

# **University of Alabama at Birmingham**

**Report on Federal Awards In Accordance With  
OMB Circular A-133  
For the Year Ended September 30, 2006**

**University of Alabama at Birmingham**  
**Report on Federal Awards in Accordance with OMB Circular A-133**  
**For the Year Ended September 30, 2006**

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**PART I**  
**FEDERAL AWARD PROGRAMS**

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**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 University of Alabama:

We have audited the financial statements of each major fund and the aggregate nonmajor fund information of The University of Alabama at Birmingham (“UAB”), a campus of The University of Alabama System, which is a component unit of the State of Alabama, as of and for the year ended September 30, 2006, and have issued our report thereon dated March 20, 2007. We did not audit the financial statements of Southern Research Institute, which statements represent 62%, 82%, and 32%, respectively, of the assets, net assets, and revenues of the aggregate remaining fund information; and 3%, 4%, and 4%, respectively, of the assets, net assets, and revenues of UAB at September 30, 2006 and for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Southern Research Institute is based on the report of the other auditors. 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. The financial statements of Triton Health Systems, L.L.C and UAB Research Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UAB’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 were reported to management of UAB in a separate letter dated March 20, 2007.

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

PricewaterhouseCoopers LLP

March 20, 2007

**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 University of Alabama:

Compliance

We have audited the compliance of the University of Alabama at Birmingham ("UAB") 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, 2006, except as described in the following three paragraphs of this report. UAB'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 UAB's management. Our responsibility is to express an opinion on UAB's compliance based on our audit.

UAB's financial statements include the operations of the Southern Research Institute ("SRI"), which expended \$57,368,353 in federal awards which is not included in the accompanying schedule of expenditures of federal awards during the year ended September 30, 2006. Our audit, described below, did not include the operations of SRI because SRI engaged another audit firm to perform an audit in accordance with OMB Circular A-133.

Related to major federal program expenditures in Zambia, we did not audit UAB's compliance with the compliance requirements specified by the Centers for Disease Research and Development - Health Promotion and Disease Prevention (contract numbers CDC-02-01-40-004-04 and CDC-02-01-40-004-021-06) and described in the OMB Circular A-133 Compliance Supplement. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to UAB's compliance with those requirements, is based solely on the report of the other auditors.

We did not audit UAB's compliance with requirements governing student loan repayments. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to UAB's compliance with those requirements, is based solely on the report of the other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UAB'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 UAB's compliance with those requirements.

In our opinion based on our audit and the report of other auditors, UAB 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, 2006. 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 06-1, 06-2, 06-3, and 06-4.

#### Internal Control Over Compliance

The management of UAB is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, except as noted in the following three paragraphs, we considered UAB'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.

We did not consider internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to the federal programs of SRI. Internal control over these compliance requirements was considered by another audit firm referred to above; and our report, insofar as it relates to the UAB's internal control over those compliance requirements, does not include SRI.

Related to major federal program expenditures in Zambia, we did not consider internal control over compliance with the compliance requirements specified by the Centers for Disease Research and Development - Health Promotion and Disease Prevention (contract numbers CDC-02-01-40-004-04 and CDC-02-01-40-004-021-06) and described in the OMB Circular A-133 *Compliance Supplement*. Internal control over these compliance requirements was considered by the other auditors referred to above; and our report, insofar as it relates to UAB's internal control over those compliance requirements, is based solely upon the report of the other auditors.

We did not consider internal control over compliance with the student loan repayment compliance requirements audited in accordance with the U.S. Department of Education Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers issued January 2000*. Internal control over these compliance requirements was considered by the other auditors referred to above; and our report, insofar as it relates to the UAB's internal control over those compliance requirements, is based solely upon the report of the other auditors.

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

Also, the reports of the other auditors noted no matters involving the internal control over compliance and its operating requirements that they consider to be material weaknesses.

#### Schedules of Expenditures of Federal Awards

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise UAB's basic financial statements. The accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the financial statements. Such information, except as described below, 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.

UAB's financial statements include the operations of SRI, which expended \$57,368,353 in federal awards which is not included in schedule of expenditures of federal awards during the year ended September 30, 2006. Our audit, described above, did not include the operations of SRI because SRI engaged other auditors to perform an audit in accordance with OMB Circular A-133.

This report is intended solely for the information and use of UAB, the Board of Trustees of the University of Alabama, 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.

*PricewaterhouseCoopers LLP*

June 29, 2007, except for the Schedules of Expenditures of Federal Awards,  
which is March 20, 2007



# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
<b>MAJOR PROGRAMS</b>				
RESEARCH AND DEVELOPMENT				
<b>Department of Agriculture</b>				
Direct:				
Grants for Agricultural Research			10.206	\$ 9,428
Total Direct				9,428
Pass-Through:				
1890 Institution Capacity Building Grants	Tuskegee University	36 12091 202 76190	10.216	14,410
Total Pass-Through				14,410
<b>Total Department of Agriculture</b>				23,838
<b>Department of Commerce</b>				
Pass-Through:				
Sea Grant Support	University of Southern Mississippi - Sea Grant Consortium	NA16RG2258	11.417	31,699
Sea Grant Support	University of Southern Mississippi - Sea Grant Consortium	NA16RG2258	11.417	27,297
Undersea Research	The University of Mississippi	NA16RU1496	11.430	29,548
Total Pass-Through				88,544
<b>Total Department of Commerce</b>				88,544
<b>Department of Defense</b>				
Direct:				
Basic & Applied Scientific Research			12.300	178,700
Military Medical Research and Dev.			12.420	3,985,852
Basic Scientific Research			12.431	279,057
Contract #F08637-02-C-7027				12,845
Contract #W81XWH-04-1-0185				(3,326)
Contract #W81XWH-04-1-0025				(1,829)
Contract #W81XWH-04-1-0442527955				166,560
Contract #W81XWH-05-1-0066				241,141
Contract- Intergovernmental Personnel Agreement				57,212
Total Direct				4,916,212
Pass-Through:				
Basic & Applied Scientific Research	University of Puerto Rico	N000140111043	12.300	481
Military Medical Research and Dev.	University of Pittsburgh	DAMD17-01-1-0091	12.420	12,231
Research and Technology Development	Triton Systems Inc	W9132T-06-C-0009	12.910	7,211
Contract	Aerospace Testing Alliance	ATA 03-033		10,588
Contract	Mississippi State University	300179		211
Contract	Mississippi State University	301379		654,440
Contract	Mississippi State University	301488		20,428
Contract	Advanced Technology Institute	2004-611		242,309
Contract	BlazeTech Corporation	F08635-02-C-0167		1,186
Contract	Louisiana State University	W81XWH-05-1-0055		147,575
Contract	Children's Hospital Medical Center Cincinnati OH	W81WH-04-1-0274		36,741
Contract	Mississippi State University	360041		81,591
Contract	Mississippi State University	360039		49,076
Contract	Advanced Technology Institute	W911NF-04-2-0008		131,639
Contract	Mississippi State University	360040		131,881
Contract	Mississippi State University	301380		277,905
Contract	Biopure Corporation	DAMD-17-02-1-0697		53,357
Contract	Triton Systems Inc	F08630-03-C-0090		10,695
Contract	Triton Systems Inc	N00164-05-C-6082		58,788
Contract	Triton Systems Inc	FA8201-05-C-0070		21,484
Contract	Dow Corning Corporation	N00014-05-C-0324		7,561
Contract	Universal Technology Corporation	F33615-03-D-3307		48,021
Contract	Mississippi State University	360114		31,931
Contract	Mississippi State University	360116		27,176
Contract	Mississippi State University	360117		24,700
Contract	Mississippi State University	360115		25,215
Total Pass-Through				2,114,421
<b>Total Department of Defense</b>				7,030,633

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
<b><u>Department of Housing and Urban Development</u></b>				
Pass-Through:				
Community Development Block Grant	City of Birmingham	None	14.218	7,317
Total Pass-Through				<u>7,317</u>
<b>Total Department of Housing and Urban Development</b>				<b>7,317</b>
<b><u>Department of Justice</u></b>				
Direct:				
National Institute of Justice Research, Evaluation, and Development Project Grants			16.560	85,675
Com. Prosecution and Project Safe Neighborhoods			16.609	625
Total Direct				<u>86,300</u>
<b>Total Department of Justice</b>				<b>86,300</b>
<b><u>Department of Transportation</u></b>				
Direct:				
Highway Research and Development Program			20.200	49,596
Public Transportation Research			20.514	152,776
University Transportation Centers Program			20.701	1,384,099
Contract #DTFT6004-Z-7001				286,124
Contract #FTA-AL-26-7022-00				887,644
Contract #DTNH22-04-H-01423				588,272
Total Direct				<u>3,348,511</u>
Pass-Through:				
Highway Planning and Construction	Regional Planning Commission of Greater Birmingham	None	20.205	6,699
Highway Planning and Construction	Alabama Dept of Transportation	STPTE-TE02	20.205	390,778
University Transportation Centers Program	University of Alabama	04-003	20.701	12,249
University Transportation Centers Program	University of Alabama	04-059	20.701	30,928
University Transportation Centers Program	University of Alabama	05-114	20.701	(320)
University Transportation Centers Program	University of Alabama	05-020	20.701	29,896
University Transportation Centers Program	University of Alabama	05-019	20.701	24,079
University Transportation Centers Program	University of Alabama	06-001	20.701	34,379
University Transportation Centers Program	University of Alabama	06-029	20.701	20,548
University Transportation Centers Program	University of Alabama	06-033	20.701	30,702
Contract	Alabama Dept of Transportation	HPP-1602		(11,935)
Contract	Alabama Dept of Transportation	None		3,128
Contract	Alabama Dept of Transportation	None		613
Total Pass-Through				<u>571,744</u>
<b>Total Department of Transportation</b>				<b>3,920,255</b>
<b><u>National Aeronautics and Space Administration</u></b>				
Direct:				
Technology Transfer			43.002	2,214,774
Contract #NNM05AA09A				35,073
Contract #NAS8-99059				(1,148)
Contract #NNJ04HH07C				4,473,529
Contract #NNG05GG95G				64,735
Contract #NNM05AA7G				143,689
Contract #NAS8-02062				2,080
Contract #NNJ05HB42B				8,016
Contract #NNC06GA18G				10,151
Total Direct				<u>6,950,899</u>
Pass-Through:				
Technology Transfer	Institute for Technology Development	NCC8-221	43.002	3,512
Technology Transfer	University of Florida	NCC3-994	43.002	520,216
Technology Transfer	California Institute of Technology, Jet Propulsion Laboratory	1266101	43.002	414
Contract	University of Alabama in Huntsville	2002-035		9,125
Contract	University of Alabama in Huntsville	2002-081		72,827
Contract	LMSO	GE95496J62		(112,813)

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
Contract	University of Alabama in Huntsville	2006-202		1,118
Contract	Sierra Engineering Inc	NNM06AA17C		4,704
Contract	Engineering Sciences, Inc.	None		2,454
Contract	Engineering Sciences, Inc.	None		83,288
Total Pass-Through				584,845
<b>Total National Aeronautics and Space Administration</b>				<b>7,535,744</b>
<b><u>National Science Foundation</u></b>				
Direct:				
Engineering Grants			47.041	290,796
Mathematical & Physical Sciences			47.049	906,126
Computer and Information Science and Engineering			47.070	269,095
Biological Sciences			47.074	1,035,079
Social, Behavioral, and Economic Sciences			47.075	704,421
Educational & Human Resources			47.076	29,943
Polar Programs			47.078	166,919
Contract #NSF DUE-0341541				(3,780)
Contract #NSF-DMS0457168				29,640
Total Direct				3,428,239
Pass-Through:				
Engineering Grants	University of Maryland	ECS-0304046	47.041	64,028
Engineering Grants	University of Alabama	EPS-0447675	47.041	604,298
Engineering Grants	Vista Engineering Inc.	VE 0349769	47.041	23,838
Mechanical & Physical Sciences	Tuskegee University	DMR-0404278	47.049	67,281
Computer and Information Sci. & Eng.	Cornell University	ACI-0085969	47.070	34,471
Biological Sciences	Civilian Research and Development Foundation	NSF 9531011	47.074	7,165
Biological Sciences	Auburn University	IBN-0230005	47.074	33,348
Biological Sciences	Mississippi State University	DBI-0501890	47.074	57,840
Social, Behavioral, and Economic Sciences	Arizona State University	418823	47.075	726
Educational & Human Resources	University of Maryland	HRD-0429084	47.076	36,739
Contract	Sioux Manufacturing Corporation	NSF-DMI-0238610		1,956
Contract	Auburn University	NSF-EPSCOR-05026		60,876
Total Pass-Through				992,566
<b>Total National Science Foundation</b>				<b>4,420,805</b>
<b><u>Department of Veterans Affairs</u></b>				
Direct:				
Contract #V247P-1075				21,381
Contract #V580P-7892 / 580D67002				77,098
Contract #VA-V247P-2464				52,314
Contract #V580P-7875				47,353
Contract #D52033				11,134
Contracts- Intergovernmental Personnel Agreements				2,284,978
Total Direct				2,494,258
Pass-Through:				
Contract	Veterans Inst for Scientific & Technical Appl	None		61,059
Contract	Tuscaloosa Research & Education Advancement Corporation	None		31,141
Contract	Veterans Inst for Scientific & Technical Appl	None		11,853
Total Pass-Through				104,053
<b>Total Department of Veterans Affairs</b>				<b>2,598,311</b>
<b><u>Environmental Protection Agency</u></b>				
Direct:				
Environmental Education Grants			66.951	(7,854)
Total Direct				(7,854)

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
<b>Pass-Through:</b>				
Env. Protection-Consolidated Research	Health Effects Institute	Scarinci	66.500	22,594
Env. Protection-Consolidated Research	University of South Alabama	R83065101-0	66.500	13,857
Total Pass-Through				<u>36,451</u>
<b>Total Environmental Protection Agency</b>				28,597
<b><u>Department of Energy</u></b>				
<b>Direct:</b>				
Office of Science Financial Assistance Program			81.049	27,433
University Coal Research			81.057	120,584
Conservation Research and Dev.			81.086	457,094
Contract #DE-FG52-06NA26168				<u>68,784</u>
Total Direct				673,895
<b>Pass-Through:</b>				
State Energy Program	Alabama Dept of Economic & Community Affairs	DE-FG44-05R410960	81.041	30,728
Office of Science Financial Assistance Program	TechSavants	DE-FG02-01ER83336	81.049	327
Office of Science Financial Assistance Program	University of Alabama	DE-FC02-03ER63613	81.049	11,324
Conservation Research and Dev.	Gas Technology Institute	DE-FC36-03GO13175	81.086	7,576
Conservation Research and Dev.	Gas Technology Institute	DE-FC36-02GO12024	81.086	31,224
Stewardship Science Grant Program	Carnegie Institute of Washington	DE-FC03-03NA00144	81.112	109,296
Contract	University of California Lawren Livermore Natl Lab	B506802		17,146
Contract	University of California Los Alamos National Lab	W-7405-ENG-36		271,534
Contract	University of California Lawren Livermore Natl Lab	B554638		43,770
Contract	Sandia National Laboratories	SNL 517216		42,187
Contract	UT-Battelle, LLC	DE-AC05-00OR22725		5,683
Contract	University of Southern California	DE-FG02-04ER63847		18,859
Contract	Southern Research Institute	S05-006		19,187
Contract	Southern Research Institute	S05-007		<u>55,321</u>
Total Pass-Through				664,162
<b>Total Department of Energy</b>				1,338,057
<b><u>Department of Education</u></b>				
<b>Direct:</b>				
National Institute on Disability and Rehab. Res.			84.133	1,234,820
Graduate Assistance in Areas of National Need			84.200	113,113
Trio-McNair Post-Baccalaureate Achievement			84.217	<u>225,056</u>
Total Direct				1,572,989
<b>Pass-Through:</b>				
Fund for the Improvement of Postsecondary Education	Morehead State University	P116Z050131	84.116	25,631
Rehabilitation Services-Vocational Rehabilitation Grants to States	Alabama Dept of Rehabilitation Services	C60870033	84.126	136,248
National Institute on Disability and Rehab. Res.	Rehabilitation Institute of Michigan	H133G80073	84.133	25,336
National Institute on Disability and Rehab. Res.	University of Miami	H133N000017-05	84.133	34,734
Special Ed for Children with Disabilities	University of South Florida	LASER	84.326	284
Preparing Tomorrow's Teachers to Use Technology	Alabama Dept of Education	P342A010085	84.342	<u>5,044</u>
Total Pass-Through				227,277
<b>Total Department of Education</b>				1,800,266
<b><u>Department of Health &amp; Human Services</u></b>				
<b>Direct:</b>				
Cooperative Agreements to Improve Health of Minorities			93.004	452,816
Food and Drug Administration Research			93.103	9,045
Maternal and Child Health Federal Consolidated Programs			93.110	77,615
Biological Response to Environmental Health			93.113	1,872,954
Applied Toxicology Research and Testing			93.114	887,775
Oral Disease & Disorders Research			93.121	5,693,815
Centers for Res. & Dev.-Health Promotion & Dis. Prev.			93.135	3,397,353
Injury Prevention & Control			93.136	1,395,941
NIEHS Hazardous Waste Worker Health & Safety Training			93.142	13,692
HIV Demo. Program for Children, Adolescents, & Women			93.153	870,533
Research Related to Deafness & Communication			93.173	213,755
Research and Train. in Complementary and Alternative Med.			93.213	570,462
Health Care Systems Cost and Access Res. & Dev.			93.226	<u>1,050,391</u>

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

**University of Alabama at Birmingham  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2006**

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
National Center on Sleep Disorders Research			93.233	261,721
Mental Health Research Grants			93.242	4,087,540
Substance Abuse and Mental Health Services			93.243	377,925
Advanced Education Nursing Grant Program			93.247	164,985
Occupational Safety and Health Program			93.262	41,429
Alcohol Research Programs			93.273	1,715,881
Drug Abuse Research Programs			93.279	2,080,338
Center for Disease Control & Pre.-Investigation & Tech.			93.283	1,875,301
Discovery and Applied Research			93.286	660,569
Comparative Medicine			93.306	325,277
Minority Health and Health Disparities Research			93.307	993,423
Clinical Research			93.333	(72,856)
Nursing Research			93.361	752,223
Biomedical Technology			93.371	275,798
Minority Biomedical Research Support			93.375	145,975
Research Infrastructure			93.389	4,702,856
Cancer Cause & Prevention Research			93.393	2,732,954
Cancer Detection & Diagnosis Research			93.394	784,365
Cancer Treatment Research			93.395	4,907,368
Cancer Biology Research			93.396	4,505,249
Cancer Centers Support			93.397	14,468,530
Cancer Research Manpower			93.398	1,520,748
Cancer Control			93.399	5,212,501
Heart & Vascular Disease Research			93.837	23,248,539
Lung Disease Research			93.838	5,841,486
Blood Disease & Resources Research			93.839	1,975,105
Arthritis, Musculoskeletal & Skin Diseases			93.846	8,770,794
Diabetes, Endocrinology & Metabolism			93.847	5,238,495
Digestive Diseases & Nutrition Research			93.848	8,468,952
Kidney Disease, Urology & Hematology			93.849	7,133,412
Clinical Res. Related to Neurological Disorders			93.853	13,369,087
Biological Basis Research in the Neurosciences			93.854	7,104
Allergy, Immunology & Transplantation			93.855	11,179,980
Microbiology & Infectious Diseases			93.856	21,644,943
Biomedical Research and Research Training			93.859	4,668,895
Population Research			93.864	464,544
Child Health and Human Development Research			93.865	12,424,494
Aging Research			93.866	4,362,807
Vision Research			93.867	3,533,721
Medical Library Assistance			93.879	93,482
Special Projects of National Significance			93.928	285,952
Center for Medical Rehabilitation Research			93.929	764,818
Fogarty International Res. Collaboration Award			93.934	5,435
Epidemiological Research Studies of AIDS and HIV			93.943	(20,467)
Chronic Disease Prev & Control			93.945	760,710
Coop. Agree. to Support State-Based Infant Health Init.			93.946	(11,033)
Family Planning_Service Delivery Improvement Research Grants			93.974	143,279
Preventive Health Services-Sexually Trans. Dis. Control			93.977	59,300
International Research and Research Training			93.989	2,224,367
Contract #N01-CN-15109-MAO #89				3,680
Contract #N01-AI-30021				1,702
Contract #200-2001-00096 TK#1				67,188
Contract #N01-CN-25101MAO #84				53,377
Contract #N01-CN-25105-MAO #89				61,881
Contract #N01-CN-25003-MAO #86				19,446
Contract #NO1-CN-35577-02				187,505
Contract #N01-CN-25112 WS93				55,262
Contract #N01-CN-25115 WS95				12,306
Contract #N01-AI-30025				3,686,879
Contract #N01-LM-3-3513				651,006
Contract #N01-CN-25127 WS 69				219,774
Contract #N01-WH-3-2105				76
Contract #N01-CN-35104				85,120
Contract #N01-CN-35006				83,800
Contract #NO1-CN-35115				45,123
Contract #NO1-CM-07111 #1				4,586
Contract #NO1-HC-05188				220,750
Contract #N01-AI-30049				1,071,514

