (the "Hospital") at September 30, 2005 and 2004, and the results of its operations, changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Hospital'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. 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 January 30, 2006 on our consideration of the Hospital'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, 2005. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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.

*PricewaterhouseCoopers LLP*

January 30, 2006

**The Brigham and Women's Hospital, Inc.**  
**Balance Sheets**  
**September 30, 2005 and 2004**

<i>(in thousands)</i>	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Current assets		
Cash and equivalents	\$ 24,454	\$ 25,379
Investments	20,107	25,551
Current portion of investments limited as to use	108,890	130,634
Patient accounts receivable, net of allowance for bad debts: 2005 - \$10,533; 2004 - \$12,547	133,794	135,611
Current portion of notes receivable from affiliate	332	643
Other current assets	126,799	104,299
Receivable for settlements with third-party payers	-	4,244
Total current assets	<u>414,376</u>	<u>426,361</u>
Investments limited as to use, less current portion	327,713	254,669
Long-term investments	118,217	97,227
Pledges receivable, net and contributions receivable from trusts, less current portion	41,536	30,961
Property and equipment, net	603,948	533,896
Long-term portion of notes receivable from affiliate	513	845
Other assets	5,555	5,363
Total assets	<u>\$ 1,511,858</u>	<u>\$ 1,349,322</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term obligations	\$ 28,593	\$ 27,911
Accounts payable and accrued expenses	63,356	61,834
Accrued compensation and benefits	73,537	76,487
Current portion of accrual for settlements with third-party payers	22,450	25,913
Unexpended funds on research grants	49,689	42,639
Due to affiliates	24,215	21,903
Total current liabilities	<u>261,840</u>	<u>256,687</u>
Other liabilities		
Accrual for settlements with third-party payers	49,504	65,686
Accrued professional liability	12,612	11,585
Accrued employee benefits	12,024	22,695
	<u>74,140</u>	<u>99,966</u>
Long-term obligations, less current portion	<u>388,475</u>	<u>348,954</u>
Total liabilities	<u>724,455</u>	<u>705,607</u>
Commitments and contingencies		
Net assets		
Unrestricted	608,032	493,256
Temporarily restricted	148,625	124,377
Permanently restricted	30,746	26,082
Total net assets	<u>787,403</u>	<u>643,715</u>
Total liabilities and net assets	<u>\$ 1,511,858</u>	<u>\$ 1,349,322</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, 2005 and 2004**

<i>(in thousands)</i>	<b>2005</b>	<b>2004</b>
<b>Operating revenue</b>		
Net patient service revenue	\$ 1,081,456	\$ 968,617
Direct academic and research revenue	294,130	274,545
Indirect academic and research revenue	90,976	94,434
Other revenue	36,178	31,068
Total operating revenue	<u>1,502,740</u>	<u>1,368,664</u>
<b>Operating expenses</b>		
Employee compensation and benefits	554,932	510,096
Supplies and other expenses	474,904	442,622
Direct academic and research expenses	294,130	274,545
Depreciation and amortization	75,288	75,866
Provision for bad debts	17,031	16,678
Interest	17,112	14,985
Total operating expenses	<u>1,433,397</u>	<u>1,334,792</u>
Income from operations	<u>69,343</u>	<u>33,872</u>
<b>Nonoperating gains (expenses)</b>		
Income from investments	20,795	12,676
Change in net unrealized gains on equity method investments	18,716	-
Gifts and other	(5,154)	(1,869)
Academic and research gifts, net of expenses	16,554	23,177
System development funding	(26,686)	(25,148)
Total nonoperating gains, net	<u>24,225</u>	<u>8,836</u>
Excess of revenues over expenses	<u>93,568</u>	<u>42,708</u>
<b>Other changes in net assets</b>		
Change in net unrealized gains on marketable investments	53	17,647
Funds utilized for property and equipment	(1,242)	4,939
Transfers from affiliates, net	5,186	3,028
Other	17,211	-
Increase in unrestricted net assets	<u>\$ 114,776</u>	<u>\$ 68,322</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, 2005 and 2004**

<i>(in thousands)</i>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Net assets at October 1, 2003</b>	<u>\$ 424,934</u>	<u>\$ 111,585</u>	<u>\$ 25,394</u>	<u>\$ 561,913</u>
Increases (decreases)				
Income from operations	33,872	-	-	33,872
Income from investments	12,676	2,276	-	14,952
Gifts and other	(1,869)	2,906	688	1,725
Academic and research gifts, net of expenses	23,177	-	-	23,177
System development funding	(25,148)	-	-	(25,148)
Change in net unrealized gains on marketable investments	17,647	7,610	-	25,257
Funds utilized for property and equipment	4,939	-	-	4,939
Transfers from affiliates, net	3,028	-	-	3,028
Change in net assets	<u>68,322</u>	<u>12,792</u>	<u>688</u>	<u>81,802</u>
<b>Net assets at September 30, 2004</b>	<u>493,256</u>	<u>124,377</u>	<u>26,082</u>	<u>643,715</u>
Increases (decreases)				
Income from operations	69,343	-	-	69,343
Income from investments	20,795	4,946	-	25,741
Gifts and other	(5,154)	10,074	4,664	9,584
Academic and research gifts, net of expenses	16,554	-	-	16,554
System development funding	(26,686)	-	-	(26,686)
Change in net unrealized gains on investments				
Equity method investments	18,716	9,228	-	27,944
Marketable investments	53	-	-	53
Funds utilized for property and equipment	(1,242)	-	-	(1,242)
Transfers from affiliates, net	5,186	-	-	5,186
Other	17,211	-	-	17,211
Change in net assets	<u>114,776</u>	<u>24,248</u>	<u>4,664</u>	<u>143,688</u>
<b>Net assets at September 30, 2005</b>	<u>\$ 608,032</u>	<u>\$ 148,625</u>	<u>\$ 30,746</u>	<u>\$ 787,403</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, 2005 and 2004**

<i>(in thousands)</i>	2005	2004
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 143,688	\$ 81,802
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	75,288	75,866
Provision for bad debts	17,031	16,678
Net realized and change in unrealized (gains) losses on investments	(71,400)	(52,837)
Transfers from affiliates, net	(5,186)	(3,028)
Restricted contributions	(8,778)	(5,627)
Increase (decrease) in cash resulting from a change in		
Patient accounts receivable	(15,214)	(16,300)
Other current assets	(20,670)	(21,004)
Pledges receivable and contributions receivable from trusts	(12,405)	(4,596)
Accounts payable and accrued expenses	1,522	(9,825)
Accrued compensation and benefits	(2,950)	5,405
Settlements with third-party payers	(15,401)	(3,994)
Unexpended funds on research grants	7,050	9,499
Accrued employee benefits and other	(9,644)	1,230
Due to affiliates	2,312	(2,555)
Net cash provided by operating activities	<u>85,243</u>	<u>70,714</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(147,958)	(97,926)
Purchase of investments	(131,573)	(116,756)
Proceeds from sales of investments	136,127	132,889
Decrease in notes receivable from affiliate	643	651
Decrease (increase) in other assets	(192)	137
Net cash used for investing activities	<u>(142,953)</u>	<u>(81,005)</u>
<b>Cash flows from financing activities</b>		
Payments on long-term obligations	(22,238)	(25,062)
Proceeds from issuance of long-term debt	65,059	38,212
Transfers from affiliates, net	5,186	3,028
Restricted contributions	8,778	5,627
Net cash provided by financing activities	<u>56,785</u>	<u>21,805</u>
Net (decrease) increase in cash and equivalents	(925)	11,514
Cash and equivalents at beginning of year	25,379	13,865
Cash and equivalents at end of year	<u>\$ 24,454</u>	<u>\$ 25,379</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, 2005 and 2004**

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*(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. The Brigham and Women's/Faulkner Hospitals, Inc. (BW/F) is the sole member of BWH, Faulkner Hospital, Inc. (FH), Brigham Community Practices, Inc. (BCP), Brigham and Women's Physicians Organization, Inc. (BWPO), Biosciences Research Foundation, Inc. (BRF) and other affiliates.

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

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 Plan 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 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' hospitals. BWH has invested in these health centers' infrastructure, programming and operation and also helped with relocation, renovation, and other capital requirements.

**The Brigham and Women's Hospital, Inc.**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

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*(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**

Free care services are partially reimbursed to acute hospitals through the statewide Uncompensated Care Pool (UC Pool). A portion of the funding for the UC Pool 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 2005 and \$157,500 in 2004) 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 under a prospective, two-tiered reimbursement system whereby certain hospitals, most of whom have a high proportion of free care and government funding, are guaranteed 85% to 88% of their projected free care costs. All other hospitals, including BWH, received a pro rata share of the remaining funding, equal to 64% of their fiscal year 2005 projected free care costs. The estimated cost of free care exceeded the amount projected by the state for BWH, resulting in an actual reimbursement percentage, excluding the assessment payment to the Pool, of 56%.

In addition, payments received from the Medicaid program, reflected in net patient service revenue, do not cover the estimated cost of care provided.