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
Contract #N01-CN-05118-MAO #83				57,488
Contract #N01-AR-0-2247				952,892
Contract #N01-CN-05119-MAO				24,609
Contract #200-2001-00096 TK#9				33,918
Contract #467-MZ-002133				18
Contract #N01-AI-15440				3,646,679
Contract #HHSN2620043301C				754,691
Contract #HHSN266200400036C				1,466,293
Contract #NO1-AI-15439				365,827
Contract #N01-CN-75022-70				2,569,192
Contract #N01-CN-85183-VS53				(32,335)
Contract #N01-CN-15128				203,004
Contract #200-2001-00130				1,089,866
Contract #NO1-HC-48047				424,990
Contract #NO1-AI-85338				103,331
Contract #NO1-HC-95095				2,124,728
Contract #N01-CN-15123-MAO #80				204,211
Contract #N01-CN-15136MAO#78				349,811
Contract #HHSN266200400073C				883,234
Contract #HHSN266200400068C				2,470,991
Contract #N01-CM-52207/HHSN261200522007C				112,242
Contract #CDC #02IPA24677-MOD3				(263)
Contract #HHSN26820058198C				896,874
Contract #HHS-N-260-200-50008-c				947,577
Contract #FA9451-05-M-0225				70,087
Contract #467-MZ-501661				7,945
Total Direct				231,923,323
<b>Pass-Through:</b>				
Alzheimer's Disease Demonstration Grants to States	Jefferson County Office of Senior Citizens Services	None	93.051	24,893
Food and Drug Administration_Research	Massachusetts General Hospital	FD-R-002588-01	93.103	24,190
Maternal and Child Health Federal Consolidates Prog.	Christ Community Medical Center Inc	None	93.110	4,997
Maternal and Child Health Federal Consolidates Prog.	Sickle Cell Disease Association of America	1 U93MC00217-01	93.110	200
Maternal and Child Health Federal Consolidates Prog.	Johns Hopkins University	R40MC00312	93.110	20,650
Biological Response to Environmental Health Hazards	University of Louisville Research Foundation, Inc	1 P01 ES11860	93.113	63,853
Biological Response to Environmental Health Hazards	Fox Chase Cancer Center	U01ES012771	93.113	359,320
Biological Response to Environmental Health Hazards	University of Louisville Research Foundation, Inc	5 R01 ES 012062-02	93.113	13,665
Applied Toxicology Research and Testing	University of Texas MD Anderson Center	5 R01 ES009912-07	93.115	148,683
Projects for Tuberculosis Control Prog.	Alabama Dept of Public Health	C30117235	93.116	170
Projects for Tuberculosis Control Prog.	Alabama Dept of Public Health	C40118002	93.116	3,775
Oral Disease & Disorders Research	University of North Carolina at Chapel Hill	5 U01 DE014577-02	93.121	(28)
Oral Disease & Disorders Research	Meharry Medical College	5 U54 NS041071-5	93.121	(46)
Oral Disease & Disorders Research	Oregon Health & Sciences University	1 R01 DE14386-01	93.121	15
Oral Disease & Disorders Research	University of North Carolina at Chapel Hill	U01DE014577	93.121	329,478
Oral Disease & Disorders Research	Oregon Health & Sciences University	GEDCN0109AB	93.121	91,125
Oral Disease & Disorders Research	University of Texas Health Center at San Antonio	P01 DE011688	93.121	15,881
Emergency Medical Services for Children	Arkansas Children's Hospital Research Institute	H34MC00105	93.127	1,017
Grants to Increase Organ Donations	UAB Research Foundation	1H390T00055	93.134	328
Grants to Increase Organ Donation	UA HSF General Endowment Fund	H390T02500-01-00	93.134	129,946
Health Prom for Toxin Substance & Dis Registry	Jacksonville State University	U50/ATU473215	93.161	3,783
Human Genome Research	University of Rochester	1 R01 HG02449-01	93.172	6,505
Human Genome Research	University of Rochester	412641-G	93.172	2,958
Human Genome Research	University of Rochester	5 KO1 HG02449-04	93.172	2,007
Human Genome Research	University of Rochester	5 R01 HG002449-05	93.172	491
Childhood Lead Poisoning Prevention Projects	Alabama Dept of Public Health	C60114061	93.197	50,000
Ed. Health Prof.-Environment Hazardous	Group Health Cooperative	200-2002-00732	93.200	1,815
Research and Training in Alternative Medicine	Purdue University	511-1682-01	93.213	21,823
Research and Training in Alternative Medicine	Purdue University	511-1872-01	93.213	407
Research and Training in Alternative Medicine	Palmer Chiopracitic University Foundation	K30AT00977	93.213	31,126
Research and Training in Alternative Medicine	University of Massachusetts Worcester	R01AT00309	93.213	5,355
Research and Training in Alternative Medicine	Purdue University	2 P50 AT000477-06	93.213	438,202
Research and Training in Alternative Medicine	Purdue University	2 P50 AT000477-06	93.213	300,752
Family Planning_Services	Alabama Dept of Public Health	C50113255	93.217	1,983
Research on Healthcare Costs, Quality & Outcomes	Morehouse School of Medicine	1 R24 HS011617-03	93.226	62,009
Consolidated Knowledge Development and Application	University of Alabama	6 U79 TI13340-05	93.230	87,253

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

**University of Alabama at Birmingham  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2006**

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
Policy Research and Evaluation Grants	University of Kentucky Research Foundation	2 U01 PE000002-04	93.239	3,687
Mental Health Research Grants	Yale University School of Medicine	1R01MH61940-01A1	93.242	(1,952)
Public Health Training Centers Grant Program	Tulane University	1 D20 HP 00012-03	93.249	7,654
Alcohol Research Programs	Mayo Clinic Rochester	5 R01 AA013933-02	93.273	5,265
Alcohol Research Programs	Duke University	R01 AA012162	93.273	22,543
Drug Abuse Research Programs	University of Alabama	1 R01 DA017428	93.279	104,495
Center for Dis. Control & Pre.-Investigation & Tech.	Alabama Dept of Public Health	C40118173	93.283	(1,014)
Center for Dis. Control & Pre.-Investigation & Tech.	Assoc of Schools of Public Health	U36/CCU300430-22	93.283	44
Center for Dis. Control & Pre.-Investigation & Tech.	Assoc of Schools of Public Health	A1105-21/23	93.283	18,200
Center for Dis. Control & Pre.-Investigation & Tech.	Alabama Dept of Public Health	C40118245	93.283	333
Center for Dis. Control & Pre.-Investigation & Tech.	Assoc of Schools of Public Health	U36/CCU300430	93.283	70,477
Center for Dis. Control & Pre.-Investigation & Tech.	Assoc of Schools of Public Health	429-23/23	93.283	87,864
Discovery and Applied Research	University of Oklahoma	2004-15	93.286	94,428
Discovery and Applied Research	University of Washington	R21EB000987	93.286	1,694
Nursing Research	Rush-Presbyterian-St Luke's Medical Center	R01NR005200	93.361	(43)
Nursing Research	University of Maryland	R01 NR007980	93.361	19,091
Nursing Research	Miriam Hospital	1 R01 NR07960-03	93.361	(201)
Research Infrastructure	University of Alaska in Fairbanks	1P20RR16430-01	93.389	43,974
Research Infrastructure	Baylor College of Medicine	U54RR019478	93.389	18,129
Research Infrastructure	Baylor College of Medicine	5 U54 RR019478-03	93.389	218,067
Research Infrastructure	University of Alaska in Fairbanks	1 P20 RR16430-01	93.389	17,976
Cancer Cause & Prevention Research	University of Georgia	R01CA95706	93.393	9,503
Cancer Cause & Prevention Research	Albert Einstein College of Medicine of Yeshiva U	2R01 CA77290-04	93.393	27,797
Cancer Cause & Prevention Research	University of North Carolina at Chapel Hill	1 R01 CA95749-01A1	93.393	(2,784)
Cancer Cause & Prevention Research	The Cooper Institute	600-6310-0127	93.393	36,486
Cancer Cause & Prevention Research	Klein Buendel, Inc.	CA086199	93.393	40,291
Cancer Cause & Prevention Research	University of Rochester	1 R01 CA112366-01A1	93.393	44,369
Cancer Detection and Diagnosis Research	University of Oklahoma	1 R01 CA104773-01	93.394	80,165
Cancer Detection and Diagnosis Research	American College of Radiology	5U01CA080098-05	93.394	21,600
Cancer Detection and Diagnosis Research	American College of Radiology	6661	93.394	9,320
Cancer Treatment Research	Southern Research Institute	5 U19 CA67763-10	93.395	12,832
Cancer Treatment Research	Southern Research Institute	2 U19 CA67763-09	93.395	(4,367)
Cancer Treatment Research	Eastern Cooperative Oncology Group	None	93.395	8,451
Cancer Treatment Research	VectorLogics Inc	1R41CA91608	93.395	284
Cancer Treatment Research	Southeastern Gynecologic Oncology	None	93.395	129,553
Cancer Treatment Research	University of Chicago	U10 CA31946	93.395	9,356
Cancer Treatment Research	American College of Surgeons	U10CA76001	93.395	444
Cancer Treatment Research	Ohio State University Research Foundation	RFA01005381	93.395	2,480
Cancer Treatment Research	Frontier Science & Tech Research Fnd	U10CA21115	93.395	716
Cancer Treatment Research	Natl Childhood Cancer Foundation	13439	93.395	155
Cancer Treatment Research	Natl Childhood Cancer Foundation	12750	93.395	28,503
Cancer Treatment Research	Natl Childhood Cancer Foundation	13986	93.395	81,797
Cancer Treatment Research	Natl Childhood Cancer Foundation	13465	93.395	165,778
Cancer Treatment Research	Natl Childhood Cancer Foundation	14124	93.395	10,299
Cancer Treatment Research	Frontier Science & Tech Research Fnd	CA21115-31	93.395	160,000
Cancer Treatment Research	Beth Israel Deaconess Medical Center	1 R21 CA108251-02	93.395	9,073
Cancer Treatment Research	Natl Childhood Cancer Foundation	14303	93.395	27,432
Cancer Treatment Research	Natl Childhood Cancer Foundation	13467	93.395	22,256
Cancer Treatment Research	Columbia University in the City of New York	1 P01 CA104177-01A2	93.395	73,973
Cancer Treatment Research	University of Arkansas for Medical Studies	5 P01 CA055819-11	93.395	29,106
Cancer Treatment Research	Columbia University in the City of New York	1 P01 CA104177-01A2	93.395	219,396
Cancer Biology Research	Southern Research Institute	R21CA102998	93.396	392
Cancer Biology Research	Vanderbilt University	VUMC10000	93.396	99,076
Cancer Centers Support	University of California Los Angeles	5 P50 CA86306-04	93.397	1,515
Cancer Centers Support	Singing River Hospital System	U56CA105478	93.397	52,821
Cancer Centers Support	University of California Los Angeles	2 P50 CA086306	93.397	51,534
Cancer Research Manpower	Boston University Medical Campus	1 R25 CA91958-01A1	93.398	3,871
Cancer Research Manpower	Johns Hopkins University	5 P50 CA098252-02	93.398	109,089
Cancer Control	University of California Los Angeles	R01 CA73475	93.399	(1,267)
Cancer Control	Southwest Oncology Group	CA37429	93.399	34,599
Cancer Control	Johns Hopkins University	5 U01 CA084986-05	93.399	2,952
Cancer Control	University of Pennsylvania	545162-E	93.399	24,719
Health Careers Opportunity Program	Alabama Agricultural and Mechanical University	1D18HP04022-01	93.822	6,083
Heart & Vascular Disease Research	Northern California Inst for Research and Edu	R01 HL074814-04	93.837	27,134
Heart & Vascular Disease Research	University of South Alabama	R01HL68165	93.837	(334)
Heart & Vascular Disease Research	Arizona State University	1 R01 HL70715	93.837	14,113
Heart & Vascular Disease Research	University of Washington	5 R01 HL65622-03	93.837	61,608
Heart & Vascular Disease Research	University of Washington	R01 HL65622-03	93.837	(39,150)
Heart & Vascular Disease Research	Pennington Biomedical Research Center	U01HL072510	93.837	133,544
Heart & Vascular Disease Research	University of Pittsburgh	5 U01 HL61744-03	93.837	7,607
Heart & Vascular Disease Research	University of Washington	1 R01 HL71017-01	93.837	17,291

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

**University of Alabama at Birmingham  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2006**

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
Heart & Vascular Disease Research	University of Washington	1 R01 HL71017-01	93.837	14,759
Heart & Vascular Disease Research	University of Pittsburgh	5U01HL61744-04	93.837	(44)
Heart & Vascular Disease Research	Medical University South Carolina Foundation	P01HL55782	93.837	240,920
Heart & Vascular Disease Research	University of North Carolina at Chapel Hill	R01HL677280	93.837	4,272
Heart & Vascular Disease Research	University of Pittsburgh	1 P50 HL074732-01	93.837	(1,530)
Heart & Vascular Disease Research	Cooper Green Hospital	U01HL079153	93.837	17,433
Heart & Vascular Disease Research	Louisiana State University	R01HL056046	93.837	7,495
Heart & Vascular Disease Research	Kaiser Foundation Research Institute	R01HL078972	93.837	340,412
Heart & Vascular Disease Research	Allegheny-Singer Research Institute	R01HL072317	93.837	13,110
Heart & Vascular Disease Research	Elgavish Paramagnetics Inc	1 R41 HL080886	93.837	27,455
Heart & Vascular Disease Research	University of Pittsburgh	10990-7	93.837	25,261
Heart & Vascular Disease Research	University of Pittsburgh	10990-6	93.837	3,045
Heart & Vascular Disease Research	University of Minnesota	S6636334210	93.837	31,226
Heart & Vascular Disease Research	University of Minnesota	S6636334110	93.837	37,390
Heart & Vascular Disease Research	University of Minnesota	5 R01 HL071251-04	93.837	21,137
Heart & Vascular Disease Research	University of Pittsburgh	5 U01 HL061744-06	93.837	33,294
Heart & Vascular Disease Research	Boston University Medical Campus	1P01 HL081587-01	93.837	21,025
Heart & Vascular Disease Research	William Marsh Rice University	R01 HL073825	93.837	31,966
Heart & Vascular Disease Research	Beth Israel Deaconess Medical Center	1 P01 HL076540-02	93.837	59,555
Heart & Vascular Disease Research	Cooper Green Hospital	1 U01 HL079153-02	93.837	60,870
Heart & Vascular Disease Research	University of Washington	5 U01 HL077863-02	93.837	936
Heart & Vascular Disease Research	Beth Israel Deaconess Medical Center	5 P01 HL076540-03	93.837	22,765
Heart & Vascular Disease Research	University of Miami	2 R01 HL053392-11	93.837	33,362
Heart & Vascular Disease Research	University of Utah	2 U01 HL054471-11	93.837	38,554
Heart & Vascular Disease Research	Elgavish Paramagnetics Inc	1 R41 HL084795	93.837	5,205
Heart & Vascular Disease Research	Cooper Green Hospital	1 U01 HL079153-02	93.837	4,681
Heart & Vascular Disease Research	Statistics & Epidemiology Research Corporation	U10HL58706	93.837	33,122
Heart & Vascular Disease Research	University of Pittsburgh	U01HL064829	93.837	1,492
Lung Disease Research	University of Colorado Health Sciences Center	FY04.102.003	93.838	185,724
Lung Disease Research	National Jewish Medical and Research Center	P01HL073907	93.838	187,915
Lung Disease Research	Tulane University	1 U10 HL080510-01	93.838	42,021
Lung Disease Research	University of Pittsburgh	5 R01 HL069991-03	93.838	16,534
Lung Disease Research	National Jewish Medical and Research Center	5 P01 HL073907-04	93.838	129,890
Lung Disease Research	University of Colorado Health Sciences Center	5 P01 HL068743-04	93.838	135,834
Blood Disease and Resources Research	Medical College of Georgia	U01HL52193	93.839	38,397
Blood Disease and Resources Research	Yale University School of Medicine	R01HL67466	93.839	49,250
Blood Disease and Resources Research	BioCryst Pharmaceuticals Inc	R43HL076929	93.839	21,049
Blood Disease and Resources Research	Emory University	1 R21 HL079445-01	93.839	13,108
Blood Disease and Resources Research	St. Jude Children's Research Hospital	1 U01 HL78787-01A1	93.839	43,044
Blood Disease and Resources Research	Natl Marrow Donor Program	None	93.839	5,169
Arthritis, Musculoskeletal & Skin Diseases	Mattek Corporation	None	93.846	13,036
Arthritis, Musculoskeletal & Skin Diseases	University of Rochester	R01AR46825	93.846	410
Arthritis, Musculoskeletal & Skin Diseases	University of Arizona	1 R01 AR049411-01A1	93.846	18,986
Arthritis, Musculoskeletal & Skin Diseases	HY-Tech Research Corporation	R43AR051262	93.846	1,664
Arthritis, Musculoskeletal & Skin Diseases	Primus Pharmaceuticals, Inc.	1 R41 AR051232-01	93.846	56,658
Arthritis, Musculoskeletal & Skin Diseases	University of California in Davis	1 R01 AR052000	93.846	40,466
Arthritis, Musculoskeletal & Skin Diseases	Cedars-Sinai Medical Center	5 R01 AR037399-16	93.846	15,313
Diabetes, Endocrinology and Metabolism Research	Cedars-Sinai Medical Center	5R01DK058891	93.847	1,639
Digestive Diseases and Nutrition Research	Columbia University in the City of New York	539277	93.848	110,579
Digestive Diseases and Nutrition Research	University of Texas Southwestern Medical Center	R01DK58369	93.848	(5,072)
Digestive Diseases and Nutrition Research	University of Texas Southwestern Medical Center	2 U01 DK058369-06	93.848	15,470
Digestive Diseases and Nutrition Research	The Children's Mercy Hospital	04-0023	93.848	14,628
Kidney Disease, Urology & Hematology	Mayo Clinic Rochester	U01 DK56957-05	93.849	72,725
Kidney Disease, Urology & Hematology	Medical College of Georgia	R01DK044628 OR 06-971	93.849	43,856
Kidney Disease, Urology & Hematology	Rhode Island Memorial Hospital	U01 DK61700	93.849	149,084
Kidney Disease, Urology & Hematology	Wake Forest University School of Medicine	U01 DK57298	93.849	156,408
Kidney Disease, Urology & Hematology	University of Kansas Medical Center	P50DK57301	93.849	(1,460)
Kidney Disease, Urology & Hematology	The Research Foundation of SUNY	31569/33943/37368	93.849	1,862
Kidney Disease, Urology & Hematology	University of Pittsburgh	5 R01 DK065161-02	93.849	38,547
Kidney Disease, Urology & Hematology	Johns Hopkins University	2 R01 DK 051259-10	93.849	108,735
Kidney Disease, Urology & Hematology	University of California in San Francisco	1 R01 DK070196-01A1	93.849	23,785
Kidney Disease, Urology & Hematology	University of Minnesota	1 R01 DK066013-01A2	93.849	11,146
Kidney Disease, Urology & Hematology	Johns Hopkins University	5 R01 DK051259-11	93.849	14,335
Kidney Disease, Urology & Hematology	University of Minnesota	5 R01 DK066013-02	93.849	9,357
Clinical Res. Related to Neurological Disorders	Columbia University in the City of New York	R01 NS050724-01	93.853	22,155
Clinical Res. Related to Neurological Disorders	University of Michigan	3000354548	93.853	352
Clinical Res. Related to Neurological Disorders	University of Wisconsin in Madison	5 P01 NS042803-03	93.853	16,673
Clinical Res. Related to Neurological Disorders	University of Texas Health Center at San Antonio	116383/115709	93.853	(19,458)
Clinical Res. Related to Neurological Disorders	Mount Sinai School of Medicine	1 R01 NS045719-01A1	93.853	29,957
Clinical Res. Related to Neurological Disorders	Yale University School of Medicine	1 R01 NS043530-01A2	93.853	9,981

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.



# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
Clinical Res. Related to Neurological Disorders	University of Rochester	5 R01 NS42240-03	93.853	13,851
Clinical Res. Related to Neurological Disorders	University of Medicine & Denistry of New Jersey	R01 NS38384	93.853	3,507
Clinical Res. Related to Neurological Disorders	University of Cincinnati	R01NS039512	93.853	1,457
Clinical Res. Related to Neurological Disorders	University of Arkansas for Medical Studies	R01NS039348	93.853	390
Clinical Res. Related to Neurological Disorders	Mount Sinai School of Medicine	U01NS045719	93.853	45,910
Clinical Res. Related to Neurological Disorders	Mount Sinai School of Medicine	U 01 NS045719-02	93.853	76,144
Clinical Res. Related to Neurological Disorders	University of Wisconsin in Madison	5 P01 MS042803-04	93.853	74,005
Clinical Res. Related to Neurological Disorders	University of Texas Health Center at San Antonio	5 U01 NS38529-06	93.853	269,094
Clinical Res. Related to Neurological Disorders	Yale University School of Medicine	R01NS044876	93.853	12
Clinical Res. Related to Neurological Disorders	University of Florida	2R01-NS038455-06	93.853	870
Clinical Res. Related to Neurological Disorders	Mayo Clinic Rochester	R01NS28492-12	93.853	188
Clinical Res. Related to Neurological Disorders	Childrens Hospital Medical Center Cincinnati OH	U01 NS045911-01A1	93.853	23,541
Clinical Res. Related to Neurological Disorders	Washington University in St Louis	5 U01 NS042804-02	93.853	34,259
Clinical Res. Related to Neurological Disorders	University of Texas Health Center at San Antonio	5 U01 NS038529	93.853	446,812
Clinical Res. Related to Neurological Disorders	Mount Sinai School of Medicine	5 U01 NS045719-03	93.853	597,749
Allergy, Immunology & Transplantation	Family Health International	5 U01 AI46749-06	93.855	22,385
Allergy, Immunology & Transplantation	New York Medical College	46-7541	93.855	12,787
Allergy, Immunology & Transplantation	New York Medical College	SW01	93.855	82,902
Allergy, Immunology & Transplantation	Columbia University in the City of New York	7 U19 AI056362-03	93.855	47,121
Allergy, Immunology & Transplantation	Children's Hospital Boston	U01 AI046134-05	93.855	12,388
Allergy, Immunology & Transplantation	University of California in Davis	2 R01 AI049342-05	93.855	55,340
Allergy, Immunology & Transplantation	University of Minnesota	5 U01 AI058013-02	93.855	79,101
Microbiology & Infectious Diseases	Fred Hutchison Concer Research	1U01AI46747	93.856	97,871
Microbiology & Infectious Diseases	Social & Scientific Systems Inc	203IC002	93.856	68,371
Microbiology & Infectious Diseases	Duke University	5 U54 AI057157-02	93.856	30
Microbiology & Infectious Diseases	University of Pennsylvania	R01 AI49784	93.856	9
Microbiology & Infectious Diseases	Social & Scientific Systems Inc	U01 AI38858	93.856	(24,465)
Microbiology & Infectious Diseases	Tulane University	5 R01 AI44596-06	93.856	(7,850)
Microbiology & Infectious Diseases	University of Washington	5 R01 AI52054-02	93.856	121,726
Microbiology & Infectious Diseases	Duke University	1 U54 AI057175-01	93.856	(55,914)
Microbiology & Infectious Diseases	Social & Scientific Systems Inc	UO1 AI38858	93.856	(720)
Microbiology & Infectious Diseases	University of Pittsburgh	103938	93.856	(26)
Microbiology & Infectious Diseases	The George Washington University	2 R01 AI43894-06A2	93.856	24,120
Microbiology & Infectious Diseases	Duke University	U54AI057157	93.856	787,515
Microbiology & Infectious Diseases	University of California in San Francisco	P30AI27763	93.856	(2,004)
Microbiology & Infectious Diseases	Chimerix, Inc	U01AI057233	93.856	106,164
Microbiology & Infectious Diseases	University of Pennsylvania	5-37335 (R01AI049784)	93.856	195,179
Microbiology & Infectious Diseases	Emory University	5-21210-G1	93.856	214,145
Microbiology & Infectious Diseases	Emory University	5-21210-G2	93.856	137,073
Microbiology & Infectious Diseases	Social & Scientific Systems Inc	204PC001	93.856	381,295
Microbiology & Infectious Diseases	Social & Scientific Systems Inc	204YC006	93.856	315,362
Microbiology & Infectious Diseases	Social & Scientific Systems Inc	202PPCL04	93.856	188,558
Microbiology & Infectious Diseases	University of Virginia	2 R01 AI049989-05	93.856	24,503
Microbiology & Infectious Diseases	Texas A&M University	3 R01 AI020624-22S1	93.856	35,027
Microbiology & Infectious Diseases	University of Washington	5 R01 AI52054-02	93.856	833,347
Microbiology & Infectious Diseases	Duke University	1 P01 AI061734-01A1	93.856	72,500
Microbiology & Infectious Diseases	Duke University	1 U01 AI067854-01	93.856	841,344
Microbiology & Infectious Diseases	Duke University	5 U54AI05157-05	93.856	570,104
Microbiology & Infectious Diseases	University of New Mexico	2 U19 AI045452-06	93.856	6,647
Microbiology & Infectious Diseases	Social & Scientific Systems Inc	None	93.856	59,815
Microbiology & Infectious Diseases	Duke University	5 P01 AI061734-02	93.856	56,717
Microbiology & Infectious Diseases	Family Health International	5 U01 AI46749-05	93.856	110,683
Microbiology & Infectious Diseases	Family Health International	5 U01 AI46749-05	93.856	99,999
Pharmacology, Physiology, and Biological Chem. Research	University of Georgia	5 P50 GM062407-05	93.859	104,694
Pharmacology, Physiology, and Biological Chem. Research	University of Georgia	P50GM62407	93.859	3,232
Pharmacology, Physiology, and Biological Chem. Research	Massachusetts General Hospital	U54GM621119	93.859	3,122
Pharmacology, Physiology, and Biological Chem. Research	Florida State University	204000-520-01549	93.859	26,841
Pharmacology, Physiology, and Biological Chem. Research	Massachusetts General Hospital	5 U54 GM62119-05	93.859	111,120
Genetics and Dev. Biology Research	University of Michigan	1P50GM65509-01	93.862	18,905
Population Research	University of California in San Francisco	5 K12 DH000849-17	93.864	101
Center for Research for Mothers and Children	University of Minnesota	5 R01 HD041361-04	93.865	(1,874)
Center for Research for Mothers and Children	Baylor College of Medicine	1 P01HD40301-02	93.865	97,198
Center for Research for Mothers and Children	Utah State University	R01HD39061	93.865	15,460
Center for Research for Mothers and Children	University of Texas Southwestern Medical Center	P01HD011149	93.865	39,931
Center for Research for Mothers and Children	University of Notre Dame	HD-039456-05	93.865	124,081

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
Center for Research for Mothers and Children	University of California in Davis	R 21 HD051473	93.865	3,915
Center for Research for Mothers and Children	Pennsylvania State University (The)	1 R01 HD050045-01	93.865	123,419
Center for Research for Mothers and Children	Oregon Health & Sciences University	2 R01 HD06159-31A1	93.865	42,811
Center for Research for Mothers and Children	University of Virginia	1 R01 HD048562-01A1	93.865	37,958
Center for Research for Mothers and Children	University of Colorado Health Sciences Center	7 R01 HD041361-05	93.865	40,384
Aging Research	University of Wisconsin in Madison	5 P01 AG011915-10	93.866	(10,285)
Aging Research	University of Wisconsin in Madison	1 R01 AG0206891-01	93.866	28,941
Aging Research	University of California in San Diego	U01AG10483	93.866	(7,828)
Aging Research	University of California in San Diego	None	93.866	6,483
Aging Research	Mayo Clinic Jacksonville	R01 AG21875	93.866	603
Aging Research	Boston University Medical Campus	2 R01 AG09029-11A2	93.866	99,951
Aging Research	Baylor College of Medicine	1 R01 AG19325	93.866	7,562
Aging Research	University of California in San Diego	ADC-016	93.866	4,380
Aging Research	University of Rochester	1 R01 AG20086-01	93.866	8,258
Aging Research	University of Wisconsin in Madison	R01AG18922	93.866	77,440
Aging Research	Louisiana State University	964328	93.866	87,142
Aging Research	University of Washington	R01AG20086	93.866	82,523
Aging Research	Apeliotus Technologies, Inc	R01AG1892201	93.866	30,000
Aging Research	University of California in San Diego	05-13-0026	93.866	34,648
Aging Research	Alzheimer's Disease Cooperative Study	U01AG024904	93.866	11,665
Aging Research	University of Kentucky Research Foundation	2 P01 AG010836-11	93.866	120,573
Vision Research	Northwestern University	1R01EY014662-01	93.867	74,318
Vision Research	Ohio State University Research Foundation	5 U10 EY08893-13	93.867	(803)
Vision Research	Duke University	5 R01 EY015559-03	93.867	121,856
Vision Research	The Smith-Kettlewell Eye Research Institute	R01EY15314	93.867	132,716
Vision Research	Medical City Dallas Hospital	5 R01 DK49368	93.867	4,483
Vision Research	University of California in San Diego	1U10 EY14267-01	93.867	421,465
Vision Research	Jaeb Center for Health Research Inc	ATS5	93.867	1,403
Vision Research	Emory University	1 U10 EY01372	93.867	151,603
Healthy Start Initiative	Mobile County Health Department	None	93.926	41,518
Healthy Start Initiative	Mobile County Health Department	None	93.926	4,733
Center for Medical Rehab. Research	Emory University	5 R01 HD037606-05	93.929	25,281
Agricultural and Safety Programs	East Carolina University	None	93.956	1,426
Block Grants for Prevention and Treatment of Substance Abuse	Jefferson Blount St Clair Mental Health/MR Authori	B1 AL SAPT	93.959	305,019
Prev. Health Sci.-Sexually Trans. Dis. Control Grants	Alabama Dept of Public Health	CCH25/404330	93.977	33,631
Prev. Health Sci.-Sexually Trans. Dis. Control Grants	Alabama Dept of Public Health	CCH25/404330-12	93.977	41,880
Preventive Health and Health Services Block Grant	Alabama Dept of Public Health	None	93.991	75,644
Maternal & Child Hlth Serv Block Grants to the State	Sickle Cell Disease Association of America	U93MC00217	93.994	59,432
Unknown	Alabama Dept of Rehabilitation Services	None	93.RD	549,072
Unknown	University of Pittsburgh	U01HL061744	93.RD	52,584
Unknown	Duke University	R01NR008285-03	93.RD	21,270
Unknown	Kaiser Foundation Research Institute	R01HL078972	93.RD	198,897
Unknown	Mount Sinai School of Medicine	R01AG15922-06	93.RD	733
Unknown	University of Wisconsin in Madison	05 FPP31	93.RD	5,549
Unknown	Duke University	None	93.RD	17,553
Unknown	Northern California Inst for Research and Edu	R01HL074814	93.RD	62,927
Unknown	Radiation Therapy Oncology Group	RTOG	93.RD	(117)
Unknown	Jacksonville State University	U50/ATU473215	93.RD	159,188
Unknown	Combinix, Inc.	1 R43 DK067732-01A2	93.RD	77,942
Unknown	Alpha Genesis	U01 AI49916	93.RD	162
Unknown	Alliance for the Prudent use of Antibiotics	U24 AI50139-04	93.RD	10,176
Unknown	Beth Israel Deaconess Medical Center	1 P01 HL076540-02	93.RD	155,263
Unknown	Hemophilia of Georgia Inc	U27/CCU413118-10	93.RD	58,879
Unknown	Jacksonville State University	U50/ATU473215	93.RD	18,890
Unknown	New York University Medical School	2 R01 AG014634-18A1	93.RD	55,777
Unknown	Beth Israel Deaconess Medical Center	5 P01 HL076540-03	93.RD	88,295
Unknown	Scott and White Memorial Hospital and Scott	R01 NR03497	93.RD	76,836
Unknown	Emory University	5 P01 098912-03	93.RD	84,723
Unknown	Southern Research Institute	1 R01 AI071393-01	93.RD	25,270
Unknown	American College of Radiology	U10CA21661	93.RD	22,892
Unknown	University of Texas MD Anderson Center	7R21CA105434	93.RD	5,302
Unknown	University of Medicine & Denistry of New Jersey	R01NS38384	93.RD	298,047
Contract	University of Wisconsin in Madison	N01-CN-35153		(1,997)
Contract	North Shore University Hospital	N01-AR-1-2256		45,317
Contract	Maryland Medical Research Institute	N01-HB-67129		3,882
Contract	University of Rochester	N01AI25460		120,920
Contract	Jefferson County Dept of Health	N01AI75329		187,468
Contract	Saint Louis University	N01-AI-45250		254,661
Contract	Center For Health Care Policy and Evaluation	223-02-1420		(3,590)
Contract	Southern Research Institute	N01-NS-2-2348		(24,081)
Contract	Family Health International	N01-HD-73271		(10,427)

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
Contract	Medical University South Carolina Foundation	N01-HV-28181		226,995
Contract	University of Utah	N01-AR-92236		3,790
Contract	University of California in San Francisco	N01-AI-15416		99,081
Contract	Strang Cancer Prevention Center	N01-CN-95015		53,944
Contract	Coley Pharmaceutical Group Inc	HHSN266200400044C		162,048
Contract	Washington University in St Louis	N01-CN-43308		258,894
Contract	Wake Forest University School of Medicine	N01-WH-44221		18,156
Contract	Coda, Inc.	223-02-6003		30,977
Contract	Booz Allen Hamilton Inc.	1435-04-04CT-73980		64,856
Contract	University of Washington	924129		71,164
Contract	Jaeb Center for Health Research Inc	None		9,122
Contract	Saint Luke's Hospital of Kansas City	None		13,086
Contract	University of North Carolina at Chapel Hill	None		1,649
Contract	Boston University Medical Campus	None		199
Contract	Alabama Dept of Public Health	C60114042		46,887
Contract	Vivo Biosciences Inc	HHSN 261200566001C		34,821
Contract	University of Texas Southwestern Medical Center	N01-HB-07159		37,269
Contract	University of Rochester	None		1,671
Contract	University of Medicine & Denistry of New Jersey	None		513,599
Total Pass-Through				22,102,041
<b>Total Department of Health &amp; Human Services</b>				<b>254,025,364</b>
<b><u>U.S Agency for International Development</u></b>				
Pass-Through:				
USAID Foreign Assistance for Programs Overseas	University of Georgia	LAG-G-00-96-00013-00	98.001	154,176
John Ogonowski Farmer-to-Farmer Program	Clemson University	EEM-A-00-05-00010-00	98.009	4,707
Unknown	Boston University Medical Campus	7113-5LLL	98.RD	603,789
Unknown	CONRAD, Eastern Virginia Medical School	HRV-A-0098-00020	98.RD	52,234
Total Pass-Through				814,906
<b>Total U.S. Agency for International Development</b>				<b>814,906</b>
TOTAL RESEARCH AND DEVELOPMENT				283,718,937
STUDENT FINANCIAL AID				
<b><u>Department of Education</u></b>				
Direct:				
FSEOG			84.007	855,781
Federal Work Study			84.033	1,033,623
Job Location Development Program			84.033	49,594
Federal Perkins Loan Program			84.038	202,818
Federal Pell Grant			84.063	8,896,712
Direct Student Loans			84.268	72,107,358
Total Direct				83,145,886
<b>Total Department of Education</b>				<b>83,145,886</b>
<b><u>Department of Health &amp; Human Services</u></b>				
Direct:				
Nurse Faculty Loan Program			93.264	43,700
Total Direct				43,700
TOTAL STUDENT FINANCIAL AID				83,189,586
CONSTRUCTION				
<b><u>Department of Health &amp; Human Services</u></b>				
Direct:				
National Center for Research Resources			93.389	4,000,000
Health Care and Other Facilities			93.887	11,195,246
Total Direct				15,195,246
<b>Total Department of Health &amp; Human Services</b>				<b>15,195,246</b>
TOTAL CONSTRUCTION				15,195,246

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
OTHER MAJOR PROGRAMS				
<b><u>Department of Health &amp; Human Services</u></b>				
Pass-Through:				
Centers for Res & Dev-Health Promotion & Disease Prevention	Elizabeth Glaser Pediatric AIDS Foundation	CDC-02-01-40-004-04	93.135	7,499,924
Centers for Res & Dev-Health Promotion & Disease Prevention	Elizabeth Glaser Pediatric AIDS Foundation	CDC-02-01-40-021-06	93.135	<u>5,114,926</u>
Total Pass-Through				12,614,850
<b>Total Department of Health &amp; Human Services</b>				12,614,850
<b>TOTAL MAJOR PROGRAMS</b>				<b>394,718,619</b>
NONMAJOR PROGRAMS				
<b><u>Department of Agriculture</u></b>				
Pass-Through:				
Initiative for Future Agriculture and Food Systems	Baylor College of Medicine	2001-52102-11255	10.302	81,337
Child and Adult Care Food Program	Al. Dept. of Education	ADS-0000	10.558	<u>1,691</u>
Total Pass-Through				83,028
<b>Total Department of Agriculture</b>				83,028
<b><u>Department of Commerce</u></b>				
Direct:				
Congressionally-Identified Projects			11.617	<u>356,962</u>
Total Direct				356,962
Pass-Through:				
Undersea Research	University of Alaska in Fairbanks	NA03OAR4300104	11.430	<u>4,953</u>
Total Pass-Through				4,953
<b>Total Department of Commerce</b>				361,915
<b><u>Department of Defense</u></b>				
Direct:				
Procurement Technical Assistance for Business Firms			12.002	354,054
Basic and Applied Scientific Research			12.300	1,873
Military Med Res & Dev			12.420	2,468
Air Force Defense Research Sciences Program			12.800	268
Contract-Army Reserves				96,489
Contract-Alabama Army National Guard				116,253
Contract-Army ROTC				121,498
Contract#DADA10-02-H-0007 Optometry				28,032
Contract#DADA10-98-H-0186 Medical				37,211
Contract#DADA10-98-H-0097 Dental				66,975
Contract- Army Unknown				15,428
Contract-Coast Guard				1,536
Contract-Navy				104,558
Contact#F33600-00-A-0067				245,356
Contract#F01600-79-D0466				32,332
Contract-Air Force Unknown				<u>3,835</u>
Total Direct				1,228,166
Pass-Through:				
Basic and Applied Scientific Research	Kansas State University	S05022	12.300	80,072
Contract	Mississippi State University	301592		256
Contract	Mississippi State University	360043		79,345
Contract	Mississippi State University	360042		128,785
Contract	Mississippi State University	360044		<u>113,586</u>
Total Pass-Through				402,044
<b>Total Department of Defense</b>				1,630,210
<b><u>Department of Housing and Urban Development</u></b>				
Direct:				
Supportive Housing Program			14.235	16,436
Community Development Work-Study Program			14.512	<u>42,109</u>
Total Direct				58,545
<b>Total Department of Housing and Urban Development</b>				58,545

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
<b><u>Department of Justice</u></b>				
Direct:				
Public Safety Partnership and Community Policing Grants			16.710	1,102,657
Total Direct				<u>1,102,657</u>
Pass-Through:				
Offender Reentry Program	Alabama Dept of Economic & Community Affairs	02-RE-01-001	16.202	378,645
Total Pass-Through				<u>378,645</u>
<b>Total Department of Justice</b>				<b>1,481,302</b>
<b><u>Department of Transportation</u></b>				
Pass-through:				
Highway Planning and Construction	Regional Planning Commission of Greater Birmingham	201733	20.205	(1,500)
Federal Highway Safety Data Improvements Incentive Grants	Alabama Dept of Transportation	930-613	20.603	18,893
University Transportation Centers Program	University of Alabama	05-205	20.701	69,385
Interagency Hazardous Mat Public Sector Training & Planning	Alabama Emergency Mgt Agency	HMEP-04HM-FC	20.703	19,005
Contract	Alabama Dept of Transportation	None		25,970
Contract	Alabama Dept of Transportation	None		62,394
Contract	Ala Emergency Mgt Agency	None		2,389
Contract	Alabama Dept of Transportation	ITS-AL04		839,245
Contract	Brain Trauma Foundation	DTNH22-98-G-05131		18,605
Contract	Alabama Dept. of Transportation	930-607		18,617
Contract	University of Alabama	06-028		28,678
Contract	University of Alabama	06-034		3,777
Contract	University of Alabama	06-035		15,838
Contract	University of Alabama	04-215		12,182
Total Pass-through				<u>1,133,478</u>
<b>Total Department of Transportation</b>				<b>1,133,478</b>
<b><u>National Aeronautics and Space Administration</u></b>				
Pass-through:				
Contract	University of Alabama in Huntsville	2005-151		45,114
Contract	University of Alabama in Huntsville	2001-170		2,856
Total Pass-through				<u>47,970</u>
<b>Total National Aeronautics and Space Administration</b>				<b>47,970</b>
<b><u>National Foundation on the Arts and the Humanities</u></b>				
Pass-Through				
Promotion of the Arts Grants to Org. and Individuals	Southern Arts Federation	2511	45.024	2,650
Promotion of the Arts Grants to Org. and Individuals	Alabama Council on the Arts	ASCA-2006-13815	45.024	4,100
Total Pass-Through				<u>6,750</u>
<b>Total National Foundation on the Arts and the Humanities</b>				<b>6,750</b>
<b><u>National Science Foundation</u></b>				
Direct:				
Engineering Grants			47.041	88,594
Mathematical and Physical Sciences			47.049	414,131
Computer & Information Sci & Eng			47.070	90,407
Biological Sciences			47.074	444,539
Educational & Human Resources		Various	47.076	3,530,387
International Science and Engineering (OISE)			47.079	25,252
Total Direct				<u>4,593,310</u>
Pass-Through:				
Educational & Human Resources	University of Alabama	UA05-023	47.076	200,979
Education and Human Resources	Birmingham City Schools	None	47.076	3,836
Education and Human Resources	Birmingham Southern College	412373	47.076	392,155
Contract	University of Alabama in Huntsville	2005-292		95,711
Contract	University of Alabama in Huntsville	2005-235		2,503
Total Pass-Through				<u>695,184</u>
<b>Total National Science Foundation</b>				<b>5,288,494</b>

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
<b>Small Business Administration</b>				
Direct:				
Small Business Development Center			59.037	1,349,679
Total Direct				<u>1,349,679</u>
<b>Total Small Business Administration</b>				1,349,679
<b>Department of Veteran Affairs</b>				
Pass-Through:				
Contract	Veterans Inst for Scientific & Technical Appl	CSP403B		<u>32,512</u>
Total Pass-Through				32,512
<b>Total Department of Veteran Affairs</b>				32,512
<b>Department of Energy</b>				
Direct:				
Office of Science Financial Assistance Program			81.049	(31,297)
Energy Efficiency and Renewable Energy Info			81.117	<u>108,700</u>
Total Direct				77,403
Pass-Through:				
State Energy Program	Alabama Dept of Economic & Community Affairs	STE1EX SEP05	81.041	8,388
State Energy Program	Alabama Dept of Economic & Community Affairs	1EXSEP 05 01	81.041	2,799
Contract	Sandia National Laboratories	559386		<u>9,442</u>
Total Pass-Through				20,629
<b>Total Department of Energy</b>				98,032
<b>Department of Education</b>				
Direct:				
TRIO Student Support Services			84.042	391,014
National Institute on Disability and Rehabilitation Research			84.133	1,636
Bilingual Education			84.195	529,134
Graduate Assistance in Areas of National Need			84.200	283,303
Special Ed.-Personnel Preparation			84.325	299,037
Special Ed. - Technical Assistance and Dissemination			84.326	104,848
Teacher Quality Enhancement Grants			84.336	815,216
Preparing Tomorrow's Teachers to Use Technology			84.342	(5,888)
Early Reading First			84.359	831,440
Hurricane Education Recovery			84.938	<u>64,933</u>
Total Direct				3,314,673
Pass-Through:				
Special Education-Grants to States	Lamar County Board	None	84.027	22,749
Special Education-Grants to States	Alabama Dept of Education	None	84.027	709
Special Education-Grants to States	Alabama Dept of Education	None	84.027	15,854
Special Education-Grants to States	Alabama Dept of Education	None	84.027	149,224
Special Education-Grants to States	Alabama Dept of Education	SDE 390684-005204-180	84.027	(9)
Special Education-Grants to States	Birmingham City Schools	None	84.027	13,358
Vocational Education National Programs	Alabama Dept of Education	None	84.051	35,375
Fund for the Improvement of Postsecondary Education	University of Kentucky Rsh Fd	P116J030041	84.116	4,415
Rehab. Services - Voc. Rehab. Grants to States	Alabama Dept of Rehabilitation Services	DRS-HE5087M505	84.126	2,574
Rehab. Services - Voc. Rehab. Grants to States	Alabama Dept of Rehabilitation Services	C50870033	84.126	3,336
Rehab. Services - Voc. Rehab. Grants to States	Chilton County Public Schools	None	84.126	3,167
Rehab. Services - Voc. Rehab. Grants to States	Alabama Dept of Rehabilitation Services	AE6087MS05	84.126	77,514
Rehab. Services - Voc. Rehab. Grants to States	Chilton County Public Schools	None	84.126	17,882
Special Education_Preschool Grants	Alabama Dept. of Rehabilitation Services	C40870037	84.173	59,868
Special Ed-Infants & Families with Disabilities	Alabama Dept of Rehabilitation Services	None	84.181	454
Special Ed-Infants & Families with Disabilities	Alabama Dept of Rehabilitation Services	None	84.181	(2,086)
Special Ed-Infants & Families with Disabilities	Alabama Dept of Rehabilitation Services	05CR14	84.181	2,404
Special Ed-Infants & Families with Disabilities	Alabama Dept of Rehabilitation Services	None	84.181	44,134
Fund for Improvement of Education	Birmingham City Schools	None	84.215	14,226
Eisenhower Prof. Dev. State Grants	Alabama Comm on Higher Education	ALAHASP	84.281	81

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## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
Education Technology State Grants	Alabama Dept of Education	U600260	84.318	71,910
Teacher Quality Enhancement Grants	City of Dothan	None	84.336	16,242
Preparing Tomorrow's Teachers to Use Technology	University of South Alabama	04-040-525131	84.342	(1,318)
Preparing Tomorrow's Teachers to Use Technology	Alabama Dept of Education	C4U0086	84.342	(217)
Reading First State Grants	Alabama Dept of Education	ARI-R1C	84.357	(8,065)
Reading First State Grants	Alabama Dept of Education	None	84.357	97
Reading First State Grants	Alabama Dept of Education	370684-005500-170030	84.357	97,874
Reading First State Grants	Louisiana State University	None	84.357	786
Preparing Tomorrow's Teachers to Use Technology	Alabama Dept of Education	None	84.367	(4,918)
Preparing Tomorrow's Teachers to Use Technology	Alabama Comm on Higher Education	None	84.367	20,916
Preparing Tomorrow's Teachers to Use Technology	Alabama Comm on Higher Education	None	84.367	72,150
Improving Teacher Quality State Grants	Alabama Comm on Higher Education	ALAHASP2005-2006	84.367	130,435
Improving Teacher Quality State Grants	Alabama Comm on Higher Education	None	84.367	24,261
Grants for State Assessments and Related Activities	Alabama Dept of Education	C6U0346	84.369	36,892
Grants for State Assessments and Related Activities	Alabama Dept of Education	C5X0344	84.369	18,353
Contract	Alabama Dept of Education	U400275		210
Contract	Alabama Dept of Education	IDEIA		12,000
Contract	Craig Hospital	2677		34,041
Total Pass-Through				986,878
<b>Total Department of Education</b>				<b>4,301,551</b>
<b>Department of Health &amp; Human Services</b>				
Direct:				
Maternal & Child Health Fed. Consolidated Prog.			93.110	2,154,767
Oral Disease and Disorders Research			93.121	558,369
Nurse Anesthetist Traineeships			93.124	36,934
Allied Health Special Projects			93.191	1,478
Research and Training in Complementary and Alternative Medicine			93.213	68,792
Natl. Research Serv. Awards Health Services Res. Training			93.225	357,775
Mental Health Research Grants			93.242	20,672
SAMHSA-Projects of Regional & National Significance			93.243	752,725
Advanced Ed. Nursing Grant Program			93.247	943,049
Occupational Safety and Health Program			93.262	854,597
Occupational Safety and Health - Training Grants			93.263	(4,211)
Alcohol Research Career Dev. Awards			93.271	98,799
Drug Abuse and Addiction Research Programs			93.279	167,616
Mental Health Research Career/Scientist Dev.			93.281	98,818
Mental Health NRSA for Rsh Training			93.282	(668)
Center for Dis. Control & Pre.-Investigation & Tech.			93.283	294,111
Discovery and Applied Research for Technological Innovations to Improve Human Health			93.286	5,671
Comparative Medicine			93.306	(25,670)
Minority Health & Disparities Rsch			93.307	232,806
Clinical Research			93.333	421
Professional Nurse Traineeships			93.358	146,944
Biomedical Technology			93.371	843,018
National Center for Research Resources		Various	93.389	3,538,575
Cancer Treatment Research			93.395	16,585
Cancer Biology Research			93.396	24,410
Cancer Research Manpower			93.398	644,770
Head Start			93.600	957,400
Univ. Centers for Excellence in Developmental Disabilities			93.632	461,116
Heart & Vascular Disease Research			93.837	1,106,465
Lung Disease Research			93.838	545,325
Blood Diseases and Resources Rsch			93.839	2,750
Arthritis, Musculoskeletal & Skin Diseases			93.846	797,301
Digestive Diseases and Nutrition Research			93.848	337,506
Kidney Disease, Urology & Hematology			93.849	153,733
Clinical Res. Related to Neurological Disorders			93.853	619,400