	<b>Years Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Free Care and Medicaid</b>		
Cost of services provided	\$ 129,711	\$ 118,205
Net assessment payment to UC Pool	14,093	13,836
Net reimbursement from UC Pool and Medicaid	<u>(92,671)</u>	<u>(80,346)</u>
Net cost of Free Care and losses on Medicaid	<u>\$ 51,133</u>	<u>\$ 51,695</u>

**Bad Debts**

In addition to free care and inadequate funding from Medicaid, 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 represents revenues for services provided that are deemed to be uncollectible. The estimated cost of these bad debts was approximately \$6,024 and \$6,793 for 2005 and 2004, respectively.

**The Brigham and Women's Hospital, Inc.**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

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*(in thousands)*

**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 PHS consolidated financial statements.

**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, investments, accruals for settlements with third-party payers, accrued professional liability and accrued compensation and benefits.

**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 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**

In 2005, BWH modified its policy regarding pooled investments. These investments represent units in a partnership (Note 3) and are recorded on the equity method of accounting at fair value, with the change in net unrealized gains and losses included in excess of revenues over expenses. Separately invested investments (marketable investments) are measured at fair value generally based on quoted market prices with the change in net unrealized gains and losses excluded from excess of revenues over expenses. If BWH had adjusted its previously issued financial statements for the year ended September 30, 2004, the impact of this policy modification was to increase excess of revenues over expenses by \$19,171.

Investment income or loss (including realized gains and losses on 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. Investment income or loss is reported net of investment related expenses.

A write down in the cost basis of securities is recorded when the decline in fair value of certain investments 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, with no adjustment in the cost basis for subsequent recoveries in fair value.

**The Brigham and Women's Hospital, Inc.**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

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*(in thousands)*

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

**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.

**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.

**Derivative Instruments**

Derivatives are recognized as either assets or liabilities in the balance sheet at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivatives are either recognized in excess of revenues over expenses or net assets, depending on certain factors, including whether the derivative is speculative or being used to hedge changes in fair value or cash flows.

**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 market 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.

**Other Assets**

Other assets consist of long-term receivables and investments in healthcare related limited partnerships. 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 \$34,098 and \$30,554 were recorded as of September 30, 2005 and 2004, respectively.

**The Brigham and Women's Hospital, Inc.**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

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*(in thousands)*

**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).

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 and unrealized net gains on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by BWH in accordance with policies established by Partners 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 market value exceeds book value. Unrestricted net assets include all the remaining net assets of BWH. See Note 12 for further information on the composition of restricted net assets.

**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.

Grants and contracts are recognized as unrestricted revenues as the related expenditures are incurred. BWH recognizes indirect cost recoveries at predetermined rates for U.S. Government grants and contracts and negotiated rates for other grants and contracts.

**The Brigham and Women's Hospital, Inc.**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

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*(in thousands)*

**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 deemed to be nonoperating include unrestricted gifts (net of fund-raising expenses), net change in unexpended academic and research gifts, change in net unrealized gains and losses on equity method investments, investment income (including realized gains and losses), and system development funding. System development funding represents payments to PHS for corporate expenses and to support clinical and other initiatives provided by PHS for the benefit of the System. Academic and research gifts largely consist of donor contributions to the entity (and the related investment income including realized gains and losses) designated to support the clinical, teaching or research efforts of a physician or department as directed by the donor.

BWH recognizes changes in accounting estimates for net patient service revenue and third-party settlements as new events occur, as more experience is acquired or as additional information is obtained. Changes in third-party settlement estimates are generally amortized into income over a period not to exceed five years. During 2005 and 2004, adjustments to prior year estimates resulted in an increase to income from operations of \$18,041 and \$16,046, 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 changes in unrealized gains and losses on marketable investments, transfers of assets to and from affiliates, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for acquisition of such assets). In 2005, BWH altered its practice of accruing for a certain nonvested employee benefit. This benefit will now be recognized on a pay-as-you-go basis. Accordingly, the liability previously recorded has been eliminated. This adjustment has been reported as an increase to unrestricted net assets.

**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 allowable costs, subject to certain limitations, 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.

**The Brigham and Women's Hospital, Inc.**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

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*(in thousands)*

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 uncompensated care pool 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.

**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 2004 financial statements have been reclassified to conform with the 2005 presentation. BWH no longer reports certain investment income as a component of other revenue. All unrestricted investment income (including realized gains and losses), except for trust-related income and certain endowment distributions, is reported as nonoperating revenue.

**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 market value method whereby each partner is assigned a number of units based on the market value of the assets of a pool at the time of entry of the funds into the pool. Current market 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 Brigham and Women's Hospital, Inc.**  
**Notes to Financial Statements**  
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The composition of investments and investments limited as to use is as follows:

		<b>September 30, 2005</b>		
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Pooled investments				
Invested cash equivalents	\$ 37,212	\$ -	\$ -	\$ 37,212
Equities	168,389	48,913	(2,367)	214,935
U.S. Government, domestic and foreign fixed income securities	96,339	2,052	(1,174)	97,217
Private partnerships and other	175,554	46,377	(191)	221,740
Accrued interest and dividends	734	-	-	734
	<u>478,228</u>	<u>97,342</u>	<u>(3,732)</u>	<u>571,838</u>
Separately invested				
Equities	1,019	513	(24)	1,508
U.S. Government and domestic fixed income securities	1,581	-	-	1,581
	<u>2,600</u>	<u>513</u>	<u>(24)</u>	<u>3,089</u>
	<u>\$ 480,828</u>	<u>\$ 97,855</u>	<u>\$ (3,756)</u>	<u>\$ 574,927</u>
		<b>September 30, 2004</b>		
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
Pooled investments				
Invested cash equivalents	\$ 32,240	\$ -	\$ -	\$ 32,240
Equities	151,070	36,237	(1,974)	185,333
U.S. Government, domestic and foreign fixed income securities	113,550	4,224	(403)	117,371
Private partnerships and other	142,886	27,887	(348)	170,425
Accrued interest and dividends	1,041	-	-	1,041
	<u>440,787</u>	<u>68,348</u>	<u>(2,725)</u>	<u>506,410</u>
Separately invested				
Equities	84	450	(16)	518
U.S. Government and domestic fixed income securities	1,153	-	-	1,153
	<u>1,237</u>	<u>450</u>	<u>(16)</u>	<u>1,671</u>
	<u>\$ 442,024</u>	<u>\$ 68,798</u>	<u>\$ (2,741)</u>	<u>\$ 508,081</u>



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The fair value and gross unrealized losses of investments and investments limited as to use, with a fair value less than cost, that are not deemed to be other-than-temporarily impaired at September 30, 2005 are as follows:

	Less than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Pooled investments				
Equities	\$ 24,009	\$ (2,004)	\$ 14,489	\$ (363)
Fixed income	43,510	(746)	19,338	(428)
Private partnerships and other	1,578	(41)	1,671	(150)
	<u>69,097</u>	<u>(2,791)</u>	<u>35,498</u>	<u>(941)</u>
Separately invested				
Equities	892	(7)	-	(17)
	<u>\$ 69,989</u>	<u>\$ (2,798)</u>	<u>\$ 35,498</u>	<u>\$ (958)</u>

Securities with unrealized losses 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. For specific securities, these factors include evidence of continuing debt service payments and prospects for principal repayment (fixed income), the age of investment relative to historical valuation patterns (private equity), and historical market volatility, prospects and price trends of individual securities relative to industry peers (equity). Based on management's evaluation of investments with a fair value less than cost at September 30, 2005, no other-than-temporary impairment was determined to have occurred.

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

	September 30,	
	2005	2004
Current assets		
Investments	\$ 20,107	\$ 25,551
Current portion of investments limited as to use	<u>108,890</u>	<u>130,634</u>
	128,997	156,185
Investments limited as to use, less current portion	327,713	254,669
Long-term investments	<u>118,217</u>	<u>97,227</u>
	<u>\$ 574,927</u>	<u>\$ 508,081</u>

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Investments limited as to use consist of the following at fair value:

	<b>September 30, 2005</b>		<b>September 30, 2004</b>	
	<b>Current Portion</b>	<b>Long-Term Portion</b>	<b>Current Portion</b>	<b>Long-Term Portion</b>
Internally designated funds				
Reserved for capital expenditures	\$ 53,747	\$ -	\$ 59,555	\$ -
Unexpended academic and research gifts	-	278,710	-	240,023
Other	21	32,999	19,765	959
	<u>53,768</u>	<u>311,709</u>	<u>79,320</u>	<u>240,982</u>
Externally limited funds				
Unexpended funds on research	49,689	-	42,639	-
Contributions held for others	5,423	-	8,667	-
Professional liability trust fund	-	15,084	-	12,838
Held by trustees under debt and other agreements	10	920	8	849
	<u>55,122</u>	<u>16,004</u>	<u>51,314</u>	<u>13,687</u>
	<u>\$ 108,890</u>	<u>\$ 327,713</u>	<u>\$ 130,634</u>	<u>\$ 254,669</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>2005</b>	<b>2004</b>
Unrestricted		
Dividends and interest income	\$ 7,441	\$ 7,902
Endowment income distributions, net of reinvested gains	916	933
Net realized gains (losses) on investments		
Trading gains	36,617	22,566
Other than temporary impairment	(750)	(195)
Change in net unrealized gains on equity method investments, net of recoveries on endowment funds	18,716	-
Total investment activity included in excess of revenues over expenses	62,940	31,206
Change in net unrealized gains on marketable investments	53	17,647
Total unrestricted investment activity	62,993	48,853
Temporarily restricted		
Dividends and interest income	1,340	827
Endowment income distributions	(3,930)	(3,760)
Net realized gains (losses) on investments		
Trading gains	7,812	5,276
Other than temporary impairment	(276)	(67)
	4,946	2,276
Change in net unrealized gains on investments		
Equity method investments	9,245	-
Marketable investments	-	7,667
Recoveries on endowment funds	(17)	(57)
	9,228	7,610
Total temporarily restricted investment activity	14,174	9,886
	\$ 77,167	\$ 58,739

Investment income included in operations for the years ended September 30, 2005 and 2004 was \$6,777 and \$4,196, respectively. Investment income included in academic and research gifts, net of expenses for the years ended September 30, 2005 and 2004 was \$16,652 and \$14,334, respectively.