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
Allergy, Immunology & Transplantation			93.855	961,662
Microbiology and Infectious Disease Research		Various	93.856	3,845,521
Pharmacology, Physiology, and Biological Chem. Res.			93.859	500,503
Population Research			93.864	(3,764)
Research for Mothers & Children			93.865	764,202
Aging Research			93.866	473,836
Vision Research			93.867	579,994
Grants for Residency Training in Primary Care Med. & Dent.			93.884	389,314
Resource & Manpower Dev in Environ Health Sci			93.894	28,989
Rural Health Care Serv Outreach & Dev Program			93.912	1,165
Grants to Provide Outpatient Early Intervention Services			93.918	415,293
Center for Medical Rehabilitation Research			93.929	29,478
Health Admin. Traineeships and Special Projects			93.962	23,352
Public Health Traineeships			93.964	42,470
Prev. Health Serv.-Sexually Transmitted Dis. Research			93.978	152,422
Senior International Fellowships			93.989	480,201
Contract #HHSH240200435005C				179,514
Contract #CDC02IPA24667 MOD2				22,154
Contract #PROTOCOL 01-C-0222				6,213
Contract #HHSP233200600669P				5,886
Total Direct				25,710,554
<b>Pass-Through:</b>				
Public Health & Social Services Emergency Fund	Alabama Dept of Public Health	C50113107/CEP-14-QW	93.003	24,387
Alzheimer's Disease Demo. Grants to States	Jefferson County Office of Senior Citizens Services	361-05	93.051	125
National Family Caregiver Support	Jefferson County Commission	03-126	93.052	(1,161)
Maternal & Child Health Fed Consolidated Program	Sickle Cell Disease Assoc of America	H46MC01763	93.110	24,507
Maternal & Child Health Fed Consolidated Program	Sickle Cell Foundation of Greater Montgomery	6H46MC00236	93.110	20,573
Project Grant & Coop. Agreements for Tuberculosis	Alabama Dept of Public Health	C40118185-525138	93.116	8,254
Project Grant & Coop. Agreements for Tuberculosis	Alabama Dept of Public Health	C50113145	93.116	57,290
Project Grant & Coop. Agreements for Tuberculosis	Alabama Dept of Public Health	C60114088	93.116	54,345
Emergency Medical Services for Children	Alabama Dept of Public Health	C20113078	93.127	41,177
Emergency Medical Services for Children	Alabama Dept of Public Health	C30117086	93.127	49,760
Emergency Medical Services for Children	Alabama Dept of Public Health	C10119098	93.127	9,252
Emergency Medical Services for Children	Alabama Dept of Public Health	C60114141	93.127	6,212
AIDS Education and Training Centers	Emory University	1 R34 MH073411-01	93.145	137,266
Disabilities Prevention	Alabama Dept of Mental Health & Mental Retardation	CCU408477	93.184	12,390
Childhood Lead Poisoning Prevention Projects	Alabama Dept of Public Health	C60114043	93.197	2,000
Consolidated Knowledge Dev. And App. Program	Substance Abuse & Mental Health Services Admin	1UDT113590	93.230	(456)
Consolidated Knowledge Dev. And App. Program	Florida Certification Board	1 UD T113590-01	93.230	54,860
SAMHSA-Projects of Regional & National Significance	Jefferson Blount St Clair Mental Health/MR Authori	H79SM54671	93.243	11,560
SAMHSA-Projects of Regional & National Significance	Jefferson Blount St Clair Mental Health/MR Authori	1 H79 SM54671-01	93.243	140,552
SAMHSA-Projects of Regional & National Significance	Jefferson Blount St Clair Mental Health/MR Authori	1 H79 SM54671-01	93.243	286,896
Public Health Training Centers Grants Program	Tulane University	D20HP00012	93.249	752
Geriatric Academic Career Awards	Charlotte J Williams MBCHB	K01HP00146	93.250	33,057
Rural Access to Emergency Devices Grant	Alabama Dept of Public Health	C40118211	93.259	848
Centers for Dis. Cont. & Prev.-Invest. & Tech. Assist.	Alabama Dept of Public Health	C40118195	93.283	500
Centers for Dis. Cont. & Prev.-Invest. & Tech. Assist.	Alabama Dept of Public Health	C5011307	93.283	34,892
Centers for Dis. Cont. & Prev.-Invest. & Tech. Assist.	Alabama Dept of Public Health	C50113197	93.283	68,399
Centers for Dis. Cont. & Prev.-Invest. & Tech. Assist.	Alabama Dept of Public Health	C60114078	93.283	90,816
Centers for Dis. Cont. & Prev.-Invest. & Tech. Assist.	Alabama Dept of Public Health	C60114067	93.283	55,366
Centers for Dis. Cont. & Prev.-Invest. & Tech. Assist.	Alabama Dept of Public Health	C60114143	93.283	74,515
Centers for Dis. Cont. & Prev.-Invest. & Tech. Assist.	Alabama Dept of Public Health	C60114087	93.283	22,024
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C40118252	93.283	270
CDC and Prevention - Investigations & Tech. Assis.	Intl Society of Travel Medicine	None	93.283	(7)
CDC and Prevention - Investigations & Tech. Assis.	Assoc of Schools of Public Health	ASTDR-525489	93.283	77,074
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C20113152	93.283	280
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C00118051	93.283	(35,061)
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C40118294	93.283	79
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C50113055	93.283	(6,433)
CDC and Prevention - Investigations & Tech. Assis.	Hemophilia of Georgia Inc	0271CCU	93.283	3,541
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C50113101	93.283	11,452
CDC and Prevention - Investigations & Tech. Assis.	University of Rochester	412817-G	93.283	2,314
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C40118168	93.283	17,781
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C50113186	93.283	91,108
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C50113185	93.283	86,049
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C50113191	93.283	33,572
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	247609/T0502220031	93.283	1,066
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C50113146A	93.283	11,516
CDC and Prevention - Investigations & Tech. Assis.	Intl Society of Travel Medicine	U50/CCU4112347	93.283	113,497
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C60114013	93.283	70,385

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.



# University of Alabama at Birmingham

## Schedule of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
CDC and Prevention - Investigations & Tech. Assis.	University of Rochester	U50/CCU300860	93.283	29,178
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C60114079	93.283	94,140
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C60114126	93.283	32,056
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C60114220	93.283	13,270
CDC and Prevention - Investigations & Tech. Assis.	Alabama Dept of Public Health	C60114219	93.283	13,999
Pediatric Research Loan Repayment Program	University of Minnesota	None	93.285	14,771
President's Council on Physical Fitness and Sports	Alabama Dept of Public Health	C60114085	93.289	286,657
Cancer Treatment Research	The Gynecologic Oncology Group	CA27469-26	93.395	7,918
Temporary Assistance for Needy Families	Louisiana State University	NONE	93.558	3,943
Temporary Assistance for Needy Families	Louisiana Department of Health and Hospitals	NONE	93.558	335
Temporary Assistance for Needy Families	Louisiana State University	343742	93.558	98
Developmental Disabilities Basic Support	Alabama Dept of Mental Health & Mental Retardation	G54300-51	93.630	1,017
Developmental Disabilities Basic Support	Alabama Dept of Mental Health & Mental Retardation	AL BS01	93.630	30,108
Children's Justice Grants to States	Children's Justice	None	93.643	44
Children's Justice Grants to States	Children's Justice	4133	93.643	11,344
Foster Care Title IV-E	University of Alabama	04-057	93.658	38,701
State Children's Insurance Program	Alabama Dept of Public Health	C50113159	93.767	151,740
Medical Assistance Program	Alabama Medicaid Agency	02-39	93.778	46,848
Medical Assistance Program	Alabama Dept of Mental Health & Mental Retardation	2005-2007	93.778	13,546
Centers for Medicare & Medicaid Services	Alabama Quality Assurance Foundation	None	93.779	5,475
Heart and Vascular Diseases Research	Statistics & Epidemiology Research Corporation	U10HL58706	93.837	68,646
Heart and Vascular Diseases Research	University of Pittsburgh	U01HL064829	93.837	14,187
Lung Disease Research	INO Therapeutics	INOT25	93.838	104,208
Blood Diseases and Resources Research	Natl Marrow Donor Program	None	93.839	55,643
Blood Diseases and Resources Research	Natl Marrow Donor Program	None	93.839	2,826
Allergy, Immunology & Transplantation Research	University of Minnesota	S6476775201	93.855	24,675
Microbiology and Infectious Diseases Research	Family Health International	645-42	93.856	86,200
Microbiology and Infectious Diseases Research	Social & Scientific Systems Inc	U 01 AI38858	93.856	87,200
Aging Research	Visual Awareness Inc	R44AG022799	93.866	23,380
National Bioterrorism Hospital Preparedness	Alabama Dept of Public Health	C50113232	93.889	30,577
National Bioterrorism Hospital Preparedness	Alabama Dept of Public Health	C60114093	93.889	40,789
HIV Care Formula Grants	Alabama Dept of Public Health	00-01 1917	93.917	6,072
HIV Care Formula Grants	United Way of Central Alabama Inc	14-KD5-04-RW-CA-04-01	93.917	30,967
Centers for Medical Rehab. Research	Emory Univ	R01HD376060	93.929	13,936
Chronic Disease Prevention and Control	Alabama Dept of Public Health	C40118277	93.945	(1,889)
Chronic Disease Prevention and Control	Alabama Dept of Public Health	C10119122	93.945	17,691
Chronic Disease Prevention and Control	Alabama Dept of Public Health	None	93.945	(128)
Block Grants for Community Mental Health Services	Jefferson Blount St Clair Mental Health/MR Authori	None	93.958	1,800
Block Grants for Community Mental Health Services	Jefferson Blount St Clair Mental Health/MR Authori	H79SM54671	93.958	31,425
Block Grants for Prevention and Treatment of Sub. Abuse	Jefferson Blount St Clair Mental Health/MR Authori	B1ALSAPT	93.959	41,185
Prev. Health Serv.-Sexually Transmitted Dis. Control Grant	Alabama Dept of Public Health	C30117020	93.977	47
Prev. Health Serv. -Sexually Transmitted Dis. Res., Demo.	Jefferson County Dept of Health	DC-29	93.978	56,153
Senior International Fellowships	Vanderbilt University	VUMC31750-R	93.989	57,137
Senior International Fellowships	Vanderbilt University	VUMC000264002	93.989	25,949
Preventive Health & Health Services Block Grant	Alabama Dept of Public Health	C50113002	93.991	9,250
Maternal & Child Health Service Block Grant	Alabama Dept of Rehabilitation Services	C10870024	93.994	125
Maternal & Child Health Service Block Grant	Alabama Dept of Public Health	C50113067	93.994	1,610
Maternal & Child Health Service Block Grant	Alabama Dept of Public Health	C50113104	93.994	2,410
Maternal & Child Health Service Block Grant	Alabama Dept of Public Health	C60114051	93.994	23,998
Unknown	Oak Ridge Assoc Universities	None	93.XXX	(4,814)
Unknown	Alabama Dept of Public Health	C60114081	93.XXX	9,487
Unknown	EMMES Corporation	None	93.XXX	(301)
Unknown	Mayo Foundation for Medical Education & Research	U10 CA25224	93.XXX	37,505
Unknown	Alabama Dept of Public Health	C50113125	93.XXX	(8,706)
Unknown	Alabama Dept of Public Health	C50113161	93.XXX	5,116
Unknown	American College of Radiology	U10CA21661	93.XXX	111,822
Contract	Alabama Dept of Public Health	CEP-23-PV5-05		36,946
Contract	Jefferson County Dept of Health	JCDH DC-29		30,213
Contract	Alabama Dept of Public Health	C60114095		305,476
Contract	Alabama Dept of Public Health	C60114080		161,600
Contract	University of Alabama	UA-06-020		48,833
Contract	Tulane University	2 D20HP00012-06-00		131,584
Contract	Alabama Dept of Rehabilitation Services	C60870019		37,687

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

**University of Alabama at Birmingham  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2006**

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Identifying Number</u>	<u>CFDA Number</u>	<u>Total Expenditures</u>
Contract	Duke University	127110		618
Contract	University of Maryland	SO1992		20,220
Contract	Alabama Dept of Public Health	C50113202		210,820
Contract	United Way of Central Alabama Inc	RW-1917-0506		85,713
Contract	United Way of Central Alabama Inc	EC-1917-0506		41,955
Contract	Alabama Dept of Public Health	None		6,407
Contract	Alabama Dept of Public Health	C50113205		13,706
Contract	United Way of Central Alabama Inc	RW-UABF-0506		27,169
Contract	Duke University	102970		19
Contract	University of Maryland	UMB-S02061		21,848
Contract	Congressional Glaucoma Caucus Fdn	None		265
Contract	Alabama Dept of Public Health	C60114103		27,958
Contract	United Way of Central Alabama Inc	RW-UABF-0607		10,133
Contract	Alabama Dept of Public Health	C60114144		105,900
Contract	Alabama Dept of Public Health	C60114221		14,582
Contract	Florida Certification Board	1 UD TH13590-01		1,134
Contract	Alabama Dept of Public Health	C60114198		24,178
Contract	Intl Society of Travel Medicine	None		78,279
Total Pass-Through				<u>5,044,050</u>
<b>Total Department of Health &amp; Human Services</b>				<b>30,754,604</b>
<b><u>Corporation For National and Community Service</u></b>				
Direct				
Planning and Program Development Grants			94.007	<u>5</u>
Total Direct				5
Pass-Through:				
AmeriCorps	The Governor's Office of Faith Based and Community Initiatives	03AFA1001002	94.006	16,080
Contract	The Governor's Office of Faith Based and Community Initiatives	03 ACF 007PL		148,431
Contract	The Governor's Office of Faith Based and Community Initiatives	GFBCI 2005-06		18,791
Total Pass-Through				<u>183,302</u>
<b>Total Corp. For National and Community Serv.</b>				<b>183,307</b>
<b><u>U.S. Agency for International Development</u></b>				
Pass-Through:				
USAID Foreign Assistance for Programs Overseas	Elizabeth Glaser Pediatric AIDS Foundation	CTA-0101-40-214-03	98.001	17,975
USAID Foreign Assistance for Programs Overseas	Boston University Medical Campus	MC-186909-N-CM	98.001	16,687
Unknown	Elizabeth Glaser Pediatric AIDS Foundation	CTA-0101-40-192-03	98.XXX	(217)
Total Pass-Through				<u>34,445</u>
<b>Total U.S. Agency for International Development</b>				<b>34,445</b>
SPECIAL FEDERAL APPROPRIATIONS				
Lister Hill Center for Health Policy				562,678
John J Sparkman Center				<u>582,897</u>
<b>TOTAL SPECIAL FEDERAL APPROPRIATIONS</b>				<b>1,145,575</b>
<b>TOTAL NON-MAJOR PROGRAMS</b>				<b><u>47,991,397</u></b>
<b>TOTAL FEDERAL</b>				<b><u>\$ 442,710,016</u></b>

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

**University of Alabama at Birmingham**  
**Schedule of Expenditures of Federal Awards by Agency**  
**For the Year Ended September 30, 2006**

<b>Federal Grantor/ Program Title</b>	<b>Dept. of Health and Human Services</b>	<b>Dept. Of Defense</b>	<b>Dept. of Education</b>	<b>Dept. Of Energy</b>	<b>Dept. Of Transportation</b>	<b>National Aeronautics And Space Admin.</b>	<b>National Science Foundation</b>	<b>Small Business Admin.</b>	<b>Other Federal Sponsors</b>	<b>Total</b>
<b>MAJOR PROGRAMS:</b>										
Research and Development - Direct	\$ 231,923,323	\$ 4,916,212	\$ 1,572,989	\$ 673,895	\$ 3,348,511	\$ 6,950,899	\$ 3,428,239		\$ 2,582,132	\$ 255,396,200
Pass-Through	22,102,041	2,114,421	227,277	664,162	571,744	584,845	992,566		1,065,681	28,322,737
Student Financial Aid	43,700		83,145,886							83,189,586
Construction	15,195,246									15,195,246
Other Major Programs	<u>12,614,850</u>									<u>12,614,850</u>
<b>TOTAL MAJOR PROGRAMS</b>	<u>281,879,160</u>	<u>7,030,633</u>	<u>84,946,152</u>	<u>1,338,057</u>	<u>3,920,255</u>	<u>7,535,744</u>	<u>4,420,805</u>		<u>3,647,813</u>	<u>394,718,619</u>
<b>TOTAL NONMAJOR PROGRAMS</b>	<u>30,754,604</u>	<u>1,630,210</u>	<u>4,301,551</u>	<u>98,032</u>	<u>1,133,478</u>	<u>47,970</u>	<u>5,288,494</u>	<u>1,349,679</u>	<u>3,387,379</u>	<u>47,991,397</u>
<b>TOTAL FEDERAL AWARDS</b>	<u>\$ 312,633,764</u>	<u>\$ 8,660,843</u>	<u>\$ 89,247,703</u>	<u>\$ 1,436,089</u>	<u>\$ 5,053,733</u>	<u>\$ 7,583,714</u>	<u>\$ 9,709,299</u>	<u>\$ 1,349,679</u>	<u>\$ 7,035,192</u>	<u>\$ 442,710,016</u>

See accompanying notes to schedules of expenditures of federal awards and expenditures of federal awards by agency.

# University of Alabama at Birmingham

## Notes to Schedules of Expenditures of Federal Awards

### For the Year Ended September 30, 2006

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#### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards by Agency (the "Schedules") summarize the federal expenditures of The University of Alabama at Birmingham (the "University") under programs of the federal government for the year ended September 30, 2006. The amounts reported as federal expenditures were obtained from the University's general ledger. Because the Schedules present only a selected portion of the operations of the University, they are not intended to and do not present the financial position, changes in net assets and revenues and expenses of the University.

For purposes of the Schedules, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The awards are classified into Type A and Type B categories in accordance with the provisions of Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Programs classified as Type A are as follows:

##### A. Research and Development

The research and development cluster includes awards for research and development work primarily under grants with agencies and divisions of the Department of Health and Human Services, the National Aeronautics and Space Administration, the Department of Defense, the National Science Foundation, and the Department of Education.

##### B. Student Financial Aid

The student financial aid cluster includes certain awards to provide financial assistance to students, primarily under the Federal Work-Study ("FWS"), Federal Pell Grant ("Pell"), Federal Supplemental Educational Opportunity Grant ("FSEOG"), Federal Perkins Loan ("Perkins"), and Federal Direct Student Loan ("FDSL") programs of the Department of Education. The University receives awards to make loans to eligible students under certain federal student loan programs, and federally guaranteed loans are issued to students of the University.

##### C. Construction

The program for construction includes two construction awards from the Department of Health and Human Services. One award was received from the Health Resources and Services Administration for the partial funding of the Shelby Interdisciplinary Biomedical Research Building and the other award was received from the National Center for Research Resources for the partial funding of the Research Support Building.

##### D. Other

Other programs include two federal pass through awards from the Elizabeth Glaser Pediatric AIDS Foundation. The federal sponsor for both awards is the Center for Disease Control of the Department of Health and Human Services. For the year ended September 30, 2006, approximately \$2,100,000 and \$8,141,000 of Federal expenditures related to these programs were incurred in the United States of America and Zambia, respectively.

##### Federal Pass-Through Funds

Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedules. For the year ended September 30, 2006, the University passed through approximately \$40.9 million to subgrantee organizations.

**University of Alabama at Birmingham**  
**Notes to Schedules of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2006**

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The University is also the subrecipient of federal funds which have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-throughs are considered direct.

**Schedule of Expenditures of Federal Awards by Agency**

The Schedule of Expenditures of Federal Awards by Agency displays direct federal awards and pass-through awards by federal agency. A separate column displays a total from a variety of federal sponsors. These other federal sponsors include the following:

Department of Agriculture	\$ 106,866
Department of Commerce	450,459
Department of Housing and Urban Development	65,862
Department of Justice	1,567,602
National Foundation on the Arts and the Humanities	6,750
Department of Veterans Affairs	2,630,823
Environmental Protection Agency	28,597
Corporation for National & Community Service	183,307
U.S Agency for International Development	849,351
Special Federal Appropriations	<u>1,145,575</u>
	<u>\$ 7,035,192</u>

**2. Summary of Significant Accounting Policies**

For purposes of the Schedules, expenditures for federal award programs are recognized on the accrual basis of accounting and in accordance with accounting standards of the United States of America. Expenditures for federal student financial aid programs include FDSL, Perkins, and Pell program grants to students, the federal share of students' FSEOG program grants, FWS program earnings and administrative cost allowances where applicable.

Negative expenditures are reported for adjustments to prior year expenditures for the University to reconcile and close the federal award programs. This results in accurate reporting on a cumulative basis over multiple periods.

**3. Facilities and Administrative Costs ("F&A Costs")**

The University operates under predetermined fixed F&A cost rates which are effective from October 1, 2004 through September 30, 2007. The predetermined fixed rates were based on 2002 financial information. The base rate for on-campus research is 45.5% for the year ended September 30, 2006. Base rates for other F&A cost recoveries range from 25.0% to 45.5%, for the year ended September 30, 2006.

**4. Federal Student Loan Programs**

**Direct Loan Programs** - The Perkins, Health Professions Student Loan ("HPSL") and Loans to Disadvantaged Students ("LDS") programs are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements.

**University of Alabama at Birmingham**  
**Notes to Schedules of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2006**

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The balances of loans outstanding at September 30, 2006 and funds advanced by the University to eligible students during the year ended September 30, 2006 under the federal student loan programs can be summarized as follows:

	Federal Perkins Loan Program (CFDA #84.038)	HPSL Program (CFDA #93.342)	LDS Program (CFDA #93.342)	Total
Student loans receivable, September 30, 2005	\$ 15,554,947	\$ 2,768,861	\$ 468,471	\$ 18,792,279
Funds advanced to students	2,676,635	252,231	20,127	2,948,993
Less:				
Collections	(3,149,925)	(635,747)	(95,071)	(3,880,743)
Cancellations	(428,363)	-	-	(428,363)
Principal assigned	(10,012)	-	-	(10,012)
Other adjustments	(1,154)	3	-	(1,151)
Student loans receivable, September 30, 2006	<u>\$ 14,642,128</u>	<u>\$ 2,385,348</u>	<u>\$ 393,527</u>	<u>\$ 17,421,003</u>

Perkins expenditures in the accompanying Schedule of Expenditures of Federal Awards include an administrative cost allowance of \$202,818.

**Federal Family Education Loans** - The Federal Direct Student Loan Program (CFDA Number 84.268) ("FDSLPL") was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLPL enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the University rather than through private lenders. The University began participation in the FDSLPL on July 1, 1994. As a university qualified to originate loans, the University is responsible for handling the complete loan process, including funds management as well as promissory note functions. The University is not responsible for collection of these loans. During 2006, the University expended approximately \$72,107,000 under the FDSLPL.

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**PART II**  
**FINDINGS AND QUESTIONED COSTS**

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# University of Alabama at Birmingham

## Schedule of Findings and Questioned Costs

### For the Year Ended September 30, 2006

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#### Section I - Summary of Auditors' Results

##### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

yes  no

Reportable condition(s) identified not considered to be material weaknesses?

yes  none reported

Noncompliance material to financial statements noted?

yes  no

##### Federal Awards

Internal control over major programs:

Material weakness(es) identified?

yes  no

Reportable condition(s) identified not considered to be material weaknesses?

yes  none reported

Type of auditors' report issued on compliance for major programs:

Unqualified for all major programs

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510(a))

yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development
Various	Student Financial Aid
Various	Project Grants for Renovations or Construction
93.135	Centers for Disease Control, Department of Health and Human Services (02-01-40-004-04)
93.135	Centers for Disease Control, Department of Health and Human Services (02-01-40-021-06)

Threshold used to determine Type A and Type B Programs: \$3,000,000

Auditee qualified as low-risk auditee?

yes  no

#### Section II - Financial Statement Findings

No matters were reported.



**University of Alabama at Birmingham  
Federal Award Findings and Questioned Costs  
For the Year Ended September 30, 2006**

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**REFERENCE**

06-1

**PROGRAM**

Research and Development

**QUESTIONED COST**

N/A

**CONDITION**

During our testing of cost transfers, we noted three instances out of a sample of fifty-five in which the related cost transfers were not completed in the time period specified by the University's policy. In addition, we noted one instance out of a sample of fifty-five in which cost transfers lacked evidence of approval.

**REFERENCE**

OMB Circular A-21, Allocable costs

**CAUSE/ EFFECT**

Cost transfers that either lack supervisory approval or are not processed in a timely manner increase the risk the federal awards have been inaccurately reported and administered.

**RECOMMENDATION**

We recommend the University implement controls procedures to ensure transfers are processed timely and receive documented approval.

**MANAGEMENT RESPONSE**

The University concurs that the three instances of cost transfers were not completed in a timely manner, however, all three were on one cost transfer entry and that is the one instance that lacked evidence of approval. The University feels that this is an isolated instance where the approval signatures were overlooked. Effective November 1, 2006, the University revised the cost transfer policy to implement the requirement of a new cost transfer form for each cost transfer request. Prior to this revision signatures for approval were required, but the completion of the form was optional. The requirement of this form will help ensure the consistent documentation of approvals and that appropriate departmental personnel are aware of the time frame in which the request is made.

**CORRECTIVE ACTION PLAN CONTACT**

Beverly Matlock  
Director of Audits and Reporting

**University of Alabama at Birmingham  
Federal Award Findings and Questioned Costs  
For the Year Ended September 30, 2006**

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<b>REFERENCE</b>	<b>PROGRAM</b>	<b>QUESTIONED COST</b>
06-2	Research and Development	\$5,815

**CONDITION**

During our testing of the direct cost related to compensation, we noted one instance out of a sample of fifty-five in which an employee was incorrectly charging effort to a grant. During fiscal year 2006, the employee charged \$643 to the grant in error. In addition, we noted one instance out of fifty-five in which an employee was charging more effort to a grant than what was allowable in the sponsored agreement. This resulted in an over-charge to the grant of approximately \$5,172.

**REFERENCE**

OMB Circular A-21, UAB Effort Reporting policies and procedures

**CAUSE/ EFFECT**

Personnel responsible for administering the programs did not adhere to UAB's established post-award policies and procedures regarding level of effort reporting.

**RECOMMENDATION**

We recommend the University implement control procedures to ensure the accurate reporting of effort to sponsored agreements. We recommend the University strengthen its control procedures to ensure only allowable costs are charged to sponsored agreements.

**MANAGEMENT RESPONSE**

The University will make the required adjustment for the grant charged in error due to the incorrect effort charge. The University has also strengthened its procedures of reviewing personnel documents against award budgets to ensure compliance with sponsored agreements.

The University feels that the instance related to the grant charged for more effort than stipulated in the sponsored agreement is an isolated instance. This error occurred as a result of effort being submitted in a Department of Defense proposal at the NIH capped salary amount. The over-charge has been removed from the account and the effort corrected per the sponsored agreement. In addition, the submitting department has been counseled regarding the appropriate procedures related to sponsored salary caps and proposal submission.

**CORRECTIVE ACTION PLAN CONTACT**

Beverly Matlock  
Director of Audits and Reporting

**University of Alabama at Birmingham**  
**Federal Award Findings and Questioned Costs**  
**For the Year Ended September 30, 2006**

---

<b>REFERENCE</b>	<b>PROGRAM</b>	<b>QUESTIONED COST</b>
06-3	Research and Development UAB Early Head Start Head Start (award number: 2001389; year 2005)	N/A

**CONDITION**

During our testing of the direct cost compensation for personal services, we noted twelve instances out of a sample of seventy-four in which employee effort reports were not certified within the University's prescribed timeframe, which is ninety days after quarter-end. The University did not adhere to the after-the-fact effort reporting requirements prescribed by OMB Circular A-21. These twelve reports were certified an average of thirty-four days after the University's prescribed timeframe.

**REFERENCE**

OMB Circular A-21, J.10.c.(2); UAB Effort Reporting policies and procedures

**CAUSE/EFFECT**

Personnel responsible for administering the programs did not adhere to UAB's established post-award policies and procedures regarding level of effort reporting.

**RECOMMENDATION**

We recommend that the University continue to closely monitor the timely submission of effort reports in order to adhere with UAB policy and federal guidelines.

**MANAGEMENT RESPONSE**

The University places a high importance on the timely submission of effort reports. Effective April 1, 2006, the University implemented a revised effort reporting policy covering all effort reports beginning First Quarter 2006. As part of the implementation of the new policy the institution had placed a June 30, 2006 deadline on the fourth quarter 2005 for referral to the Office of Research Compliance and the first quarter of 2006 was to follow the effort reporting policy revisions referred to previously. Nine of the instances noted were from the fourth quarter 2005 and all of the instances noted were certified without referral to the Office of Research and Compliance.

**CORRECTIVE ACTION PLAN CONTACT**

Beverly Matlock  
Director of Audits and Reporting

**University of Alabama at Birmingham  
Federal Award Findings and Questioned Costs  
For the Year Ended September 30, 2006**

---

**REFERENCE**  
06-4

**PROGRAM**  
Student Financial Aid

**QUESTIONED COST**  
N/A

**CONDITION**

During our testing of the 2005-06 Fiscal Operations Report and Application to Participate ("FISAP"), we noted the following item that was incorrectly reported to the Department of Education by the Student Accounting Office:

Total tuition and fees for the award year July 1, 2005 to June 30, 2006 (page 5, line item 22) are overstated by \$53,362.

**REFERENCE**

ED Form 646-1, OMB No. 1845-0030

**CAUSE/EFFECT**

According to page 31 of the 2002 Stephen Collins Audit Guide, the Department of Education uses FISAP date specifically "total tuition and fees" on page 5) to award campus-based funds. The failure to submit accurate information may result in inaccurate award amounts for the subsequent year or failure to comply with OMB Circular A-133.

**RECOMMENDATION**

We recommend that UAB implement formal review procedures to ensure the accurate submission of FISAP date.

**MANAGEMENT RESPONSE**

The University has implemented a formal review process to ensure the accurate submission of FISAP date. This process will include dual verification of FISAP data by the Director and Associate Director of Student Accounting Services.

**CORRECTIVE ACTION PLAN CONTACT**

Beverly Matlock  
Director of Audits and Reporting

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**PART III**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

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**University of Alabama at Birmingham**  
**Federal Award Findings and Questioned Costs**  
**For the Year Ended September 30, 2005**

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**REFERENCE**

05-1

**PROGRAM**

Research and Development  
UAB Early Head Start  
Head Start (award number: 04CH4604; year 2002)  
Administration on Children, Youth and Families,  
DHHS (CFDA number: 93.600)

**QUESTIONED COSTS**

N/A

**CONDITION**

During our testing of the direct cost compensation for personal services, we noted thirty-six instances out of a sample of fifty-four in which employee effort reports were not certified within the University's prescribed timeframe, which is forty-five days after quarter-end. The University did not adhere to the after-the-fact effort reporting requirements prescribed by OMB Circular A-21. These thirty-six reports were certified an average of 167 days after quarter-end.

**REFERENCE**

OMB Circular A-21, J.10.c.(2); UAB Effort Reporting policies and procedures

**CAUSE/EFFECT**

Personnel responsible for administering the programs did not adhere to UAB's established post-award policies and procedures regarding level of effort reporting.

**RECOMMENDATION**

We recommend that University implement controls procedures to monitor the timely submission of effort reports in order to adhere with UAB policy and federal guidelines.

**MANAGEMENT RESPONSE**

The University has made the issues surrounding the certification of effort reports a priority. Effective April 1, 2006, the University implemented a revised effort reporting policy covering all effort reports beginning First Quarter 2006. The policy requires certification of effort reports no later than sixty days from the end of quarter. Any reports not certified in this period are considered past due. Effort reports that remain uncertified 90 days after the end of the quarter are delinquent. Individuals with delinquent effort reports will be prohibited from charging future salary to extramurally sponsored projects until such time as the effort reports have been certified. Any individuals with uncertified effort reports at such time as the next quarter's effort reports are generated are referred to the Office of Research Compliance for evaluation and recommendations for appropriate action relating to the final resolution of the salary allocation. As of May 15, 2006, 100% of the effort reports relating to the first three quarters of 2005 have been certified or have been referred to compliance for further review. As of June 29, 2006, 99% of fourth quarter 2005 and 96% of first quarter 2006 are certified. The institution has placed a June 30, 2006 deadline on the fourth quarter 2005 for referral to the Office of Research Compliance and the first quarter 2006 will follow the effort reporting policy revisions referred to previously.

**CORRECTIVE ACTION PLAN CONTACT**

Beverly Matlock  
Director of Audits and Reporting

**STATUS**

Similar finding noted during 2006.

**University of Alabama at Birmingham**  
**Federal Award Findings and Questioned Costs**  
**For the Year Ended September 30, 2005**

---

**REFERENCE**

05-2

**PROGRAM**

Student Financial Aid

**QUESTIONED COSTS**

N/A

**CONDITION**

During our testing of the 2004-05 Fiscal Operations Report and Application to Participate ("FISAP"), we noted the following three items that were incorrectly reported to the Department of Education by the Student Accounting office:

- Total tuition and fees for the award year July 1, 2004 to June 30, 2005 - page 5, line item 22 (understated by \$12,219,731)
- Collection costs – page 6, line item 26.2 (overstated by \$18,844)
- Borrowers whose loans are fully retired – page 8, line item 1.1 (c) (overstated by \$98,325)

These errors were a result of incorrect calculations, the use of incorrect reports, and lack of supporting documentation.

**REFERENCE**

ED Form 646-1, OMB No. 1845-0030

**CAUSE/EFFECT**

According to page 31 of the 2002 Stephen Collins Audit Guide, the Department of Education uses FISAP data (specifically "total tuition and fees" on page 5) to award campus-based funds. The failure to submit accurate information may result in inaccurate award amounts for the subsequent year or failure to comply with OMB Circular A-133.

**RECOMMENDATION**

We recommend that UAB implement formal review procedures to ensure the accurate submission of FISAP data.

**MANAGEMENT RESPONSE**

The University will ensure all reports, amounts, and data will be verified by both the Director of Student Accounting Services and the Associate Director of Student Accounting Services in accordance with the University's policy.

The error relating to the understatement of Tuition was a result of an inaccurate report from the legacy accounting system. The report was run in the manner in which it had always been done. However, due to the fact that the legacy accounting system was not in the same status regarding dates as in previous years since it was no longer in use, the report pulled the data from an incorrect time period. In the future accurate and verifiable data can be extracted from Oracle. The details on the report of tuition and fees for the year will be verified against the ledger. A revised FISAP cannot be submitted in the current year to address this difference. Therefore, as this amount is not a cumulative number, there is no further action the University can take to correct the amount for the 2005 report.

The \$18,844 of credit collection costs were reported as debits and incorrectly added to the cumulative collection cost amount on the FISAP. This will be corrected in the 2006 FISAP.

The \$98,325 is a difference that has been carried since the 1980-1981 FISAP and has been discussed throughout the years with the auditors without exception. Without the inclusion of this amount, the sections of the FISAP will not agree.

**CORRECTIVE ACTION PLAN CONTACT**

Beverly Matlock

**University of Alabama at Birmingham  
Federal Award Findings and Questioned Costs  
For the Year Ended September 30, 2005**

---

Director of Audits and Reporting

**STATUS**

Similar finding noted during 2006.



**University of Alabama at Birmingham**  
**Federal Award Findings and Questioned Costs**  
**For the Year Ended September 30, 2005**

---

**REFERENCE**

05-3

**PROGRAM**

Research and Development  
Educational and Research Center  
Occupational Safety and Health - Training Grants  
(award number: T42/CCT424022; year 2001)  
Center for Disease Control, DHHS (CFDA number: 93.263)

**QUESTIONED COST**

N/A

**CONDITION**

During our compliance testing, we noted the following items related to federal financial reporting:

- One instance out of a sample of ten in which the University was not submitting Standard Form 272 where it was required by the granting agency.
- Three instances out of a sample of ten in which the required financial forms were submitted past the deadline. These financial reporting forms were submitted an average of nine days past the due date.

**REFERENCE**

OMB Circular A-110 - Financial reporting, §\_\_\_\_.52; Provisions of contract or grant agreements pertaining to the program

**CAUSE/EFFECT**

Personnel responsible for submitting the reports did not adhere to the provisions of the applicable grant.

**RECOMMENDATION**

We recommend that University implement control procedures to monitor the timely and accurate submission of the required federal financial reports.

**MANAGEMENT RESPONSE**

The failure to submit the required 272 is a result of an oversight of the accounting department. The award has ended and the University has received all funds. The sponsor has indicated the award is in the closeout process. The University is preparing and will submit a cumulative 272 as of the end of the award.

The University continues to place a high priority on submission of federal reports within the time allowed by the sponsor. Reports are sometimes delayed due to staff turnover and internal controls established to ensure the accuracy of the reports on larger projects.

**CORRECTIVE ACTION PLAN CONTACT**

Beverly Matlock  
Director of Audits and Reporting

**STATUS**

No similar finding noted during 2006.

**University of Alabama at Birmingham  
Federal Award Findings and Questioned Costs  
For the Year Ended September 30, 2005**

---

**REFERENCE**

05-4

**PROGRAM**

Research and Development

**QUESTIONED COST**

\$(13,000)

**CONDITION**

During our testing of indirect cost rates, we noted one instance out of a sample of twenty-six in which the University was not using the appropriate indirect cost rate due to a data entry error. The use of this incorrect rate by the University caused the granting agency to be under-charged by approximately \$13,000.

**REFERENCE**

A-21, Section G.1.b.

**CAUSE/EFFECT**

Indirect cost rate was incorrectly entered into the University's system, which caused the granting agency to be under-charged by approximately \$13,000.

**RECOMMENDATION**

We recommend that University implement controls procedures to ensure that the correct indirect cost rates are applied.

**MANAGEMENT RESPONSE**

It is the University's policy to perform a final review of the indirect cost charged on awards at point of closeout. Any required adjustments are made at that time. The University will make the required cumulative adjustment on this award and correct the indirect cost rate in the accounting system to ensure the amounts are calculated correctly prospectively.

**CORRECTIVE ACTION PLAN CONTACT**

Beverly Matlock  
Director of Audits and Reporting

**STATUS**

No similar finding noted during 2006.



## 2006 Financial Report

The University of  
Alabama at Birmingham



**UAB is an equal education  
opportunity institution, and an equal  
employment opportunity employer.**

This report is published by the UAB  
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Vice President for Financial Affairs and Administration  
The University of Alabama at Birmingham  
Birmingham, Alabama 35294



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# Introduction to UAB

The University of Alabama at Birmingham (UAB) was established as a separate campus of The University of Alabama System in 1966. Three years later, it was given greater autonomy within the system with its own president. Since then, it has grown to become the largest of the three System campuses, with an operating budget of \$1.8 billion. With over 17,000 students, UAB awarded more than 3,000 degrees and certificates during the 2004-2005 academic year. UAB is located in the heart of Alabama's largest metropolitan area, occupying more than 12.7 million square feet in more than 100 major buildings spread across nearly 80 blocks in the downtown area of Birmingham. Including its 908-bed hospital, UAB employs more than 18,000 people, making it one of the largest employers in Alabama.

The information included in the Introduction to UAB (pages 2-13) does not include data related to the components of Other Nonmajor Funds.

## 2006 Overview

In fiscal year 2006, UAB's tradition of growth, both physical and fiscal, continued. UAB broke ground on a new home for the School of Social and Behavioral Sciences. The five-story building will house classrooms, mathematic laboratories, dry labs and faculty offices. It will enable the School to move out of the historic Ullman Building, which the School has dramatically outgrown.

The 2006 opening of the Richard C. and Annette N. Shelby Interdisciplinary Biomedical Research Building added approximately 25 percent more research space to the campus. The 12-story, 323,000-square-foot facility was built at a cost of \$100 million. Funding for the facility came from the federal government, the State of Alabama, Jefferson County, the City of Birmingham, and the Birmingham-based

Community Foundation. The building brings together investigators from a wide variety of fields to study important health issues such as diabetes and autoimmune diseases, and conduct bone, bioengineering and brain research.

In an extremely competitive environment for research funding, UAB continues to maintain its position among the top funded research institutions in the nation. The university received nearly \$400 million in total research funding, of which \$234.9 million was from the National Institutes of Health (NIH) and enabled UAB to maintain its no. 20 ranking. Of note, UAB received \$8.6 million from the NIH to create the Alabama Neuroscience Blueprint Core facility, a research program that will link investigators from universities and institutions across the state and region. NIH created the Blueprint for Neuroscience Research in 2004 to develop new tools, resources and training opportunities to accelerate the pace of discovery in neuroscience research. In 2006, numerous institutions from throughout the United States submitted applications for funding, and the UAB project is one of only four to receive NIH funding.

UAB had its second best fund-raising year ever in 2005-06. Private gifts and pledge payments from more than 21,000 individuals, corporations and private foundations totaled \$74.9 million. In fact, in the past 36 months, more than \$211.8 million in gifts and pledges have been committed. This is on the heels of the very successful Campaign for UAB, which raised \$388.7 million.

## Vision

The University of Alabama at Birmingham shall be an internationally renowned research university—a first choice for education and healthcare.

## Mission

As an urban research university and academic health center, UAB is committed to the discovery, dissemination, and application of knowledge as a fundamental path to success and to the enhancement of people throughout the world. In so doing, UAB has an enduring commitment to teaching, research and scholarship, creativity, and service to the community.

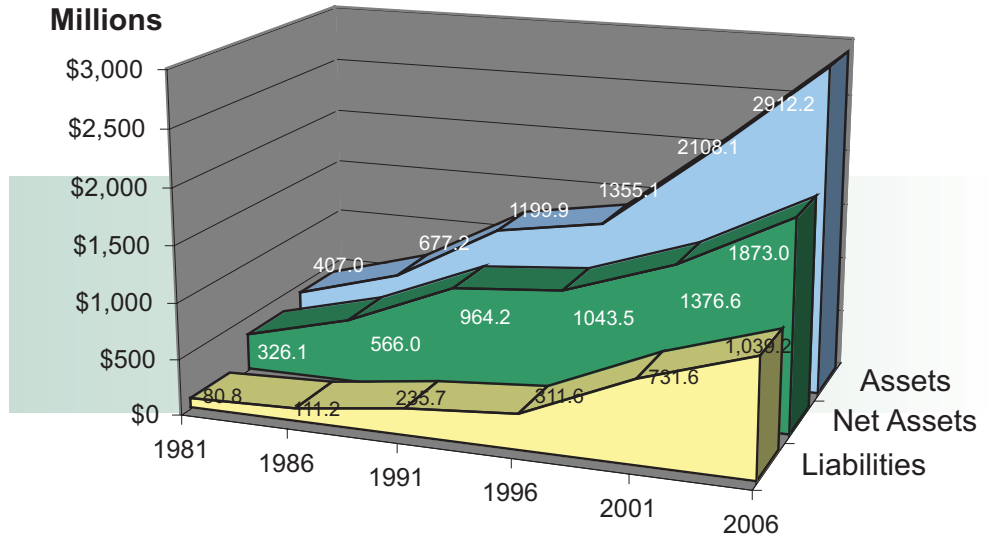




# Financial Highlights

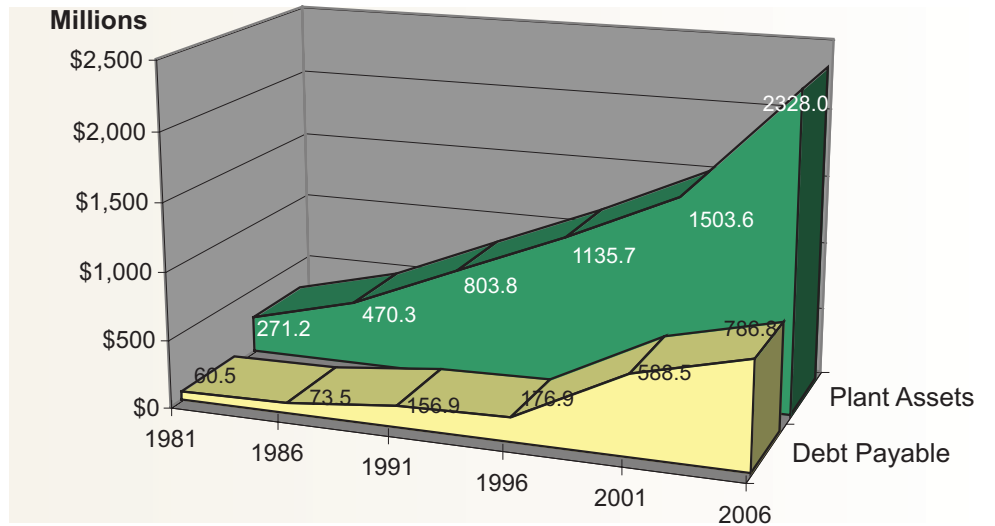
## Assets and Liabilities

Since 1981 UAB's assets have increased by \$2.5 billion, while liabilities increased by only \$0.9 billion. The fund balances, or "net assets" as they have become known under the new GASB 35 accounting principles, grew during this time period by \$1.55 billion.