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**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 \$28,063 and \$26,233 as of September 30, 2005 and 2004, 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 4.2% and 2.8% for 2005 and 2004, respectively. Pledges are expected to be collected as follows:

	September 30,	
	2005	2004
Amounts due		
Within one year	\$ 30,554	\$ 27,217
In one to five years	40,505	32,772
In more than five years	7,650	300
Total pledges receivable	<u>78,709</u>	<u>60,289</u>
Less: Unamortized discount	<u>6,491</u>	<u>2,731</u>
	72,218	57,558
Less: Allowance for uncollectibles	<u>3,858</u>	<u>1,828</u>
Net pledges receivables	68,360	55,730
Contributions receivable from trusts	<u>1,239</u>	<u>1,464</u>
	<u>\$ 69,599</u>	<u>\$ 57,194</u>

**5. Property and Equipment**

Property and equipment consists of the following:

	September 30,	
	2005	2004
Land and land improvements	\$ 19,869	\$ 7,528
Buildings and building improvements	756,373	714,474
Equipment	249,138	249,092
Construction in progress	40,744	28,978
	<u>1,066,124</u>	<u>1,000,072</u>
Accumulated depreciation	<u>(462,176)</u>	<u>(466,176)</u>
Property and equipment, net	<u>\$ 603,948</u>	<u>\$ 533,896</u>

Depreciation expense for the years ended September 30, 2005 and 2004 was \$75,288 and \$75,866, respectively. Interest costs, net of interest earned, aggregating \$1,035 and \$769 were capitalized in 2005 and 2004, respectively.

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In 2005, BWH terminated a capital lease by purchasing the building that was under lease. The carrying amount of the purchased building was reduced by \$2,618, which represented the remaining amount payable under the capital lease.

For the years ended September 30, 2005 and 2004, fully depreciated assets and assets purchased with federal research funds with an original cost of \$86,362 and \$338,811, respectively, were written off.

**6. Long-Term Obligations**

Long-term obligations consist of the following:

	September 30, 2005	2004
Notes payable to Partners HealthCare System, Inc.		
Partners Capital Framework Loan, variable interest rate of 4.50% and 4.36% at September 30, 2005 and 2004, respectively, final maturity in 2035	\$ 405,714	\$ 357,128
Massachusetts Health and Educational Facilities Authority (Authority) revenue bonds		
Partners HealthCare System issue		
Series P, variable interest rate of 2.75% and 1.69% at September 30, 2005 and 2004, respectively, final maturity in 2007	3,694	5,386
Capital lease obligations	7,660	14,351
	417,068	376,865
Less current portion	28,593	27,911
	<u>\$ 388,475</u>	<u>\$ 348,954</u>

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

The Authority issued \$150,000 Revenue Bonds, Capital Asset Program, Series P to PHS, from which a \$100,000 loan commitment was made to PHS and \$25,000 loan commitments were made to both BWH and The General Hospital Corporation (the General). Under the Capital Asset Program, qualified PHS affiliates may borrow funds to finance eligible projects. Loan repayments are expected to be recycled throughout Partners until final bond maturity in 2027. The Series P loan to BWH is an unsecured obligation of BWH.

The Authority's Series A, B, C, D, E and F bonds issued on behalf of Partners and Series P loan are unsecured general obligations of PHS, supported by guarantees from BWH, MGH, and the General which may be suspended under certain conditions. PHS guarantees payment of NWH and NSMC Authority bonds. BWH, MGH and the General have also provided suspendable guarantees of the performance by PHS on the NWH and NSMC guarantees.

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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: 2006 - \$28,593; 2007 - \$27,681; 2008 - \$18,266, 2009 - \$18,334 and 2010 - \$18,976.

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, 2005 and 2004.

**7. Commitments**

**Leases**

BWH has capital and noncancelable operating leases for certain buildings and equipment. Rental expense under operating leases approximated \$67,851 in 2005 and \$60,047 in 2004, including expenses under leases with BW/F of \$768 in 2005 and 2004. Minimum future lease commitments under noncancelable leases, including a total commitment of \$9,984 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>
2006	\$ 2,825	\$ 47,566
2007	2,154	43,697
2008	1,316	40,864
2009	1,316	40,046
2010	878	39,970
Thereafter	-	284,400
Total lease payments	8,489	<u>\$ 496,543</u>
Less amount representing interest	829	
Capital lease obligations at September 30, 2005	<u>\$ 7,660</u>	

**Construction Projects**

BWH is constructing a building which will house its center for cardiovascular care, consisting of inpatient beds, operating rooms, outpatient procedure and clinic areas, and ancillary support departments. Construction began in fiscal year 2005 and \$14,341 has been recorded in construction in progress and approximately \$18,600 in construction contracts are outstanding as of September 30, 2005 related to this project. The total project cost is expected to be approximately \$352,000.

In addition, BWH has entered into a letter of intent with a developer to construct a 12-story, 376,000 square foot research, clinical and office building. A master planning and permitting process is currently underway. Construction is anticipated to begin in May 2008. Occupancy is currently estimated at November 2011. The total project cost is expected to be approximately \$268,000.

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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 participant's age, years of service and salary. Interest is credited to participants' accounts annually at market rates. Pension cost under the BWH Plan totaled \$16,416 in 2005 and \$15,253 in 2004.

Effective January 2005, eligible employees of BWH and BWPO can participate in the BWH Retiree Medical Savings 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 2005 and 2004 was \$9,394 and \$8,512, respectively.

BWH uses a measurement date of June 30 for the defined benefit plan.

**Benefit Obligations**

<b>Change in Benefit Obligations</b>	<b>Defined Benefit Plan</b>		<b>Postretirement Healthcare Benefit Plan</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>
Benefit obligations at beginning of year	\$ 449,419	\$ 407,337	\$ -
Service cost	24,714	23,465	335
Interest cost	28,823	26,218	21
Assumption changes	28,959	-	9
Actuarial (gain) loss	(3,177)	6,778	(141)
Employee contributions	-	-	726
Benefits paid	(13,300)	(14,379)	-
Benefit obligations at end of year	<u>\$ 515,438</u>	<u>\$ 449,419</u>	<u>\$ 950</u>

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The accumulated benefit obligation for the defined benefit pension plan at the end of 2005 and 2004 was \$441,819 and \$390,451, respectively.

<b>Weighted-Average Assumptions Used to Determine End of Year Benefit Obligation</b>	<b>Defined Benefit Plan</b>		<b>Postretirement Healthcare Benefit Plan 2005</b>
	<b>2005</b>	<b>2004</b>	
Discount rate	5.75%	6.25%	5.75%
Rate of compensation increase	5.10%	5.10%	N/A

**Plan Assets**

<b>Change in Plan Assets</b>	<b>Defined Benefit Plan</b>		<b>Postretirement Healthcare Benefit Plan 2005</b>
	<b>2005</b>	<b>2004</b>	
Fair value of plan assets at beginning of year	\$ 451,000	\$ 381,403	\$ -
Actual return on plan assets	66,104	71,445	8
Employer contributions	16,126	12,531	-
Employee contributions	-	-	726
Benefits paid	(13,300)	(14,379)	-
Fair value of plan assets at end of year	<u>\$ 519,930</u>	<u>\$ 451,000</u>	<u>\$ 734</u>

BWH's benefit plan weighted-average target asset allocation ranges for 2006 as well as actual allocations, by asset category for 2005 and 2004, are as follows:

<b>Asset Category</b>	<b>Defined Benefit Plan</b>			<b>Postretirement Healthcare Benefit Plan</b>	
	<b>Target Allocation 2006</b>	<b>Percentage of Plan Assets</b>		<b>Target Allocation 2006</b>	<b>Percentage of Plan Assets 2005</b>
Domestic equity securities	14%-34%	23.2%	25.9%	60%-80%	63.5%
Foreign equity securities	7%-27%	22.3%	17.8%	0%-20%	4.5%
Fixed income securities	3%-23%	12.8%	20.8%	20%-40%	32.0%
Less market sensitive strategies	20%-40%	25.4%	23.2%		
Inflation protection strategies	6%-26%	16.3%	12.3%		
	<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' ability and willingness to incur market risk. Partners' 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**

The funded status of the plans, reconciled to the amounts reported on the balance sheet, follows:

End of Year	Defined Benefit Plan		Postretirement Healthcare Benefit Plan
	2005	2004	2005
Fair value of plan assets at measurement date	\$ 519,930	\$ 451,000	\$ 734
Contributions received after measurement date	4,104	3,812	2
Benefit obligations at measurement date	<u>(515,438)</u>	<u>(449,419)</u>	<u>(950)</u>
Funded status	8,596	5,393	(214)
Amounts not yet recognized			
Unrecognized net actuarial (gain) loss	(9,437)	(5,515)	(140)
Unrecognized prior service cost (credit)	1,146	1,117	-
Unrecognized net transition obligation (asset)	<u>(305)</u>	<u>(995)</u>	<u>-</u>
Accrued benefit cost recognized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (354)</u>

**The Brigham and Women's Hospital, Inc.**  
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**Expected Cash Flows**

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

	<b>Defined Benefit Plan</b>	<b>Postretirement Healthcare Benefit Plan</b>
Expected employer contributions - 2006	\$ 18,800	\$ -
Expected benefit payments		
2006	\$ 25,400	\$ -
2007	25,900	258
2008	28,800	530
2009	32,100	902
2010	33,200	1,426
2011 and thereafter	219,300	14,497

**Net Periodic Benefit Cost**

	<b>Defined Benefit Plan</b>		<b>Postretirement Healthcare Benefit Plan</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>
Service cost	\$ 24,714	\$ 23,465	\$ 335
Interest cost	28,823	26,218	21
Expected return on plan assets	(36,402)	(33,711)	-
Amortization of			
Transition obligation (asset)	(690)	(690)	-
Prior service cost (credit)	(29)	(29)	-
Net periodic benefit cost	<u>\$ 16,416</u>	<u>\$ 15,253</u>	<u>\$ 356</u>

<b>Weighted-Average Assumptions Used to Determine Net Periodic Cost and Postretirement Cost</b>	<b>Defined Benefit Plan</b>		<b>Postretirement Healthcare Benefit Plan</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>
Discount rate	6.25%	6.25%	6.25%
Expected return on plan assets	8.25%	8.25%	7.50%
Rate of compensation increase	5.10%	5.10%	N/A

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Partners 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 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 expiration of the policy, except for certain tail liabilities which CRICO has assumed on an occurrence basis through December 31, 2005. 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 and PHS follow an 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% and 6.25% at September 30, 2005 and 2004, respectively. PHS has assumed the obligation for any unasserted malpractice claims of BWH not covered by CRICO for claims incurred in 1998 and prior, while BWH has assumed the obligation for claims incurred after 1998.

Management is not aware of any claims against PHS or 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 \$140,233 and \$128,388 in 2005 and 2004, respectively. BWH also purchased certain teaching and administrative services, professional services, as well as leased space from BW/F and MGH affiliates which amounted to \$54,146 and \$49,084 in 2005 and 2004, respectively. BWH provided certain administrative and support services, as well as leased space and professional services to PHS, BW/F and MGH affiliates, which totaled \$10,449 and \$8,924 in 2005 and 2004, respectively. All services among these affiliated corporations were reimbursed on an estimated cost basis.

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During 2005 and 2004, 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>2005</b>	<b>2004</b>
Transfers from (to)		
BCP	\$ (1,000)	\$ (500)
PHS	6,186	5,160
BWPO	-	(2,000)
FH	-	(83)
SNF Co.	-	(500)
BRF	-	951
Transfers from affiliates, net	<u>\$ 5,186</u>	<u>\$ 3,028</u>

**11. Concentrations of Credit Risk**

Financial instruments that potentially subject BWH to concentrations of credit risk consist of patient accounts receivable, pledges 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. Pledges receivable are due from multiple donors. 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. BWH has not historically incurred any significant credit losses outside the normal course of business.

**12. Restricted Net Assets**

Restricted net assets are available for the following purposes:

	<b>September 30,</b>	
	<b>2005</b>	<b>2004</b>
Temporarily restricted		
Charity care	\$ 14,984	\$ 13,945
Buildings and equipment	32,841	7,182
Clinical care, research and academic	100,800	103,250
	<u>\$ 148,625</u>	<u>\$ 124,377</u>
Permanently restricted		
Pledges to be paid in the future	\$ 2,455	\$ 1,488
Investments to be held in perpetuity	28,291	24,594
	<u>\$ 30,746</u>	<u>\$ 26,082</u>

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**13. Functional Expenses**

Total operating expenses by function are as follows:

	<b>Years Ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
Healthcare services	\$ 940,294	\$ 864,193
Research and academic	385,106	368,979
General and administrative	107,997	101,620
	<u>\$ 1,433,397</u>	<u>\$ 1,334,792</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, Continued**  
**Year Ended September 30, 2005**

	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>RESEARCH AND DEVELOPMENT AND RESEARCH TRAINING</b>		
<b>Research and Development Direct Programs</b>		
<b>Department of Health and Human Services</b>		
<b>National Institutes of Health</b>		
Maternal and Child Health Federal Consolidated Programs	93.110	\$ 719,501
Biological Response to Environmental Health Hazards	93.113	2,018,323
Biometry and Risk Estimation-Health Risks from Environmental Exposures	93.115	1,313,123
Oral Diseases and Disorders Research	93.121	5,016,580
Human Genome Research	93.172	1,144,483
Research Related to Deafness and Communication Disorders	93.173	819,196
Research and Training in Complementary and Alternative Medicine	93.213	561,598
Consolidated Knowledge Development and Application Program	93.230	438,853
National Center on Sleep Disorders Research	93.233	2,675,505
Mental Health Research Grants	93.242	3,310,128
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	1,112,463
Alcohol Research Programs	93.273	233,290
Drug Abuse Research Programs	93.279	187,932
Mental Health National Research Service Awards for Research Training	93.282	(2,060)
Biomedical Imaging Research	93.286	6,933,701
General Clinical Research Centers	93.333	2,955,881
Biomedical Research Technology	93.371	(332,049)
Research Infrastructure	93.389	6,462,059
Cancer Cause and Prevention Research	93.393	16,967,660
Cancer Detection and Diagnosis Research	93.394	1,811,722
Cancer Treatment Research	93.395	2,403,163
Cancer Biology Research	93.396	3,441,167
Cancer Centers Support Grants	93.397	3,758,319
Cancer Research Manpower	93.398	(140,117)
Health Cancer Control	93.399	1,061,556
Cell Biology and Biophysics Research	93.821	(535)
Heart and Vascular Diseases Research	93.837	27,475,146
Lung Diseases Research	93.838	16,810,940
Blood Diseases and Resources Research	93.839	2,523,331
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	7,813,662
Diabetes, Endocrinology and Metabolism Research	93.847	5,207,275
Digestive Diseases and Nutrition Research	93.848	3,032,889
Kidney Diseases, Urology and Hematology Research	93.849	6,788,652
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	8,158,586
Biological Basis Research in the Neurosciences	93.854	1,009,388
Allergy, Immunology and Transplantation Research	93.855	12,704,134
Microbiology and Infectious Diseases Research	93.856	11,268,719
Pharmacology, Physiology, and Biological Chemistry Research	93.859	8,104,190
Genetics and Developmental Biology Research and Research Training	93.862	229,446
Population Research	93.864	979,846
Center for Research for Mothers and Children	93.865	2,525,202
Aging Research	93.866	12,411,648
Vision Research	93.867	2,107,080
Medical Library Assistance	93.879	4,922,966
Fogarty International Research Collaboration Award	93.934	27,850
Research Treatment and Educational Programs on Lyme Disease in the United States	93.942	177,200
International Research and Research Training	93.989	74,166
Department of Health and Human Services Research and Development	93	69,939
National Institutes of Health contracts	93	1,564,026
Subtotal - National Institutes of Health		<u>200,857,723</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, Continued**  
**Year Ended September 30, 2005**