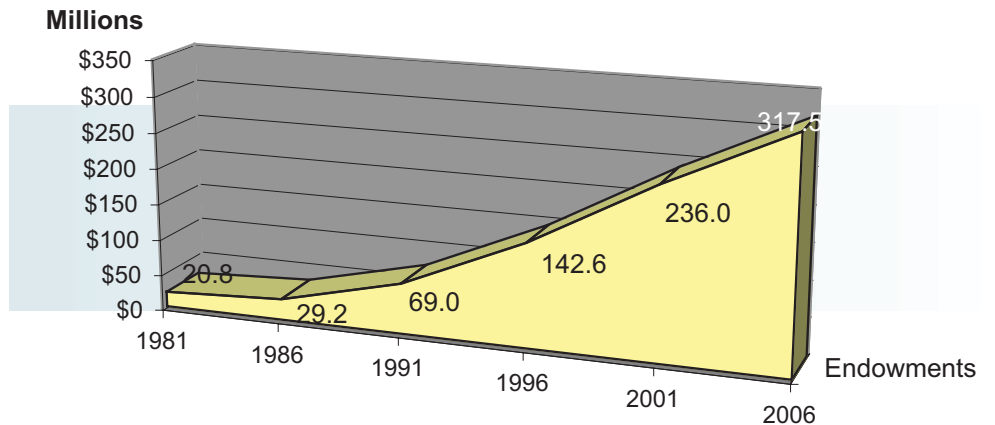
## Capital Expansion

UAB's expansive growth in the areas of instruction, research, and patient care has dictated a need for more and better instructional space, research labs, and patient care facilities. Due to the low level of State funding for capital expenditures by public institutions of higher education, much of UAB's capital expansion has been financed through gifts, UAB funds, and the issuance of long-term bonds. The accompanying chart shows the growth in investment in plant since 1981 and the associated increase in long-term debt. The investment in plant figures do not include the effect of accumulated depreciation.



## Endowment Growth

The increase in the pure endowment and quasi-endowment assets from \$20.8 million to \$317.5 million over the past 25 years reflects the commitment of the community to UAB's ongoing success and sound investment program.



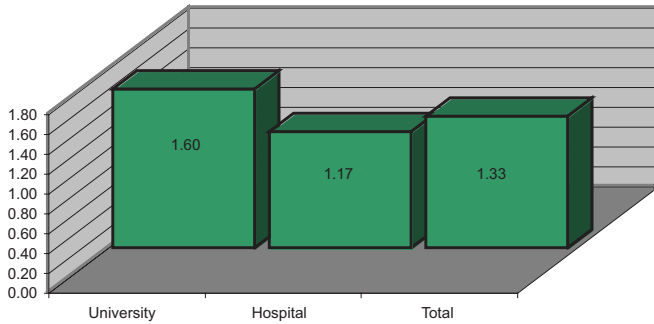




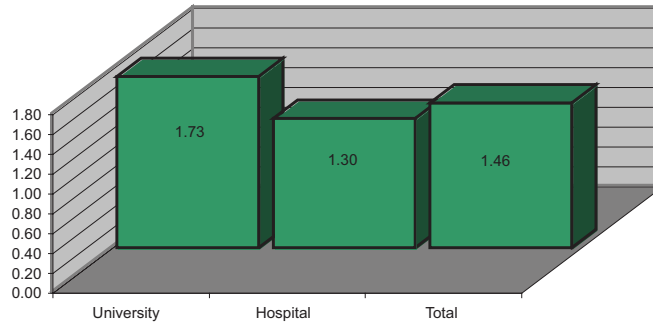
## Financial Ratios

The following selected ratios, calculated for the years ended September 30, 2006 and 2005, are intended to provide a better understanding of UAB's financial strength and to put the financial data into a clearer perspective.

2006



2005

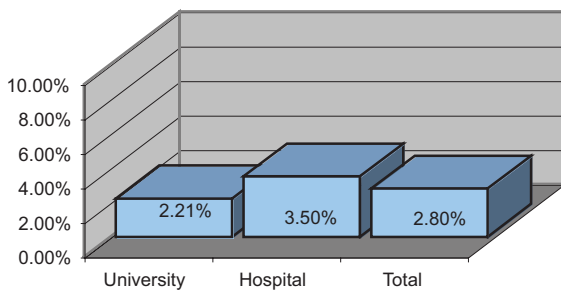


## Ratio of Expendable Financial Resources to Direct Debt

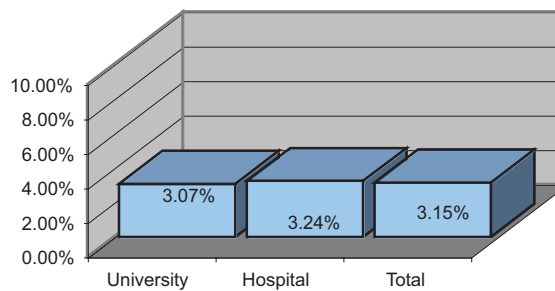
This ratio indicates the relative liquidity of the institution. A ratio of 1:1 or greater indicates that an institution has sufficient liquid assets to satisfy all related liabilities. A ratio of less than 1:1 means that there would not be sufficient liquid assets to satisfy all debts as of the reporting date.

The graph indicates that while total direct debt has risen as bonds were issued to cover the cost of plant expansion, the institution as a whole has maintained a sufficient level of liquidity.

2006



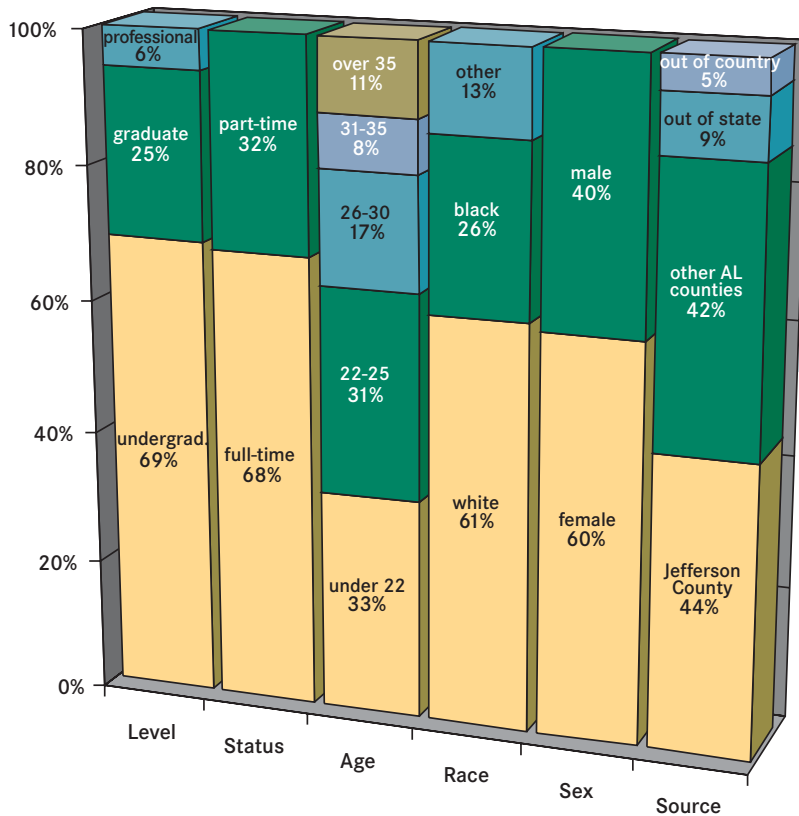
2005



## Ratio of Actual Debt Service to Operations

This ratio is useful for analyzing the creditworthiness of an institution. Since debt service is a legal claim on resources, the higher the ratio, the fewer the resources available for other operational needs. This ratio measures the demand that the annual commitment to creditors places on unrestricted operating funds. It is expressed as a percentage of actual debt service to operating expenses.

# Nonfinancial Highlights



## Student Profile

Total 16,572  
As of Fall 2005

Excludes Advanced Professionals

## Student Financial Aid

In fiscal year 2006, 65.4% of UAB's students received student financial aid from UAB. Financial aid disbursements of \$120.4 million were provided from the following sources:

### Federal Government

Student Loans	\$ 75,171,461
Grants	9,756,458
Work-Study	<u>1,528,726</u>
Subtotal Federal	\$ 86,456,645

State Government \$ 237,094

### University

Loans	\$ 322,331
Scholarships	<u>33,353,490</u>
Subtotal University	\$ 33,675,821

Total \$ 120,369,560

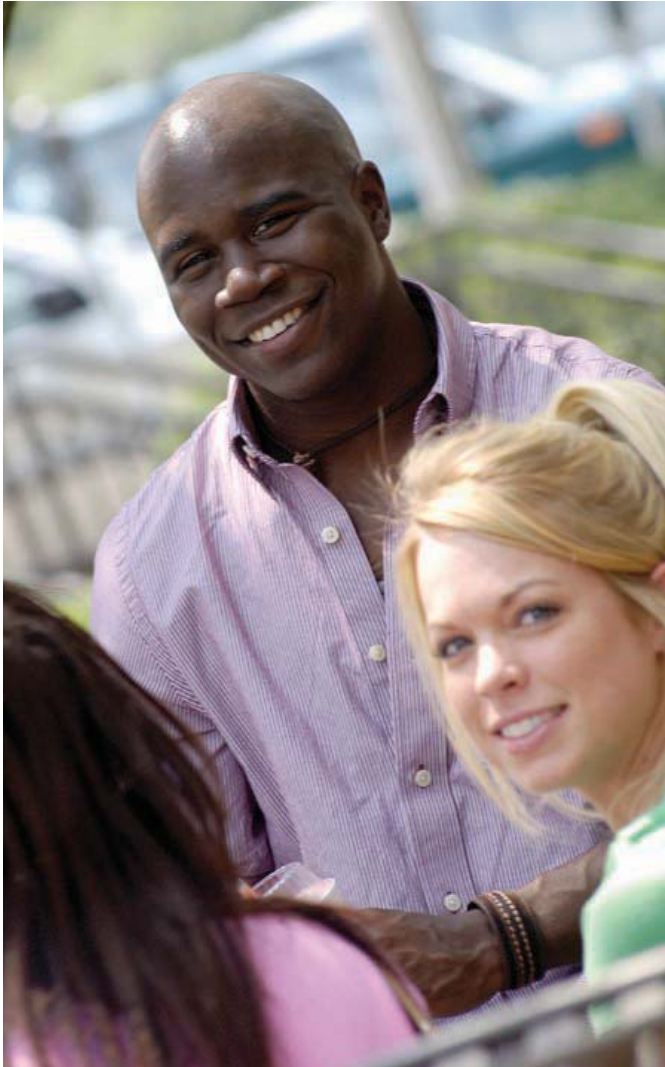


## Student Headcount

Enrollment for the fall semester of the 2005-2006 school year is outlined in the table at right.

Fall 2005	Undergraduate	Graduate	Professional*	Total
School of Arts and Humanities	1,315	89		1,404
School of Business	1,725	345		2,070
School of Education	798	822		1,620
School of Engineering	693	252		945
School of Natural Sciences and Mathematics	1,594	201		1,795
School of Social and Behavioral Sciences	1,811	194		2,005
Unclassified	2,168	449		2,617
<b>Subtotal</b>	<b>10,104</b>	<b>2,352</b>		<b>12,456</b>
Academic Health Center				
School of Medicine	2		1,491	1,493
School of Dentistry	20	5	310	335
School of Optometry		25	178	203
School of Nursing	329	300		629
School of Health Related Professions	1,015	645		1,660
School of Public Health		363		363
Joint Health Sciences		445		445
<b>Subtotal Academic Health Center</b>	<b>1,366</b>	<b>1,783</b>	<b>1,979</b>	<b>5,128</b>
<b>Total Enrollment</b>	<b>11,470</b>	<b>4,135</b>	<b>1,979</b>	<b>17,584</b>

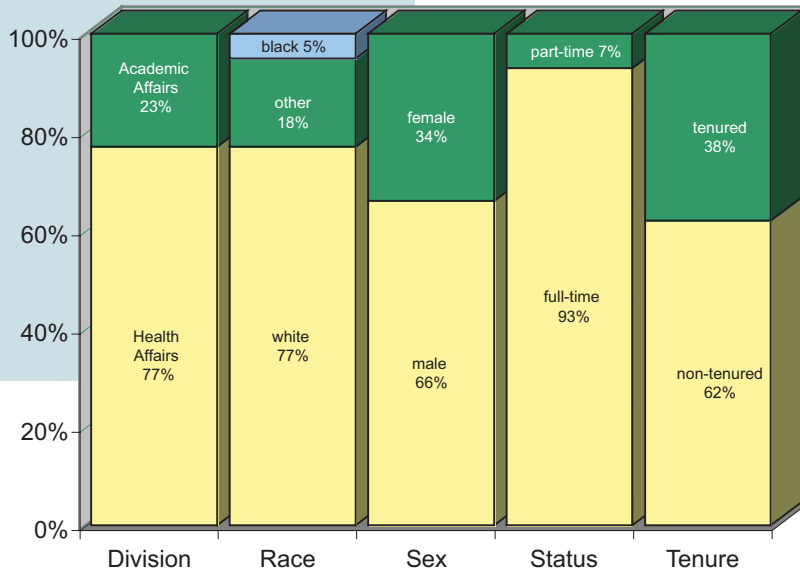
\* Includes 967 first professionals and 1,012 advanced professionals



## Faculty Profile

Total 2,118

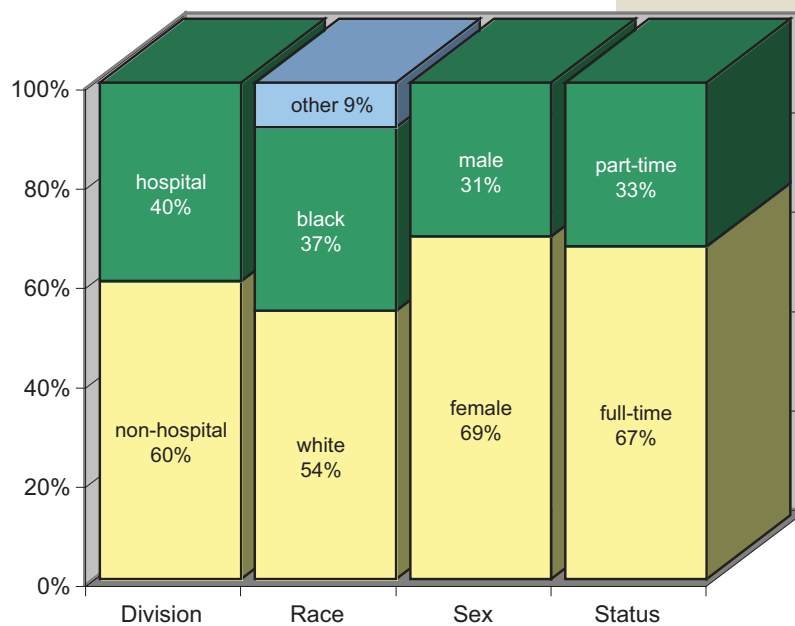
As of Fall 2006



## Staff Profile

Total 16,419

As of Fall 2006





# State Appropriations

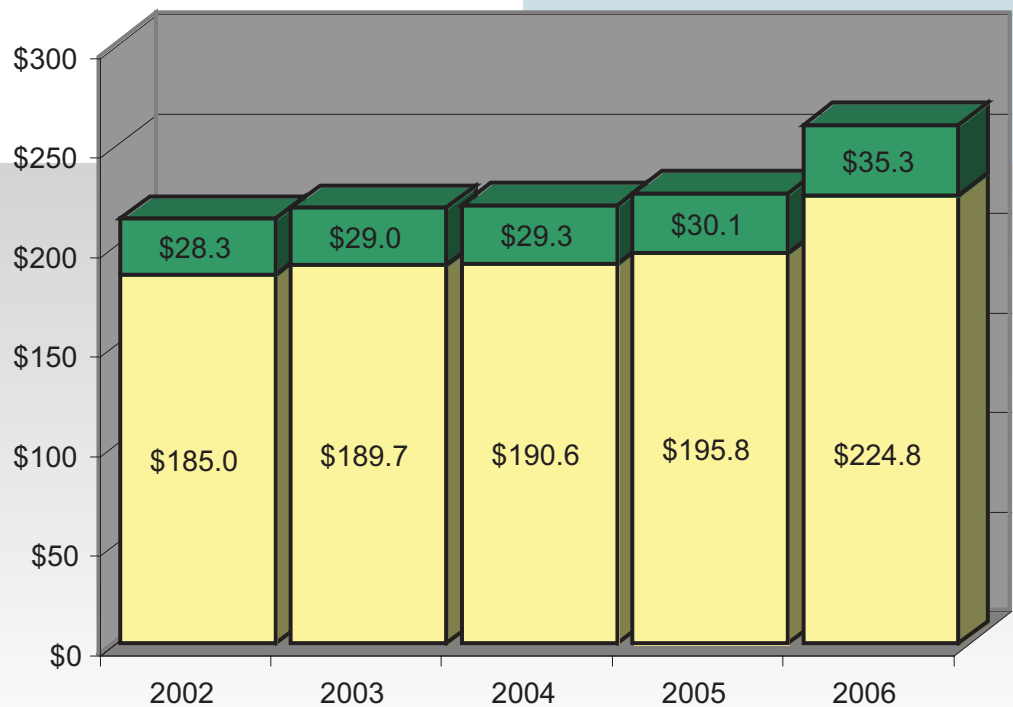
The State appropriations for UAB are made by the Alabama State Legislature based upon a process which involves requests from the Board of Trustees of The University of Alabama, and budget recommendations by the Alabama Commission on Higher Education and the Governor. State funds are appropriated annually from the Educational Trust Fund (ETF) to UAB. For the fiscal year ended September 30, 2006, UAB received direct funding from the ETF in the amount of \$260,174,828.

## Appropriations Received

Fiscal years ended September 30

(Dollars in millions)

■ Hospital    ■ University

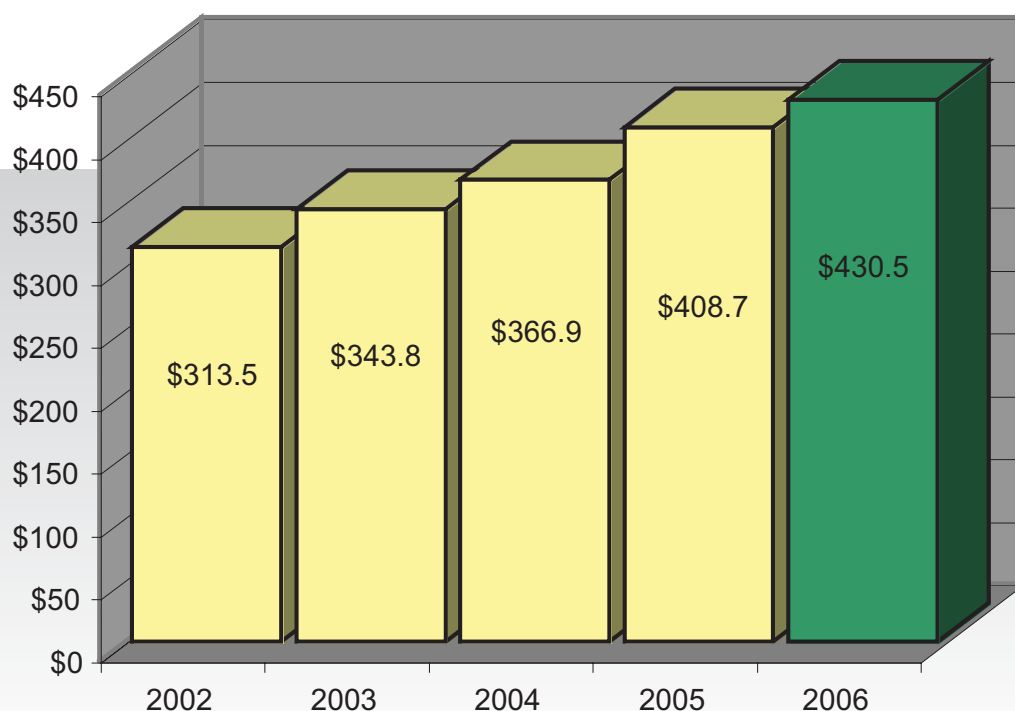


# Sponsored Grants and Contracts

During fiscal year 2006, UAB received \$430.5 million in sponsored grants and contracts revenues (including \$81.6 million of indirect cost recovery). Various federal agencies provided the majority of support for these projects, with the National Institutes of Health (NIH) being the primary sponsor. As a measure of UAB's success in attracting funding for sponsored research, according to the most current available data, UAB ranked 18th nationally among colleges and universities in funds received from NIH, 26th in federal funds provided for

research and development expenditures, and 20th in the overall national ranking. Nonfederal funding sources include state agencies, local governmental agencies, and a wide variety of private sponsors.

Grant and contract awards from all sources have increased rapidly through the years. Revenues from grants and contracts (including indirect cost recovery) increased from \$313.5 million during 2002 to \$430.5 million during 2006, an increase of 37.3% for the period.



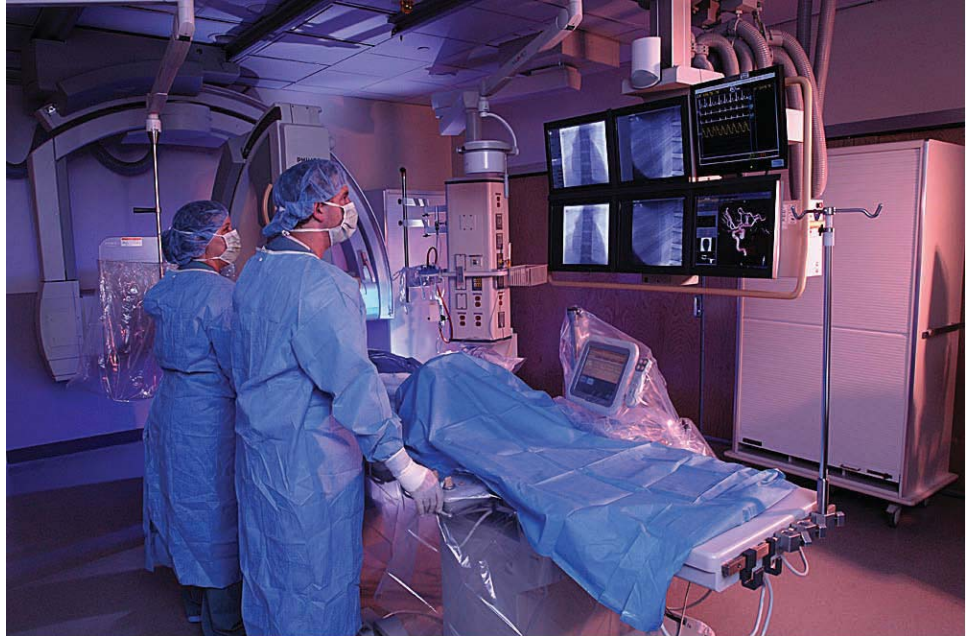
## Grants and Contracts Revenues

Fiscal years ended September 30

(Dollars in millions)

# Hospital

The University of Alabama Hospital (the “Hospital”) is a 908-bed quaternary and tertiary care medical facility and part of the UAB Health System. The new University Hospital, a nine-story diagnostic and treatment facility, opened on November 17, 2004. The Hospital also includes Jefferson Tower, Hillman Building, Spain Wallace Building, Quarterback Tower, North Wing, Spain Rehabilitation Center, West Pavilion, Russell Ambulatory Center, Medical Education Building, and the Center for Psychiatric Medicine. Other clinical facilities in the UAB Academic Health Center include Smolian Psychiatric Clinic, Engel Psychiatric Day Treatment Center, Lurleen B. Wallace Tumor Institute, and the 1917 Clinic. The Hospital also has strong ties with other governmental and private nonprofit institutions located within and adjacent to the UAB campus, including Veterans Affairs Medical Center, Children’s Hospital, and Jefferson County’s Cooper Green Hospital. Other healthcare facilities in the UAB Health System include The Kirklin Clinic, the Callahan Eye Foundation, UAB Medical West, Baptist Montgomery and UAB Highlands.