	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>RESEARCH AND DEVELOPMENT AND RESEARCH TRAINING (CONT.)</b>		
<b>Research and Development Direct Programs (cont.)</b>		
Other Department of Health and Human Services		
Innovations in Applied Public Health Research	93.061	\$ 232,790
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.262	110,984
Health Services Research and Development Grants	93.226	3,813,581
Research, Treatment and Education Programs on Lyme Disease in the United States	93.942	260,364
Subtotal - Other Department of Health and Human Services		4,417,719
Subtotal - Department of Health and Human Services		205,275,442
Department of Agriculture		
Grants for Agricultural Research - Competitive Research Grants	10.206	261,616
Agricultural and Rural Economic Research	10.250	100,031
Subtotal - Department of Agriculture		361,647
Department of Defense		
United States Army	12.420	2,993,303
Air Force Defense Research Sciences Program	12.800	157,310
Research and Technology Development	12.910	(70,145)
Subtotal - Department of Defense		3,080,468
Department of Justice		
Subtotal - Department of Justice	16.563	393,334
Department of the State		
U.S. Department of State	19	31,243
Middle East Partnership Initiative (MEPI)	19.500	635,606
Subtotal - Department of the State		666,849
Department of Transportation		
Subtotal - Department of Transportation	20.108	61,657
Department of Veterans' Affairs		
Subtotal - Department of Veterans' Affairs	64.019	79,200
National Aeronautics and Space Administration		
Aerospace Education Services Program	43.001	972,544
Subtotal - National Aeronautics and Space Administration		972,544
National Science Foundation		
Engineering Grants	47.041	133,878
Computer and Information Science and Engineering	47.070	67,751
Biological Sciences	47.074	45,319
Subtotal - National Science Foundation		246,948
U.S. Environmental Protection Agency		
Environmental Protection Consolidated Research	66.600	230,978
Subtotal - U.S. Environmental Protection Agency		230,978
Total Research and Development Direct Programs		211,369,067

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, Continued**  
**Year Ended September 30, 2005**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>RESEARCH AND DEVELOPMENT AND RESEARCH TRAINING (CONT.)</b>			
<b>Research and Development Passed Through from Other Organizations</b>			
Department of Health and Human Services			
National Institutes of Health			
Harvard Pilgrim Health Care	93.103	FD-U-002068-03	\$ (702)
Children's Memorial Hospital (Illinois)	93.113	7 R01 ES011682-04	300
Harvard School of Public Health	93.114	multiple	179,072
University of Hawaii	93.114	1 R01 ES011346-01	(3,894)
Boston University Medical Center	93.121	1R01DE015566-01-A1	47,644
Harvard Medical School	93.121	multiple	17,254
Oncogene Science Inc.	93.121	2 R44 DE012151-02	780
Harvard School of Public Health	93.143	multiple	261,906
Harvard Medical School	93.157	multiple	66,617
Dana Farber Cancer Institute	93.172	5R33HG002708-02	53,207
Educational Development Center, Inc.	93.172	1 R01 HG001972-01-A1	(104)
Harvard Medical School	93.213	R01AT000905	101,867
Massachusetts General Hospital	93.213	5 P01 AT002048-03	98,635
Wake Forest University	93.213	1P50AT002782-01	60,086
Alphatech	93.242	2 R44 MH057200-02	(34,431)
Harvard Medical School	93.242	R01MH61941	20,416
Harvard Pilgrim Health Care	93.242	multiple	167,172
Massachusetts General Hospital	93.242	multiple	2,292
Rutgers University	93.242	multiple	236,073
Harvard Pilgrim Health Care	93.266	5 U18 HS011843-03	56,541
Arkansas Children's Hospital Research Institute	93.273	5 R01 AA012223-04	2,306
Inflexxion, Inc.	93.279	2 R44 DA015617-02	74,993
University of Chicago	93.279	multiple	343,652
Harvard Pilgrim Health Care	93.283	multiple	327,221
Harvard School of Public Health	93.283	CDC200200108007	62,179
Medical Center of Central Massachusetts, Inc.	93.283	U27/CCU109780-03	201
Harvard Medical School	93.290	213-98-0009	(66,985)
Massachusetts General Hospital	93.333	1 S07 RR18157-01	163,416
Boston College	93.361	1R01NR008033-01-A2	8,931
Massachusetts General Hospital	93.389	1U24RR021382-01	502,897
University of Rochester	93.389	multiple	212,835
Columbia University	93.393	1R01CA104842-01	49,953
Harvard School of Public Health	93.393	multiple	1,898,848
Princeton University	93.393	multiple	667,820
University of California, San Francisco	93.393	multiple	158,519
American College of Radiology	93.394	5 U01 CA080098-03	268,440
Dana Farber Cancer Institute	93.394	1R01CA114465-01	15,786
Harvard Medical School	93.394	1 U01 CA091429-01	135,878
University of Pennsylvania	93.394	1R01CA104976-01	72,590
Beth Israel Deaconess Medical Center	93.395	1P50CA101942-02	53,888
Boston University	93.395	7 U19 CA048626-08	261
Dana Farber Cancer Institute	93.395	multiple	1,034,143
Massachusetts General Hospital	93.395	1R01CA109193-01	16,247
Omniguide Communications, Inc.	93.395	R43CA112744	42,255

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, Continued**  
**Year Ended September 30, 2005**

	<b>Federal CFDA Number</b>	<b>Pass-Through Number</b>	<b>Total Federal Expenditures</b>
<b>RESEARCH AND DEVELOPMENT AND RESEARCH TRAINING (CONT.)</b>			
<b>Research and Development Passed Through from Other Organizations (cont.)</b>			
University of California, San Francisco	93.395	5 R01 CA084019-02	\$ 2,641
University of Maryland at Baltimore	93.395	5R21CA096005-02	27,952
University of Michigan	93.395	multiple	34,919
Dana Farber Cancer Institute	93.396	1U01CA105423-01	210,305
Thomas Jefferson University	93.396	1R01CA100370-01-A2	18,722
University of Michigan	93.396	5 P01 CA039542-17	(7,069)
University of Pennsylvania	93.396	1 P01 CA009361-50	54,629
University of Virginia	93.396	7R01CA089406-04	29,402
University of Washington	93.396	multiple	19,222
Beth Israel Deaconess Medical Center	93.397	1 P50 CA101942	424,956
Dana Farber Cancer Institute	93.397	multiple	1,597,270
Duke University Medical Center	93.397	1U01HL069015-01	8,942
Dana Farber Cancer Institute	93.399	multiple	347,085
Fred Hutchinson Cancer Research Center	93.399	5P01CA091955-03	96,636
Group Health Cooperative	93.399	5U19CA079689-05-S1	(2,335)
Harvard Medical School	93.399	1 U01 CA093324-03-S1	83,501
Harvard School of Public Health	93.399	multiple	75,138
Rand Corporation	93.399	5U01CA097416-02	12,398
University of California, Los Angeles	93.399	NO.1595 G ED594	52,558
Albert Einstein College of Medicine of Yeshiva University	93.837	1R01HL075619-01	49,979
Boston Medical Center	93.837	2P60HL1515728	1,322
Columbia-Presbyterian Medical Center	93.837	1 U01 HL053986-01-A2	3,225
Duke University	93.837	multiple	50,882
Harvard Medical School	93.837	multiple	(4,629)
Harvard School of Public Health	93.837	multiple	997,844
Johns Hopkins University	93.837	multiple	779,545
Joslin Diabetes Center	93.837	R01HL077554	59,260
Massachusetts General Hospital	93.837	multiple	2,852
Massachusetts Institute of Technology	93.837	multiple	504,807
Nitrosci	93.837	2 R44 AG020445-02	38,321
Stanford University	93.837	1 U01 HL68060-02	468,017
State University of New York	93.837	1 R01 HL066076-01-A1	(695)
State University of New York	93.837	1R01HL066076-01-A1	72,304
University of Pennsylvania	93.837	multiple	202,393
University of Rochester	93.837	412262-G	(3,780)
Washington University	93.837	5 U01 HL058946-03	(33,585)
Beth Israel Deaconess Medical Center	93.838	multiple	892,508
Boston University	93.838	multiple	(76,657)
Children's Hospital	93.838	5 R01 HL062514	21,276
Harvard Pilgrim Health Care	93.838	multiple	462,678
Harvard School of Public Health	93.838	multiple	30,474
Midwest RF	93.838	1 R41 HL065796-01	(42,140)
Nemours Children's Clinic	93.838	1R01HL07139202	(10,500)
Washington University	93.838	multiple	412,977
Yale University School of Medicine	93.838	multiple	142,900
Albert Einstein College of Medicine of Yeshiva University	93.839	5P01HL055435	309,585
Beth Israel Deaconess Medical Center	93.839	2 P01 HL042443-15	21,039
Boston Medical Center	93.839	1 U54 HL070819-01	(67,459)
Boston Medical Center	93.839	multiple	84,748
Center For Blood Research, Inc	93.839	5P01HL056949-09	381,849
Center For Blood Research, Inc.	93.839	5 P01 HL056949-07	(24,547)
Children's Hospital	93.839	multiple	117,534

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, Continued**  
**Year Ended September 30, 2005**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>RESEARCH AND DEVELOPMENT AND RESEARCH TRAINING (CONT.)</b>			
<b>Research and Development Passed Through from Other Organizations (cont.)</b>			
Children's Hospital	93.839	5U01HL072291-03	\$ 160,630
Dana Farber Cancer Institute	93.839	5P01HL070149	39,845
Harvard Medical School	93.839	5 P50 HL060292-04	25,237
Massachusetts Institute of Technology	93.839	2 P01 HL055435-06	(1,316)
New York Blood Center	93.839	P01HD4176102	148,552
Northwestern University	93.839	1 R01 HL064739-01	(905)
Washington University	93.839	5R01HL074724-02	48,852
Boston University Medical Center	93.846	1P01AR049920-01-A1	26,185
Genetix Pharmaceuticals, Inc.	93.846	1R41AR049632-01	34,515
Harvard Medical School	93.846	5R01HL041315-15	346,217
Beth Israel Deaconess Medical Center	93.847	1R01DK063296-01-A1	107,444
Children's Hospital	93.847	1 R01 DK059240-02	(97)
Children's Hospital	93.847	1R01DK059240-04	33,952
Joslin Diabetes Center	93.847	5 P30 DK036836-17	28,689
Boston Area Diabetes Endocrinology Research Center	93.848	5P30DK5752104	(6,612)
Boston Medical Center	93.848	5P30DK046200-13	1,827
Boston Obesity/Nutrition Research Center at Tufts New England	93.848	5P30DK046200-13	20,823
Boston University	93.848	5 R01 DK055656-04	80,875
Children's Hospital	93.848	5 P30 DK034854-17	(9,149)
Harvard School of Public Health	93.848	5 R01 DK062322-02	28,830
Joslin Diabetes Center	93.848	R01DK072090-01	11,045
Massachusetts General Hospital	93.848	3 P01 DK033506-14-S1	(1,606)
The Jackson Laboratory	93.848	5 R01 DK051568-03	1,743
Children's Hospital	93.849	multiple	88,534
Children's Hospital	93.849	multiple	133,796
Dana Farber Cancer Institute	93.849	5 P01 DK050654	426,574
Harvard School of Public Health	93.849	5 R01 DK045362-05	1
Massachusetts General Hospital	93.849	multiple	593,318
Mayo Foundation	93.849	5 R01 DK044863-11	925
Rhode Island Hospital	93.849	5 U01 DK061700	93,577
State University of New York at Stony Brook	93.849		21,777
University of California, San Francisco	93.849	1R33DK067645-01	48,449
University of Pittsburgh	93.849	NAPS2	2,978
Beth Israel Deaconess Medical Center	93.853	multiple	47,872
Children's Hospital	93.853	multiple	214,970
Columbia University	93.853	5 R01 NS027941-16	38,977
Dana Farber Cancer Institute	93.853	multiple	86,490
Georgetown University	93.853	1 R01 NS038455-01-A2	6,423
Harvard Medical School	93.853	multiple	138,767
Harvard School of Public Health	93.853	5 R21 NS043604-02	12,671
Massachusetts General Hospital	93.853	multiple	765,860
Psychological Applications, LLC	93.853	R44NS042837-02	36,899
Thomas Jefferson University	93.853	2 R01 NS036590-04	26,062
University of Florida	93.853	5R01NS038455-05	2,265
University of Medicine And Dentistry of New Jersey	93.853	5 R01 NS038384-03	227,595
University of Virginia	93.853	multiple	290,412
Massachusetts General Hospital	93.854	5 P50 NS038372-03	(15,592)
Massachusetts General Hospital	93.854	multiple	(6,738)
Mayo Clinic Jacksonville	93.854	2R01NS039072-04-A2	143,971
Beth Israel Deaconess Medical Center	93.855	5R01AI042987-05-A2	34,308
Children's Hospital	93.855	multiple	41,274
Children's Hospital	93.855	1 P01 AI050157-01	193,216

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, Continued**  
**Year Ended September 30, 2005**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>RESEARCH AND DEVELOPMENT AND RESEARCH TRAINING (CONT.)</b>			
<b>Research and Development Passed Through from Other Organizations (cont.)</b>			
Columbia University	93.855	7U19AI056362-03	\$ 58,954
Dana Farber Cancer Institute	93.855	5U19AI057330-03	119,011
Dana Farber Cancer Institute	93.855	multiple	1,251,076
Harvard Medical School	93.855	P01AI056299-03	91,580
Harvard Medical School	93.855	multiple	628,757
Massachusetts General Hospital	93.855	1U01AI051706-01	75,790
President And Fellows of Harvard College	93.855	P01AI056299	(7,091)
Thomas Jefferson University	93.855	5R01AI045009-05	2,694
University of California, San Francisco	93.855	7 P01 AI035297-08	(49,051)
University of Colorado	93.855	5 U19 AI046374-03	(93,748)
University of Colorado Health Sciences Center	93.855	multiple	555,596
University of Pennsylvania	93.855	5 P01 AI041521-04	396,942
Beth Israel Deaconess Medical Center	93.856	1R01AT002454-01	13,413
Children's Hospital	93.856	5U01AI025934-13	109,927
Harvard Medical School	93.856	P30AI042851	10,033
Harvard Medical School	93.856	multiple	1,541,644
Harvard School of Public Health	93.856	2 U01 AI041110	78,229
Massachusetts General Hospital	93.856	multiple	30,595
Social and Scientific Systems, Inc.	93.856	1 U01 AI38858	508,105
University of Massachusetts at Worcester	93.856	5R01AI052455-03	97,826
University of Massachusetts at Worcester	93.856	R01AI05245502	1,109
Massachusetts General Hospital	93.859	1 U54 GM062119	179,512
Massachusetts General Hospital	93.864	multiple	301,345
University of Rochester	93.864	PO 412381-G	118,827
Arkansas Children's Hospital Research Institute	93.865	5 RO1 HD036484-02	(7,130)
Boston University	93.865	6771-5	28,863
Children's Hospital	93.865	multiple	110,114
Massachusetts General Hospital	93.865	5R01HD039223-04	20,069
Westat, Inc.	93.865	5 U01 HD032842-07	249
Boston University	93.866	5 RO1 AG016770-02	2,476
Columbia University	93.866	1P01AG023028-01	200,234
Harvard Medical School	93.866	multiple	51,893
Massachusetts Alzheimer's Disease Research Center	93.866	5 P50 AG005134-17	(15,164)
Massachusetts General Hospital	93.866	multiple	218,042
Miriam Hospital	93.866	5 R01 AG017975-04	9,445
New England Rare Reagents	93.866	1R43AG022759-01	15,000
NRCA Research and Training Institute	93.866	5 P01 AG04390-20A1	103,679
University of Connecticut Health Center	93.866	1R01AG022092-01A	6,105
Massachusetts Eye And Ear Infirmary	93.867	1R01EY015473-01-A1	124,608
Columbia University	93.879	5 R01 LM006594-03	5,490
Massachusetts Institute of Technology	93.879	multiple	5,739
Harvard Medical School	93.929	multiple	26,657
Albert Einstein College of Medicine of Yeshiva University	93.935	2 R01 CA077290-03	7,646
Harvard Medical School	93.969	multiple	174,547
Children's Hospital	93.995	5 APHPA002033-04-00	37,178
Children's Hospital	93.995	6APHPA00203301	(5,483)
Harvard Medical School	93	02T020144	24,040
Massachusetts Institute of Technology	93	5710001576	81,477
New England Research Institute, Inc.	93	HHSN268200425207C	103,486
University of California, San Francisco	93	900007325	15,526
University of Hawaii	93	7R01052963-06	256

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, Continued**  
**Year Ended September 30, 2005**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>RESEARCH AND DEVELOPMENT AND RESEARCH TRAINING (CONT.)</b>			
<b>Research and Development Passed Through from Other Organizations (cont.)</b>			
University of Michigan	93	F012593	\$ 99,305
Washington University	93	PO#299550 WU-HT-04-2	41,542
Children's Hospital	93	1N01ES85433	(19,463)
Duke Clinical Research Institute	93	N01-HV-98177	51,661
George Washington University	93	N01-HC-65149	10,412
Harvard School of Public Health	93	0 N01 RC017027	(24,152)
Strang Cancer Prevention Center	93	N01-CN-95015	291,062
Tufts University	93	N01 AI30050	206,622
University of California, San Francisco	93	N01-AI-95380	(188,228)
University of California, San Francisco	93	1 N01 AI-15416	950,733
University of Wisconsin - Madison	93	N01 AI025496	283,082
Wake Forest University	93	N01-WH-56495	38,620
Subtotal - National Institutes of Health			30,236,724
<b>Other Department of Health and Human Services</b>			
Boston Medical Center	93.226	5R01HS013912-02	11,508
Harvard Pilgrim Health Care	93.226	2U18HS010391-05	76,989
Harvard Pilgrim Health Care	93.226	multiple	309,304
Harvard School of Public Health	93.226	5U18HS011886-03	223,912
Massachusetts General Hospital	93.226	multiple	195,883
Northwestern University	93.226	2 R01 HS008368-07-A1	2,563
University of California	93.226	1P01HS010771-03	78,791
University of California, San Francisco	93.226	1 P01 HS010856	78,296
University of Chicago	93.226	1 R01 HS010597-03	2,074
University of Massachusetts Medical Center	93.226	1R01HS015430-01	20,061
Subtotal - Other Department of Health and Human Services			999,381
<b>Department of Army Research and Material Command</b>			
Beth Israel Deaconess Medical Center	12.420	DAMD170110156	9,666
Dana Farber Cancer Institute	12.420	multiple	153,384
Emory University	12.420	DAMD17-03-2-0033	221,612
Hebrew Rehabilitation Center For Aged	12.420	2P01AG004390-01	35,122
Massachusetts General Hospital	12.420	multiple	131,919
Systems Technology, Inc.	12.420	W81XWH05C0099	47,575
Air Force Defense Research Sciences Program			
University of Pennsylvania	12.800	multiple	370,286
Subtotal - Department of Army Research and Material Command			969,564
<b>Defense Advanced Research Project Agency/Space and Naval Welfare Systems Command</b>			
Adlyfe, Inc.	12	N6600103C8031C0002	105,407
Subtotal - Defense Advanced			105,407
<b>Environmental Protection Agency</b>			
Harvard School of Public Health	66.000	R 82943701	21,370
Subtotal - Environmental Protection Agency			21,370
<b>Department of Energy</b>			
Harvard Medical School	81.049	DE-FG02-02ER63445	318,703
Subtotal - Department of Energy			318,703
<b>National Aeronautics and Space Administration</b>			
National Space Biomedical Research Institute	43.001	multiple	1,081,195
Subtotal - National Aeronautics and Space Administration			1,081,195
<b>National Science Foundation</b>			
Johns Hopkins University	47.070	EEC-9731748	124,435
Subtotal - National Science Foundation			124,435
Total - Research and Development Pass-Through Programs			33,856,779
Total Research and Development			245,225,846