## Hospital Awards and Accolades

The Hospital is committed to providing the highest quality of patient care and is consistently rated among the best medical centers in the nation. In 2006, the Hospital received notification that it has been recertified as a Magnet Hospital for Nursing Excellence by the American Nurses Credentialing Center remaining the only Alabama hospital to achieve this designated status. “Best Doctors In America” included 215 UAB physicians on its 2006 list comprising approximately 85% of all specialists from the Birmingham metropolitan area in the current Best Doctors database. The Hospital has also received the 2006-2007 Consumer Choice Award of the National Research Corporation—one of only three hospitals in Alabama (the only hospital in the Birmingham area) to attain the

designation. UAB Hospital has received this designation eight times since 1999.

In addition, five UAB Hospital specialty programs made the Top 25 and seven specialty programs are ranked among the top 50 in this year’s *U.S. News and World Report’s* annual “America’s Best Hospitals” issue. The magazine evaluated 16 programs at 5,189 hospitals. Only 3% or 176 hospitals were ranked in one or more specialties in 2006.

UAB Health System is again named as one of the “most wired hospitals in the nation” by *Hospitals and Health Networks*. UABHS has been included on this prestigious list seven of the eight years the survey has been conducted.

## Operations

The Hospital experienced its first complete fiscal year for the areas initially opened in the North Pavilion. In addition, the new Heart and Vascular Center began serving patients in the summer of 2006.

The new University Hospital (North Pavilion) is an 885,000 square foot, nine story diagnostic and treatment facility. The building houses 37 operating suites, four intensive care units, three medical surgical units, the Emergency department, and several support departments. The expansion for the Heart and Vascular Center encompasses 55,000 square feet of the latest technology available. The Center opened with thirteen procedural labs which include the latest digital, flat plate technology for the best imaging and reduced radiation exposure and 48 beds for prep and recovery with the latest elec-





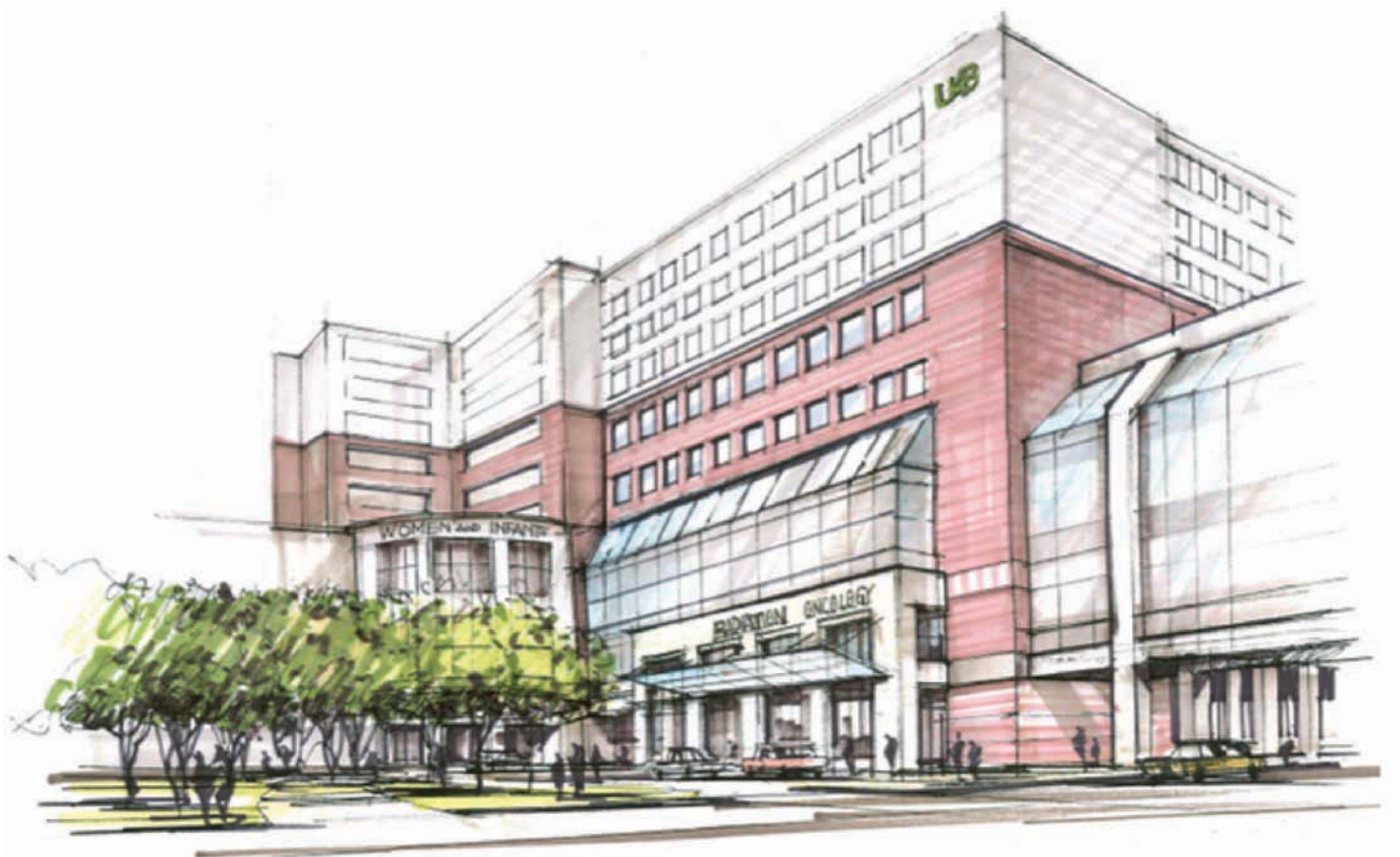
tronic monitoring and documentation systems. The Center has space available for future expansion of its heart and vascular services.

Selected Hospital operating statistics are outlined below:

	<u>2006</u>	<u>2005</u>
Beds in service	908	908
Patient discharges	44,697	45,399
Inpatient days	278,852	272,772
Operating room cases	21,794	20,251
Emergency department visits	56,439	56,518
Patient origin:		
Jefferson County	44.8%	45.2%
Other Alabama counties	46.5%	46.8%
Out of state	8.7%	8.0%

Construction of the UAB Women and Infants' Facility (WIF) was approved unanimously by the University of Alabama Board of Trustees in June 2006. The 60,000 square foot freestanding facility will house the Hospital's obstetrics, gynecology and neonatology services and is expected to open in 2009. The Hospital issued new debt of approximately \$100 million for the initial funding of WIF.

During 2006, the Hospital began the design process to replace its core clinical information system which will enhance delivery of patient care by simplifying many workflow processes. Areas addressed include patient care alerts, order entry and management functions, standardized clinical documentation, accurate medication administration management, pharmacy requirements and streamlined medical record maintenance. The new system is expected to improve communication among clinical staff, ensure continuity of care across Health System settings, enhance patient safety, and support regulatory compliance.



### Report of Independent Auditors

To the Board of Trustees of The University of Alabama:

In our opinion, based upon our audit and the reports of other auditors, the accompanying statements of net assets and the related statements of revenues, expenses, and changes in net assets, and of cash flows of each major fund and the aggregate remaining fund information, which collectively comprise the basic financial statements of The University of Alabama at Birmingham (UAB), a campus of the University of Alabama System, present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of UAB at September 30, 2006 and 2005, and the respective changes in financial position and cash flows thereof 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 UAB's management. Our responsibility is to express opinions on these financial statements based on our audit. For UAB's fiscal year 2006, we did not audit the financial statements of Southern Research Institute, which statements collectively represent 62%, 82%, and 32%, respectively, of the assets, net assets, and revenues of the aggregate remaining fund information; and 3%, 4%, and 4%, respectively, of the assets, net assets, and revenues of UAB at September 30, 2006 and for the year then ended. For UAB's fiscal year 2005, we did not audit the financial statements of Southern Research Institute and Triton Health Systems, L.L.C., which statements collectively represent 57%, 67%, and 84%, respectively, of the assets, net assets, and revenues of the aggregate remaining fund information; and 5%, 5%, and 11%, respectively, of the assets, net assets, and revenues of UAB at September 30, 2005 and for the year then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Southern Research Institute for fiscal year 2006 and 2005 and Triton Health Systems, L.L.C. for fiscal year 2005, is based on the reports of the other auditors. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions. The financial statements of Triton Health Systems, L.L.C. and UAB Research Foundation were not audited in accordance with *Government Auditing Standards*.

As discussed in Note 1, these financial statements are intended to present the net assets, changes in financial position, and cash flows of only that portion of The University of Alabama System that is attributable to the transactions of UAB. They do not purport to, and do not, present fairly the net assets of The University of Alabama System as of September 30, 2006 and 2005 and its changes in financial

position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 15 through 21 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise UAB's basic financial statements. The introductory information on pages 2 through 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2007 on our consideration of UAB'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, 2006. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal 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.

PriceWaterhouseCoopers LLP

March 20, 2007

# Management's Discussion and Analysis

(Unaudited)

The objective of management's discussion and analysis is to help readers of UAB's financial statements better understand the financial position and operating activities for the fiscal years ended September 30, 2006 and 2005. The financial statements are presented in four columns: University, Hospital, Other Nonmajor Funds, and Total. The University and the Hospital are reported as major funds in the accompanying financial statements because each of these activities presents information that management believes is particularly important to financial statement users. The Other Nonmajor Funds column includes Triton Health Systems, L.L.C. (Triton), Southern Research Institute (SRI), The University of Alabama at Birmingham Professional Liability Trust Fund (PLTF) (see Note 18), and UAB Research Foundation (UABRF). The following discussion and analysis provides an overview of UAB's financial activities. The comparative information for the year ended September 30, 2004 has not been restated to include the impact of PLTF, SRI and UABRF; therefore, net assets at September 30, 2004, as presented, do not equate to net assets as of October 1, 2004, which do reflect the effects of any restatement. This discussion should be read in conjunction with the financial statements and notes to the financial statements.

## Financial Overview

UAB's financial position exhibited continued growth, as assets totaled \$3.07, \$2.88 and \$2.65 billion at September 30, 2006, 2005, and 2004, an increase of \$194.6 million or 6.8% from 2005 to 2006, an increase of \$224.9 million or 8.48% from 2004 to 2005, primarily due to the addition of two additional components of other nonmajor funds, SRI, and UABRF in 2005, and the continued expansion of capital assets, the growth in accounts receivable and increasing investments values in conjunction with the favorable investment market position as of September 30, 2006.

Total liabilities increased \$108.6 million or 10.9% from September 30, 2005 to September 30, 2006. The increase results from the issuance of bonds payable and continued growth in expenditures offset by the reduction in bonds payable related to annual principal payments. In October 2005, UAB issued \$53,525,000 in Series 2005B General Revenue Bonds. The bonds pay interest at varying rates from 3.0% to 4.5% with principal due annually through October 1, 2027. The proceeds of this offering are being used for the purpose of constructing facilities, additions and improvements at UAB; fund-

ing capitalized interest on a portion of the Series 2005B Bonds through October 1, 2007; paying costs and expenses associated with this issuance. In September 2006, UAB issued \$245,735,000 in Series 2006A Hospital Revenue Bonds. The bonds pay interest at varying rates from 4% to 5% with principal annually through September 1, 2041. The proceeds from this offering are being used for the purpose of advance refunding of \$143,525,000 of Series 2000A Hospital Revenue Bonds and the remainder to finance capital improvements for the Hospital.

Total liabilities increased \$23.8 million or 2.45% from September 30, 2004 to September 30, 2005. The increase results from continued growth in expenditures offset by the reduction in bonds payable related to annual principal payments, and the addition of PLTF, SRI and UABRF as additional components of other major funds. In September 2005, UAB issued \$60,375,000 in Series 2005A General Revenue Bonds. The bonds pay interest at varying rates from 3.0% to 5.0% with principal due annually through October 1, 2020. The proceeds from this offering were used to advance refund \$62,695,000 of Series 1999 General Revenue Bonds.

The change in net assets reflects the operating, nonoperating and other activity of UAB, which results from revenues, expenses, and gains and losses, and is summarized for the years ended September 30, 2006, 2005, and 2004, as follows:

	2006	2005	2004
Total operating revenues	\$ 1,622,833,450	\$ 1,510,771,008	\$ 1,300,009,042
Total operating expenses	1,921,171,393	1,782,976,790	1,558,785,771
Net operating loss	\$ (298,337,943)	\$ (272,205,782)	\$ (258,776,729)
Total nonoperating income, capital, endowment and other activities	384,332,164	387,787,946	387,962,627
Increase in net assets	\$ 85,994,221	\$ 115,582,164	\$ 129,185,898

A majority of UAB's endowment funds are invested in common investment pools established by The Board of Trustees of The University of Alabama (the Board). The funds are invested to maximize total return over the long term, with an appropriate level of risk. Any short term reduction in the fair value of the endowment portfolio will not have a meaningful immediate impact on the portion of investment income available to support current year operating expenses since such distributions are made pursuant to The University of Alabama System's (the System) spending rate policy.

## Statement of Net Assets

The statement of net assets presents the financial position of UAB at the end of the fiscal year, and includes all assets and liabilities recorded on the accrual basis of accounting. The difference between total assets and total liabilities (net assets) is one indicator of whether the overall financial condition of UAB has improved or worsened during the year. A summarized comparison of UAB's assets, liabilities, and net assets at September 30, 2006, 2005, and 2004, is as follows:

	2006	2005	2004
<b>Assets</b>			
Capital assets	\$ 1,313,828,421	\$ 1,277,517,490	\$ 1,150,164,600
Other assets	1,756,774,304	1,598,495,098	1,500,937,788
<b>Total Assets</b>	<b>\$ 3,070,602,725</b>	<b>\$ 2,876,012,588</b>	<b>\$ 2,651,102,388</b>
<b>Liabilities and Net Assets</b>			
Current liabilities	\$ 330,900,886	\$ 291,702,606	\$ 313,525,238
Noncurrent liabilities	\$ 771,024,774	701,627,138	656,024,438
<b>Total Liabilities</b>	<b>\$ 1,101,925,660</b>	<b>\$ 993,329,744</b>	<b>\$ 969,549,676</b>
Net assets	\$ 1,968,677,065	\$ 1,882,682,844	\$ 1,681,552,712
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,070,602,725</b>	<b>\$ 2,876,012,588</b>	<b>\$ 2,651,102,388</b>

At September 30, 2006, the major categories of current assets consist primarily of cash and cash equivalents, short-term investments, and accounts receivable, which totaled \$489.0 million of the \$533.2 million, a decrease of \$1.7 million or 0.3% from 2005.

At September 30, 2005, the major categories of current assets consist primarily of cash and cash equivalents, short-term investments, and accounts receivable, which totaled \$491.4 million of the \$534.9 million, a decrease of \$52.2 million or 9.4% from 2004. This decrease is a result of the inclusion of the PLTF as an other nonmajor fund offset by an increase in accounts receivable resulting from an increase in grants and contracts revenue and an increase in current operating investments.

Total current liabilities of \$330.9 million consisted primarily of vendor payables, accrued payroll and related benefits, and deferred revenue, which totaled \$304.6 million, compared to \$270.3 million at September 30, 2005, an increase of \$34.3 or 12.7% from 2005. The increase is a result of continued growth in expenditures.

Total current liabilities of \$291.7 million in 2005 consisted primarily of vendor payables, accrued payroll and related benefits, and deferred revenue, which totaled \$270.3 million, compared to \$273.5 million at September 30, 2004, a decrease of \$3.2 million or 1.2% from 2004.

UAB's endowment and life income increased \$32.9 million to \$339.1 from September 30, 2005 to September 30, 2006. This increase resulted from net investment gains and the establishment of new endowment funds through gifts and creation of Board-designated quasi-endowments. UAB's endowment funds consist of both permanent and quasi-endowments.

UAB's endowment, life income, and other investments increased \$26.6 million to \$306.2 million from September 30, 2004, to September 30, 2005.

This increase resulted from net investment gains and the establishment of new endowment funds through gifts and creation of Board-designated quasi-endowments. UAB's endowment funds consist of both permanent and quasi-endowment funds.

Permanent endowment funds are those funds received from donors with the requirement that the principal remain unspent and invested in perpetuity to produce income to be expended for the purposes specified by the donor. Quasi-endowments consist of restricted or unrestricted funds that have been set aside by actions of the Board to produce income for an established purpose until the time the Board reverses its action. Endowment income supports scholarships, fellowships, professorships, research efforts, and other programs and activities of UAB.

## Capital and Debt Activities

An aspect of UAB's continued growth is an emphasis on the expansion and maintenance of capital assets. UAB continues to implement its long-range capital plan.

Capital assets include land, buildings, fixed equipment systems, and inventoried equipment. The original costs of capital assets increased approximately \$93.6 and \$161.9 million from September 30, 2005, to September 30, 2006 and from September 30,



2004, to September 30, 2005, respectively. This increase consists primarily of capital expenditures and capital additions totaling \$252.9 (offset primarily by \$159.3 in disposals) and \$487.3 million in 2006 and 2005. Capital additions are comprised primarily of renovation and new construction of research and health care facilities, as well as additions to improve information technology systems. Annual additions were funded with capital appropriations, grants, gifts of \$33.9 and \$50.8 million, debt proceeds of \$29.5 and \$15.2 million, and the remainder by UAB funds designated for capital purchases in 2006 and 2005, respectively.

Capital projects in process at September 30, 2006 include the construction primarily of new academic and research space. Capital projects in process at September 30, 2005, include the construction of the new Heart and Vascular Center and additional research and administrative space.

UAB's long-term debt, consisting of bonds and capital leases, totaled \$776.7, \$641.7, and \$659.8 million at September 30, 2006, 2005, and 2004, respectively. The increase in debt during 2006 results primarily from the issuance of the 2005B General Revenue Bonds and 2006A Hospital Revenue Bonds, offset by principal payments made in accordance with the debt instruments. The decrease in debt during 2005 consisted primarily of the principal payments made in accordance with the debt instruments offset by the issuance of \$4.7 million in additional capital leases.

## Net Assets

Net assets represent the residual interest in UAB's assets after liabilities are deducted. UAB's net assets at September 30, 2006, 2005, and 2004, are summarized as below.

Net assets invested in capital assets, net of related debt, represent UAB's capital assets, net of accumulated depreciation and outstanding principal of debt in excess of related bond proceeds attributable to the acquisition, construction, or improvement of those assets. The \$24.8 million and \$131.6 million increase in 2006 and 2005, respectively, reflect the continued capital asset development in accordance with UAB's long-range capital plan.

Restricted nonexpendable net assets include UAB's permanent endowment funds and annuity and life income assets that will ultimately become pure endowment funds. The \$26.4 and \$16.8 million increase in restricted nonexpendable net assets results from the net increase in fair value of investments and gifts in 2006 and 2005, respectively. Restricted expendable net assets are subject to externally imposed restrictions governing their use.

Although unrestricted net assets are not subject to externally imposed restrictions, UAB has designated available unrestricted net assets to be used for academic and research programs as well as capital projects.

		2006	2005	2004
<b>University and Other Nonmajor Funds</b>				
Invested in capital assets, net of related debt	\$	547,986,643	\$ 544,835,571	\$ 441,043,503
Restricted				
Nonexpendable		231,008,144	204,588,633	187,797,125
Expendable		155,493,463	155,629,070	168,890,113
Unrestricted		336,682,302	357,549,105	285,734,980
<b>Total Net Assets</b>	\$	1,271,170,552	\$ 1,262,602,379	\$ 1,083,465,721
<b>Hospital</b>				
Invested in capital assets, net of related debt	\$	112,666,196	\$ 91,015,655	\$63,162,698
Restricted				
Nonexpendable		128,849	128,099	128,099
Expendable		24,196,906	19,923,444	18,429,788
Unrestricted		560,514,562	509,013,267	516,366,406
<b>Total Net Assets</b>	\$	697,506,513	\$ 620,080,465	\$ 598,086,991
<b>Total UAB</b>				
Invested in capital assets, net of related debt	\$	660,652,839	\$ 635,851,226	\$ 504,206,201
Restricted				
Nonexpendable		231,136,993	204,716,732	187,925,224
Expendable		179,690,369	175,552,514	187,319,901
Unrestricted		897,196,864	866,562,372	802,101,386
<b>Total Net Assets</b>	\$	1,968,677,065	\$ 1,882,682,844	\$ 1,681,552,712

## Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents UAB's results of operations, as well as the nonoperating revenues and expenses. Annual state appropriations are classified

as nonoperating revenues according to accounting principles generally accepted in the United States of America, even though the state-appropriated funds are used to support the operations of UAB. A summarized comparison of UAB's revenues, expenses, and changes in net assets for the years ended September 30, 2006, 2005, and 2004, is presented below:

	2006	2005	2004
<b>Operating Revenues</b>			
Student tuition and fees, net	\$ 73,665,311	\$ 72,953,645	\$ 62,948,898
Grants and contracts	474,279,219	433,332,666	339,577,049
Sales and services	845,779,515	791,038,438	716,096,982
Other revenues	229,109,405	213,446,259	181,386,113
<b>Revenues supporting core activities</b>	<b>\$ 1,622,833,450</b>	<b>\$ 1,510,771,008</b>	<b>\$ 1,300,009,042</b>
<b>Operating Expenses</b>			
Operating expenses	\$ 1,921,171,393	\$ 1,782,976,790	\$ 1,558,785,771
<b>Operating Loss</b>	<b>\$ (298,337,943)</b>	<b>\$ (272,205,782)</b>	<b>\$ (258,776,729)</b>
<b>Nonoperating revenues (expenses)</b>			
State educational appropriations	\$ 260,174,828	\$ 225,966,057	\$ 219,883,401
Grants and contracts	8,405,303	13,946,363	17,279,413
Private gifts	37,602,942	20,280,462	33,874,299
Net investment income (loss)	83,207,443	96,548,622	99,171,347
Interest expense	(23,185,816)	(23,626,504)	(10,204,582)
Gain (loss) of disposal of capital assets	(11,579,245)	(3,934,857)	(2,328,936)
Capital state appropriations	286,940	18,232,216	5,233,490
Capital gifts and grants	33,573,934	32,594,108	11,934,310
Permanent endowments	14,715,755	6,361,051	9,424,416
Net nonoperating revenues	2,957,165	3,170,428	3,695,469
Transfer of PLTF	(21,677,085)		
Other changes	(150,000)	(1,750,000)	
<b>Net nonoperating revenues and other changes</b>	<b>\$ 384,332,164</b>	<b>\$ 387,787,946</b>	<b>\$ 387,962,627</b>
<b>Increase in net assets</b>	<b>\$ 85,994,221</b>	<b>\$ 115,582,164</b>	<b>\$ 129,185,898</b>
Net assets, beginning of year	1,882,682,844	1,767,100,680	1,552,366,814
<b>Net assets, end of year</b>	<b>\$ 1,968,677,065</b>	<b>\$ 1,882,682,844</b>	<b>\$ 1,681,552,712</b>

Figures A and A1 are graphic illustrations of revenues by source (both operating and nonoperating), which are used to fund UAB's operating activities for the years ended September 30, 2006 and 2005, respectively.