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, Continued**  
**Year Ended September 30, 2005**

	Federal CFDA Number	Total Federal Expenditures
<b>RESEARCH AND DEVELOPMENT AND RESEARCH TRAINING (CONT.)</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	\$ 123,489
Oral Diseases and Disorders Research	93.121	(47,802)
Human Genome Research	93.172	17,048
Research Related to Deafness and Communication Disorders	93.173	49,281
Research and Training in Complementary and Alternative Medicine	93.213	112,464
National Center on Sleep Disorders Research	93.233	237,637
Alcohol Research Programs	93.273	102,293
Mental Health Research Career/Scientist Development Awards	93.281	40,154
Mental Health National Research Service Awards for		
Research Training	93.282	59,736
Discovery and Applied Research	93.286	272,118
Biomedical Research Technology	93.371	12,398
National Center for Research Resources	93.389	604,195
Cancer Research Manpower	93.398	1,959,481
Refugee and Entrant Assistance - Discretionary Grants	93.576	85,473
Heart and Vascular Diseases Research	93.837	3,129,779
Lung Diseases Research	93.838	1,708,342
Blood Diseases and Resources Research	93.839	711,616
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	1,271,767
Diabetes, Endocrinology and Metabolism Research	93.847	729,636
Digestive Diseases and Nutrition Research	93.848	969,607
Kidney Diseases, Urology and Hematology Research	93.849	1,022,535
Extramural Research Programs in the Neurosciences and		
Neurological Disorders	93.853	1,143,443
Biological Basis Research in the Neurosciences	93.854	64,611
Allergy, Immunology and Transplantation Research	93.855	1,529,614
Microbiology and Infectious Diseases Research	93.856	641,830
Pharmacology, Physiology, and Biological Chemistry Research	93.859	265,513
Center for Research for Mothers and Children	93.865	609,100
Aging Research	93.866	1,095,553
Vision Research	93.867	157,236
International Research and Research Training	93.989	425,772
Subtotal - National Institutes of Health		19,103,919
Other Department of Health and Human Services		
Agency for Health Care Policy and Research - Health Services	93.225	(4,150)
Research and Development Grants	93.226	236,444
Subtotal - Other Department of Health and Human Services		232,294
Total Research Training Direct Programs		19,336,213

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, Continued**  
**Year Ended September 30, 2005**

	Federal CFDA Number	Pass-Through Number	Total Federal Expenditures
<b>RESEARCH AND DEVELOPMENT AND RESEARCH TRAINING (CONT.)</b>			
<b>Research Training Passed Through from Other Organizations</b>			
Department of Health and Human Services			
National Institutes of Health			
Harvard Medical School	93.157	1D34HP004083	\$ 185,574
Dana Farber Cancer Institute	93.398	5T32CA009361-23	20,064
Harvard Medical School	93.837	5 K30 HL004095-05	146,353
Children's Hospital	93.838	5K23HL074202-02	8,848
Boston University	93.839	5K12HD000849	12,500
Children's Hospital	93.839	T32 HD07466-08	49,552
Children's Hospital	93.846	5 T32 AR-07112-26	26,558
Harvard Medical School	93.846	5T32AR007098-30	130,129
Children's Hospital	93.849	5K08DK064256-03	(22,325)
Dana Farber Cancer Institute	93.856	5T32CA009361-24	20,237
Harvard Medical School	93.856	1U54AI057159-01	27,678
Harvard School of Public Health	93.856	2T32AI007433-13	8,506
Harvard Medical School	93.859	5U54AI057159-02	61,085
Harvard Medical School	93.862	5T32GM007748	175,937
Beth Israel Deaconess Medical Center	93.866	1T32AG023480-01	53,049
Harvard Medical School	93.866	5 K12 AG00294	65,550
Massachusetts Institute of Technology	93.879	TRE	(5,766)
University of Pennsylvania	93.989	1-T32-HD-040135-01A1	(8,291)
Subtotal - National Institutes of Health			955,238
Other Department of Health and Human Services			
Children's Hospital	93.226	5K08HS013333-03	31,815
Subtotal - Other Department of Health and Human Services			31,815
Total Research Training Pass-Through Programs			987,053
Total Research Training			20,323,266
Total Research and Development and Research Training			265,549,112
<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		240,122
Subtotal - Department of Agriculture			240,122
Department of Health and Human Services			
National Institutes of Health			
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		63,389
Maternal and Child Health Services Block Grant to the States	93.994		43,214
Subtotal - National Institutes of Health			106,603
Total Other Programs			346,725
Total Federal Expenditures			\$ 265,895,837

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, 2005

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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 or credits to amounts reported as expenditures in prior years. Pass through numbers are provided where available. In some instances, expenditures listed from each pass-through entity consist of more than one award.

#### 2. Facilities and Administrative Costs

The predetermined fixed 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 fixed facilities and administrative cost rate for the period October 1, 2004 through September 30, 2005 of 74.0% for on-site research and 26.0% for off-site research. Fringe benefit rates are fixed and range between 21.0% and 32.0% for the period October 1, 2004 through September 30, 2005.

#### 3. Subrecipients

During fiscal 2005, the Hospital provided to subrecipients in the Research and Development and Research Training Program \$32,083,367 as follows. These amounts are included in the accompanying Schedule of Expenditures of Federal Awards:

Absolute Science, Inc.	\$ 110,000
Albert Einstein College of Medicine	427,130
Alpha I Foundation	176,001
Baylor College of Medicine, Inc.	502,795
Beth Israel Deaconess	2,557,311
Boston Medical Center Corporation	60,627
Boston University	10,616
Boston University Medical Center Campus	927,826
Cardona Gomez, Gloria Patricia	31,401
C B R Institute for Biomedical Research, Inc.	851,280
Childrens Hospital	1,419,969
Colorado State University	251,609
Columbia University	6,330
Dana Farber Cancer Institute, Inc.	521,148
Dana Farber Cancer Institute, Inc.	682,580
Dartmouth College	84,685
Duke University	28,952
Fred Hutchinson Cancer Research Center	182,904
Fundacion Para El Desarrallo, Hospital Nacional De Ninos	(37,827)
Fundacion Para El Desarrollo, Hospital Nacional De Ninos	268,073
General Electric Company	361,120
Genome Quebec	468,294
Georgia Tech Research Corp	147,166
Hacettepe University	75,000
Harvard Clinical Research Institute	750,903

**The Brigham and Women's Hospital Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**September 30, 2005**

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Harvard Pilgrim Health Care, Inc.	\$ 538,268
Harvard University	3,536,493
Harvard Vanguard Medical Associate, Inc.	313,852
Health Research, Inc.	20,133
Ikona, Inc.	8,925
Isomics, Inc.	411,661
J S I Research and Training Institute, Inc.	539,097
Johannes Gutenberg - Universitat Mainz	38,542
Johns Hopkins University	57,205
Joslin Diabetes Center, Inc.	524,770
Judge Baker Childrens Center	68,406
King's College London	17,312
Kitware, Inc.	337,251
Ludwig Institute for Cancer Research	199,503
Magee Women's Hospital	1,082,409
Maine Medical Center	5,930
Massachusetts General Hospital	5,862,504
Massachusetts Institute of Technology	963,676
Mayo Clinic	2,555
McLean Hospital, Inc.	17,982
Mental Health Association	57,778
Mirtech, Inc.	71,493
Nasa Ames Research Center	45,448
National Council of the Aging	10,354
National Jewish Center	114,963
Newton Wellesley Hospital	36,262
Northeastern University	13,870
Public Health Institute	17,380
Regents of the University of California	268,047
Regents of the University of Michigan	139,393
Regents of the University of Minnesota	254,641
Research Foundation of State University of New York	73,699
Southwest Oncology Group	43,046
Space Center Eye Associates	49,380
State University of New York	2,527
Strang Cancer Prevention Center	341,017
Thomas Jefferson University	39,888
Trustees of Boston University	65,955
Trustees of Dartmouth College	272,584
Tufts New England Medical Center	2,623
Tufts University	447,033
University of Arizona	14,602
University of Buenos Aires	32,020
University of California	596,089
University of California Davis	194,137
University of California Irvine	188,012
University of Cincinnati	355,409
University College London	167,039
University of Colorado Health Sciences	52,769
University of Connecticut Health Center	2,198
University of Delaware	31,408
University of Florida	83,782
University of Iowa	14,420
University of Massachusetts	176,269



**The Brigham and Women's Hospital Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**September 30, 2005**

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University of Massachusetts Medical School	\$ 231,119
University of Michigan Hospital	246,118
University of Minnesota	33,887
University of Muenster	5,219
University of New Hampshire	201,732
University of North Carolina Chapel Hill	102,385
University of Pennsylvania	558,561
University of Southern California	349,632
University of Utah	503,136
University of Victoria	42,750
University of Washington	5,364
University of Wisconsin	103,925
Yale University	11,637
Grand Total	<u>\$ 32,083,367</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. (the "Hospital") as of and for the year ended September 30, 2005, and have issued our report thereon dated January 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital'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 Hospital in a separate letter dated December 14, 2005.

This report is intended solely for the information and use of the Hospital'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 those specified parties.

*Puccinattone & Associates LLP*

January 30, 2006

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

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. (the "Hospital") 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, 2005. The Hospital'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 Hospital's management. Our responsibility is to express an opinion on the Hospital'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 Hospital'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 Hospital's compliance with those requirements.

In our opinion, the Hospital 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, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

### **Internal Control over Compliance**

The management of the Hospital 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 Hospital's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the Hospital'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 those specified parties.

*PricewaterhouseCoopers LLP*

January 30, 2006

## **Part III**

### **Findings**

**The Brigham and Women's Hospital Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2005**

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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?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable condition(s) identified not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**Federal Awards**

Internal control over major programs		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable condition(s) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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 Circular A-133, Section .510(a)?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

**Identification of major programs**

Research and Development and Research Training	Various CFDA numbers
Dollar threshold used to distinguish between Type A and Type B programs	\$3,000,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

**II. Financial Statement Findings**

None



**The Brigham and Women's Hospital Inc.**  
**Schedule of Findings and Questioned Costs, Continued**  
**Year Ended September 30, 2005**

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**III. Findings and Questioned Costs for Federal Awards**

**05-01 Reporting**

OMB Circular A-110 Section 51 requires that annual reports are due 90 calendar days after the grant year; and quarterly or semiannual reports are due 30 days after the reporting period. In addition, Section 52 requires that the Financial Status Report (FSR) for each project or program be submitted no less frequently than annually, and the awarding agency will determine the frequency of the report.

Of the 15 non-NIH FSRs due in the fiscal year that we reviewed, we noted that 9 quarterly reports were submitted on an average of 153 days within a range of 4 to 307 days late (CFDA#'s 12.420 and #19.500). Although a tracking mechanism is in place to monitor NIH FSRs, it was noted that the Hospital does not have an effective tracking mechanism with which to monitor the timely submission of non-NIH FSRs.

**Recommendation**

We recommend the Hospital improve procedures over the monitoring of grant reporting due dates and over the timely completion of non-NIH FSRs by using the existing FSR tracking mechanism for NIH awards.

**Management's Views and Corrective Action Plan**

Following these findings are management's views and corrective action plan.

**05-02 Travel Expense**

With respect to travel, the Hospital is subject to compliance with the requirements set forth by OASC-3 Hospital Cost Principles Section IX and OMB Circular A-110 Section 21. Of 10 expense reports tested, we noted 3 expense reports included the following exceptions:

- All 3 expense reports included alcohol charges on the following grants: \$5 (CFDA#93.838), \$5 (CFDA#93.837), and \$94 (CFDA#93.243);
- One of the expense reports contained a \$242 meal charge submitted twice (CFDA#93.243);
- One of the expense reports was missing receipts for hotel, airfare and conference fees amounting to \$1,416 (CFDA#93.838). The Hospital's policy states that receipts must be provided for all expenses over \$25; and
- One expense report for \$1,204 was submitted over a year late (CFDA#93.243). The Hospital's policy states that expense reports shall be submitted within 60 days of the expense being incurred.

**Recommendation**

We recommend the Hospital increase the awareness of employees regarding the importance of complying with federal requirements and the Hospital's policies with respect to travel. In addition, we recommend that the Hospital review and enhance as needed the existing procedures for review of expense reports to ensure full compliance with the Hospital's expense reimbursement policy.

**Management's Views and Corrective Action Plan**

Following these findings are management's views and corrective action plan.

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

## **Summary Schedule of Prior Audit Findings**

### **Year Ended September 30, 2005**

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#### **Summary Schedule of Prior Audit Findings**

##### **Finding 04-1 Indirect Costs**

The indirect cost rate agreement between the Hospital and the Department of Health and Human Services, dated June 17, 2002, states that the predetermined indirect cost rate effective from October 1, 2002 through September 30, 2005 for off-site research locations is 26%.

For awards with an off-site indirect cost rate, PwC noted that the rate applied in both fiscal year 2004 and fiscal year 2003 was 27% rather than the 26% rate required for those years. Management performed a further analysis of every award with an off-site indirect cost rate for fiscal years 2003 and 2004, and concluded that in total for both fiscal years 2003 and 2004, the total net amount of overcharges to awards was \$18,695.

##### **Status**

The corrective action plan was implemented and the error was corrected. There is no similar finding in the current year. The Hospital reviewed and enhanced, as needed, the internal process and controls in order to improve processes in this area.

##### **Finding 04-2 Reporting**

OMB Circular A-110 Section 51 requires that annual reports are due 90 calendar days after the grant year; and quarterly or semiannual reports are due 30 days after the reporting period. In addition, Section 52 requires that the Financial Status Report (FSR) for each project or program be submitted no less frequently than annually, and the awarding agency will determine the frequency of the report.

Of the 171 NIH FSRs due in fiscal year 2004, PwC noted 16 were submitted an average of 110 days late and 1 had not yet been submitted at the time of our audit. In addition, PwC noted that of the 6 quarterly federal cash transaction reports tested for other federal awarding agencies (which are less than 3% of total federal expenditures), all 6 were submitted between 60 and 240 days late.

##### **Status**

See current year finding 05-01 and corrective action plan regarding non-NIH reporting. The fiscal year 2004 corrective action plan was implemented. As a result of improvement noted with respect to NIH reporting, there is no finding for NIH reporting in fiscal year 2005. The Hospital noted improvement during fiscal year 2005. Maintaining our percentage of timely reporting will continue to be a priority during fiscal year 2006.

##### **Finding 04-3 Equipment**

During fiscal 2004, the Hospital conducted an inventory of all equipment. Of the 30 items tested, PwC noted that the inventory log listed one item of equipment that had been disposed of two years ago and it contained descriptions that were inaccurate for two items selected. PwC also noted that inventory tags could not be located on three items selected.

##### **Status**

The corrective action plan was implemented and the error was corrected. There is no similar finding in the current year as an inventory was not required in fiscal year 2005.

**The Brigham and Women's Hospital Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2005**

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**Finding 04-4 Procurement**

The Hospital's procurement policy requires that all purchases exceeding \$100,000 be approved by the Research Administration Department.

Of four items tested, PwC noted one purchase for \$267,000 under CFDA 93.838 that was not approved by Research Administration as required by the Hospital's policy.

**Status**

The corrective action plan was implemented. There is no similar finding in fiscal year 2005. Research management continues to work with materials management to improve research procurement processes.



BWH  
Management's View and Corrective Action Plan  
for the Fiscal Year Ended September 30, 2005

*An integrated  
health care system*

**05-1 Reporting**

*founded by  
Brigham and  
Women's Hospital  
and  
Massachusetts  
General Hospital*

The Hospital agrees with the auditors' recommendations. We will review procedures over the monitoring of grant reporting due dates for non-NIH grants with an eye towards using the existing tracking mechanism for NIH awards or a similar system to monitor timely submission. Ongoing management review will focus on resolving obstacles to timely reporting. Maintaining our percentage of timely reporting to NIH as well as increasing our percentage of timely reporting to other federal agencies will continue to be a priority during fiscal year 2006. Timely completion of financial reports to all federal sponsors is a priority.

**05-02 Travel Expense**

The Hospital agrees with the auditors' recommendations. We will continue to remind departments of the importance of prescreening and review highlighting the need for additional attention and enhanced education and training. We will also review and enhance, if needed the existing procedures of the central travel office that conducts a secondary review to ensure full compliance with the Hospital's expense reimbursement policy.

John C. Fini  
Financial Director  
Research Management

12/20/05

Date

Research Management