Fig. A

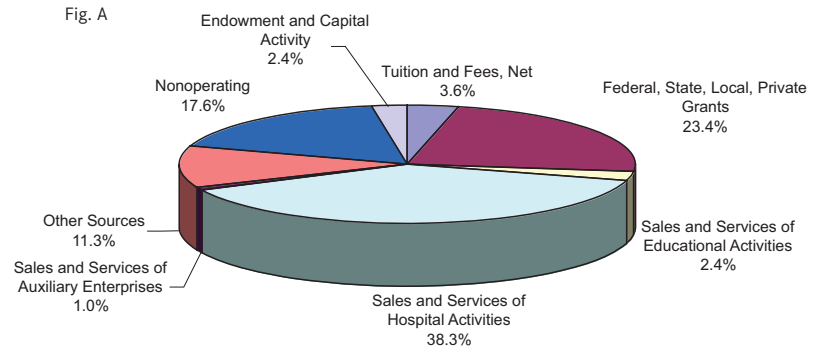
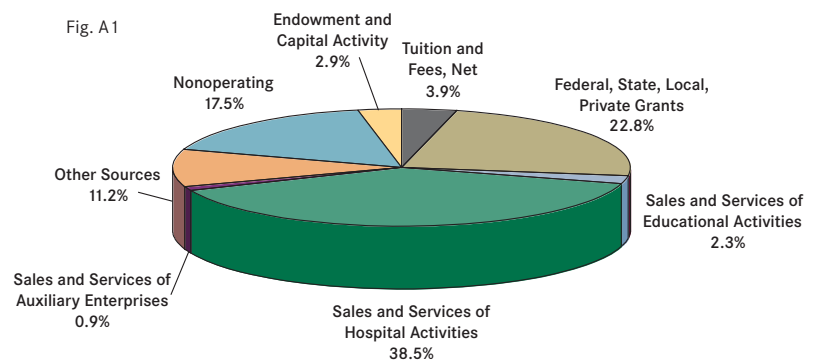


Fig. A1



UAB measures its performance both for UAB as a whole, including Other Nonmajor Funds, and for UAB without its Hospital and Other Nonmajor Funds (the "University"). The exclusion of the Hospital and Other Nonmajor Funds allows a clearer view of the operations of the University. Figures B and B1 are graphic illustrations of the University revenues by source (both operating and nonoperating), which are used to fund operating activities other than the activities of the Hospital for the years ended September 30, 2006 and 2005.

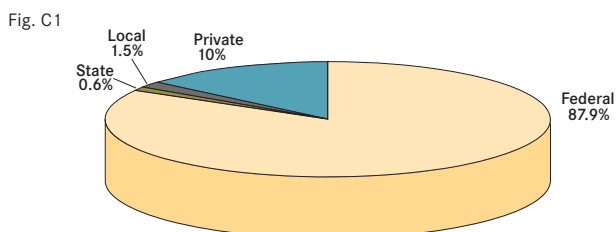
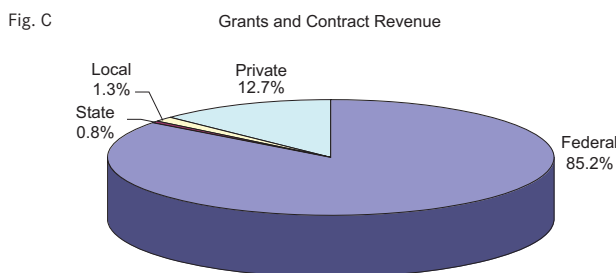
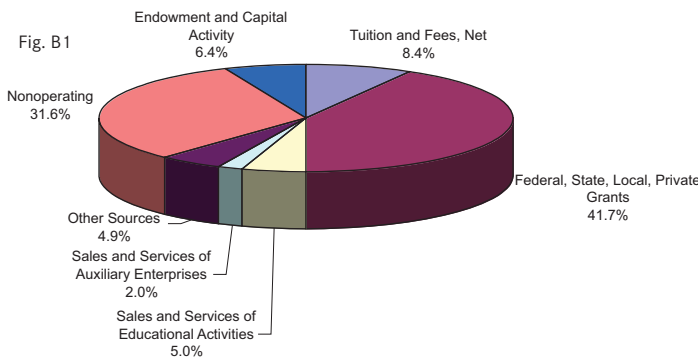
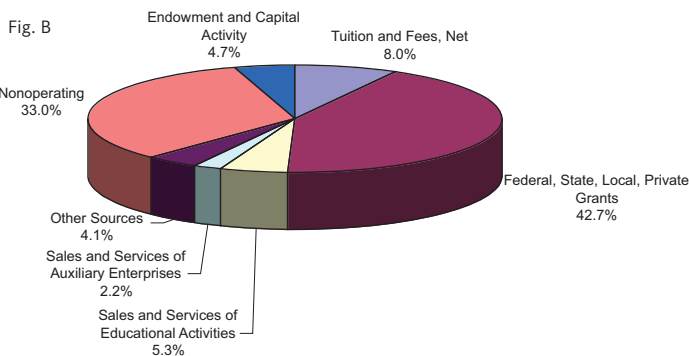
Gross tuition and fees revenue increased by \$1.5 and \$11.4 million in 2006 and 2005, respectively. Total student headcount of 17,584 and 17,740 decreased by 156 and 395 or 0.9% and 2.3% in 2006 and 2005, respectively. Total scholarship allowances applied to student accounts increased by \$0.8 and \$2.2 million in 2006 and 2005, respectively.

UAB receives State appropriations from the State of Alabama. UAB recognized funds from the State of Alabama totaling \$260.5 and \$244.2 million, of which \$260.2 and \$226.0 million was from the ETF, which is included as nonoperating revenue in 2006 and 2005, respectively. The remaining \$0.3 and \$18.2 million represents Public School and College Authority funds and other state capital funds in 2006 and 2005, respectively.

Net hospital sales and service revenue totaled \$776.0 and \$729.6 million, an increase of \$46.4 and \$77.0 million or 6.4% and 11.8% from 2005 and 2004, respectively. This increase results from increased volume, contract improvement, ongoing revenue cycle improvement activities and the opening of the North Pavilion.

UAB recognized \$60.0, \$29.2 and \$45.2 million in gift revenue (\$7.7, \$2.5 and \$1.9, million and \$14.7, \$6.4 and \$9.4 million in capital and endowment gifts, respectively) for the years ended September 30, 2006, 2005, and 2004, respectively.

UAB receives grant and contract revenue from federal, state, local, and private agencies. These funds are used to further the mission of UAB: research, education, and public service. In addition to the funds received in exchange for services performed, UAB received \$25.9, \$30.1 and \$10.0 million in 2006, 2005, and 2004, respectively, in funds to be used to acquire capital assets. Figures C and C1 are illustrations of the breakout of the funding sources for grant and contract revenue for the years ended September 30, 2006 and 2005, respectively.





Net investment income for the years ended September 30, 2006, 2005, and 2004, consists of the following components:

	2006	2005	2004
Interest and dividends	\$ 42,555,189	\$ 45,531,024	\$ 52,980,760
Net increase in the fair value of investments	38,248,665	49,110,521	43,479,940
Return on equity investments	2,403,589	1,907,077	2,710,647
	<u>\$ 83,207,443</u>	<u>\$ 96,548,622</u>	<u>\$ 99,171,347</u>

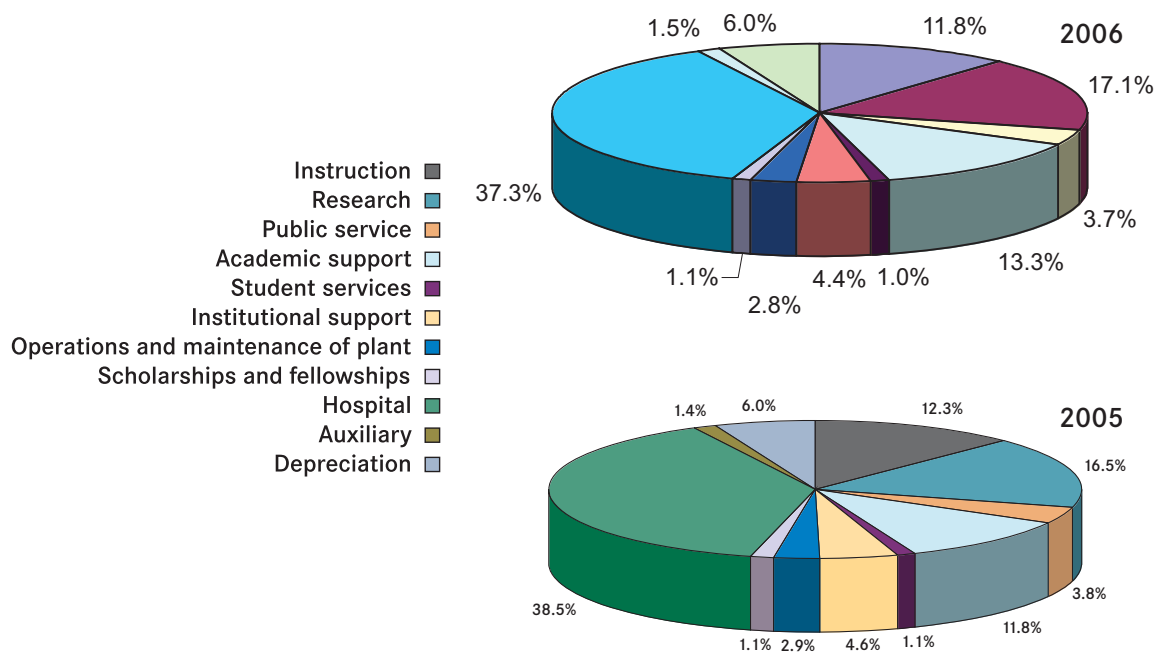
A comparative summary of UAB's operating expenses for the years ended September 30, 2006, 2005, and 2004, is as follows:

	2006	2005	2004
Salaries, wages, and benefits	\$ 1,003,997,894	\$ 945,286,043	\$ 820,894,553
Supplies and services	781,699,732	710,738,497	619,704,905
Depreciation	114,968,704	107,219,083	98,549,412
Scholarships and fellowships	20,505,063	19,733,167	19,636,901
	<u>\$ 1,921,171,393</u>	<u>\$ 1,782,976,790</u>	<u>\$ 1,558,785,771</u>

Salaries, wages, and benefits increased \$58.7 and \$124.4 million or 6.2% and 15.2% from 2005 and 2004, respectively. This increase is due primarily to UAB's continued growth and the addition of SRI and UABRF as components of other Nonmajor Funds during 2005. In addition, supplies and services expenses increased \$71.0 and \$91 million or 10.0% and 14.7% from 2005 and 2004, respectively. This increase is primarily attributable to the growth in research efforts at UAB as well as an overall

increase in the cost of day-to-day operations and the addition of SRI and UABRF as additional components of other nonmajor funds.

In addition to their natural classification, it is also informative to review operating expenses by function. Graphic illustrations of UAB's expenses by function for the years ended September 30, 2006 and 2005, are presented as follows:



## Economic Factors That Will Affect The Future

As a labor-intensive organization, UAB faces competitive pressures related to attracting and retaining faculty and staff.

The State of Alabama appropriates money each year to UAB for operating costs and nonoperating cash requirements, including capital expenditures. Because the State is mandated by its Constitution to operate with a balanced budget, the State occasionally has reduced its appropriations, through a process known as "proration," when its annual revenues are not expected to meet budgeted appropriations. It is expected that proration will be implemented from time to time, and when proration does occur, UAB will be required to implement various cost-saving measures in order to balance its own budget.

UAB will strive to remain highly competitive in terms of attracting federal grant and contract revenue, primarily from the NIH, as seven individual departments rank among the top ten in their specialties.

Private gifts are an important part of the fundamental support of UAB. Economic pressures affecting donors may also affect the future level of support UAB receives from corporate and individual giving.

The Hospital faces financial challenges in a price-sensitive managed care environment. The demand for health care services and the cost of providing them are increasing significantly while the revenues to support these services are diminishing. In addition to cost increases faced by hospitals across the State, such as rising salary and benefit costs, the Hospital also faces additional costs associated with new technologies, the education and training of health care professionals, and care for a disproportionate share of the medically underserved in Alabama. In recent years, federal legislation has been enacted to slow future rate increases in Medicare and Medicaid and reduce medical education and disproportionate share funding.

These financial statements are designed to provide a general overview of the University of Alabama at Birmingham and to demonstrate UAB's accountability. Questions concerning any information provided in this report or requests for additional information should be addressed to the Office of the Vice President for Financial Affairs and Administration, the University of Alabama at Birmingham, AB 1030, 1530 3RD AVE S, BIRMINGHAM AL 35294-0110.



# The University of Alabama at Birmingham

## Statement of Net Assets

September 30, 2006

	University	Hospital	Other Nonmajor Funds	Total
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 53,559,997	\$ 19,022,912	\$ 32,618,625	\$ 105,201,534
Short term investments	120,794,980		15,996,400	136,791,380
Accounts receivable, net	120,639,588	105,033,175	21,323,002	246,995,765
Loans receivable, current portion	3,265,595		76,048	3,341,643
Pledge receivable, current portion	7,753,656	1,177,193		8,930,849
Inventories	3,035,452	10,929,336	1,006,154	14,970,942
Other current assets	8,010,062	4,866,579	4,069,072	16,945,713
<b>Total current assets</b>	<b>\$ 317,059,330</b>	<b>\$ 141,029,195</b>	<b>\$ 75,089,301</b>	<b>\$ 533,177,826</b>
Noncurrent Assets:				
Cash designated for capital activities	\$ 2,397,734	\$ 108,785,285	\$ 746,230	\$ 111,929,249
Restricted cash and cash equivalents	729,149	24,468		753,617
Investments for capital activities	241,777,892	395,290,344		637,068,236
Endowment and life income investments	319,353,417	19,764,574		339,117,991
Investment in Professional Liability Trust Fund		19,022,471		19,022,471
Other long-term investments	781,179	7,610,645	30,104,031	38,495,855
Loans receivable, net	13,322,002		24,434	13,346,436
Pledges receivable	8,944,501	3,135,000		12,079,501
Loan receivable from UAB Highlands		48,000,000		48,000,000
Capital assets, net	753,315,101	510,946,974	49,566,346	1,313,828,421
Other noncurrent assets		868,804	2,914,318	3,783,122
<b>Total noncurrent assets</b>	<b>\$ 1,340,620,975</b>	<b>\$ 1,113,448,565</b>	<b>\$ 83,355,359</b>	<b>\$ 2,537,424,899</b>
<b>Total Assets</b>	<b>\$ 1,657,680,305</b>	<b>\$ 1,254,477,760</b>	<b>\$ 158,444,660</b>	<b>\$ 3,070,602,725</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 119,392,282	\$ 58,071,040	\$ 52,992,457	\$ 230,455,779
Deposits	2,881,301			2,881,301
Deferred revenue-grants	37,698,566			37,698,566
Deferred revenue-other	29,639,066		6,805,728	36,444,794
Long-term debt, current portion	15,163,338	7,044,087	1,213,021	23,420,446
<b>Total current liabilities</b>	<b>\$ 204,774,553</b>	<b>\$ 65,115,127</b>	<b>\$ 61,011,206</b>	<b>\$ 330,900,886</b>
Noncurrent Liabilities				
Federal advances-loan funds	\$ 16,558,056	\$	\$	\$ 16,558,056
Long-term debt	260,885,413	491,856,120	544,002	753,285,535
Other noncurrent liabilities			1,181,183	1,181,183
<b>Total noncurrent liabilities</b>	<b>\$ 277,443,469</b>	<b>\$ 491,856,120</b>	<b>\$ 1,725,185</b>	<b>\$ 771,024,774</b>
<b>Total Liabilities</b>	<b>\$ 482,218,022</b>	<b>\$ 556,971,247</b>	<b>\$ 62,736,391</b>	<b>\$ 1,101,925,660</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 502,248,502	\$ 112,666,196	\$ 45,738,141	\$ 660,652,839
Restricted				
Nonexpendable	230,908,144	128,849	100,000	231,136,993
Expendable	147,641,040	24,196,906	7,852,423	179,690,369
Unrestricted	294,664,597	560,514,562	42,017,705	897,196,864
<b>Total Net Assets</b>	<b>\$ 1,175,462,283</b>	<b>\$ 697,506,513</b>	<b>\$ 95,708,269</b>	<b>\$ 1,968,677,065</b>

See accompanying notes to financial statements

# The University of Alabama at Birmingham

## Statement of Net Assets

September 30, 2005

	University	Hospital	Other Nonmajor Funds	Total
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 42,971,121	\$ 43,274,328	\$ 20,437,395	\$ 106,682,844
Short term investments	137,684,525		36,226,160	173,910,685
Accounts receivable, net	79,845,481	112,809,761	18,105,282	210,760,524
Loans receivable, current portion	3,268,496			3,268,496
Pledge receivable, current portion	7,014,491	110,000		7,124,491
Inventories	2,532,787	9,417,732	494,000	12,444,519
Other current assets	9,924,640	6,768,124	4,042,898	20,735,662
<b>Total current assets</b>	<b>\$ 283,241,541</b>	<b>\$ 172,379,945</b>	<b>\$ 79,305,735</b>	<b>\$ 534,927,221</b>
Noncurrent Assets:				
Cash designated for capital activities	\$ 1,006,924	\$ 16,832,217	\$ 704,814	\$ 18,543,955
Restricted cash and cash equivalents	3,392,513	23,510		3,416,023
Investments for capital activities	190,805,294	366,204,200		557,009,494
Endowment and life income investments	287,231,669	18,969,581		306,201,250
Other long-term investments	781,179	6,675,406	144,132,576	151,589,161
Loans receivable, net	14,927,553			14,927,553
Pledges receivable	8,316,784	96,000		8,412,784
Capital assets, net	736,643,362	497,331,118	43,543,010	1,277,517,490
Other noncurrent assets		1,296,472	2,171,185	3,467,657
<b>Total noncurrent assets</b>	<b>\$ 1,243,105,278</b>	<b>\$ 907,428,504</b>	<b>\$ 190,551,585</b>	<b>\$ 2,341,085,367</b>
<b>Total Assets</b>	<b>\$ 1,526,346,819</b>	<b>\$ 1,079,808,449</b>	<b>\$ 269,857,320</b>	<b>\$ 2,876,012,588</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 90,052,735	\$ 57,750,678	\$ 45,261,518	\$ 193,064,931
Due to (from)	4,363,373	(4,363,373)		
Deferred revenue-grants	42,982,626			42,982,626
Deferred revenue-other	28,248,792	25,216	6,022,612	34,296,620
Long-term debt, current portion	11,022,617	9,090,812	1,245,000	21,358,429
<b>Total current liabilities</b>	<b>\$ 176,670,143</b>	<b>\$ 62,503,333</b>	<b>\$ 52,529,130</b>	<b>\$ 291,702,606</b>
Noncurrent Liabilities				
Federal advances-loan funds	\$ 16,717,093	\$	\$	\$ 16,717,093
Long-term debt	222,116,184	397,224,651	967,000	620,307,835
Other noncurrent liabilities			64,602,210	64,602,210
<b>Total noncurrent liabilities</b>	<b>\$ 238,833,277</b>	<b>\$ 397,224,651</b>	<b>\$ 65,569,210</b>	<b>\$ 701,627,138</b>
<b>Total Liabilities</b>	<b>\$ 415,503,420</b>	<b>\$ 459,727,984</b>	<b>\$ 118,098,340</b>	<b>\$ 993,329,744</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 503,504,561	\$ 91,015,655	\$ 41,331,010	\$ 635,851,226
Restricted				
Nonexpendable	204,488,633	128,099	100,000	204,716,732
Expendable	147,629,430	19,923,444	7,999,640	175,552,514
Unrestricted	255,220,775	509,013,267	102,328,330	866,562,372
<b>Total Net Assets</b>	<b>\$ 1,110,843,399</b>	<b>\$ 620,080,465</b>	<b>\$ 151,758,980</b>	<b>\$ 1,882,682,844</b>

See accompanying notes to financial statements

# The University of Alabama at Birmingham

## Statement of Revenues, Expenses, and Changes in Net Assets

Year Ended September 30, 2006

	University	Hospital	Other Nonmajor Funds	Total
<b>Operating Revenues</b>				
Tuition and Fees	\$ 96,756,357	\$	\$	\$ 96,756,357
Less: scholarship allowance	(22,348,700)			(22,348,700)
Less: bad debt expense	(742,346)			(742,346)
Tuition and Fees	73,665,311			73,665,311
Grants and contracts				
Federal	345,245,469		57,368,353	402,613,822
State	3,630,932			3,630,932
Local	3,549,556			3,549,556
Private	43,822,572		20,662,337	64,484,909
Sales and services:				
Educational activities	48,988,217			48,988,217
Hospital, net of bad debt expense of \$148,690,483		776,047,904		776,047,904
Auxiliary enterprises, net of scholarship allowance of \$531,646	20,743,394			20,743,394
Other operating revenues	38,396,761	23,187	190,689,457	229,109,405
<b>Total operating revenues</b>	<b>\$ 578,042,212</b>	<b>\$ 776,071,091</b>	<b>\$ 268,720,147</b>	<b>\$ 1,622,833,450</b>
<b>Operating Expenses</b>				
Salaries, wages and benefits	\$ 578,313,525	\$ 376,449,419	\$ 49,234,950	\$ 1,003,997,894
Supplies and services	247,563,741	339,704,045	194,431,946	781,699,732
Depreciation and amortization	64,997,038	45,164,311	4,807,355	114,968,704
Scholarships and fellowships	20,505,063			20,505,063
<b>Total operating expenses</b>	<b>\$ 911,379,367</b>	<b>\$ 761,317,775</b>	<b>\$ 248,474,251</b>	<b>\$ 1,921,171,393</b>
<b>Operating income (loss)</b>	<b>\$ (333,337,155)</b>	<b>\$ 14,753,316</b>	<b>\$ 20,245,896</b>	<b>\$ (298,337,943)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	\$ 224,847,724	\$ 35,327,104	\$	\$ 260,174,828
Federal grants and contracts	7,923,090			7,923,090
State grants and contracts	118,414			118,414
Private grants and contracts	363,799			363,799
Gifts	34,345,595	3,197,130	60,217	37,602,942
Investment income	50,130,502	32,919,709	157,232	83,207,443
Interest expense	(4,515,422)	(18,537,911)	(132,483)	(23,185,816)
Loss on asset disposition	(10,540,493)	(886,828)	(151,924)	(11,579,245)
Net other nonoperating revenues (expenses)	3,478,240		(521,075)	2,957,165
<b>Net nonoperating revenues (expenses)</b>	<b>\$ 306,151,449</b>	<b>\$ 52,019,204</b>	<b>\$ (588,033)</b>	<b>\$ 357,582,620</b>
Income (loss) before other revenues, expenses, gains, losses, and transfers	\$ (27,185,706)	\$ 66,772,520	\$ 19,657,863	\$ 59,244,677
<b>Other Changes in Net Assets</b>				
State funds-capital	\$ 286,940	\$	\$	\$ 286,940
Capital grants and contracts	25,853,630			25,853,630
Capital gifts	2,439,805	5,280,499		7,720,304
Endowment gifts	14,715,755			14,715,755
Other expense			(150,000)	(150,000)
<b>Net other changes in net assets</b>	<b>\$ 43,296,130</b>	<b>\$ 5,280,499</b>	<b>\$ (150,000)</b>	<b>\$ 48,426,629</b>
Increase in net assets prior to special items and intergovernmental transfers	\$ 16,110,424	\$ 72,053,019	\$ 19,507,863	\$ 107,671,306
Transfer of Professional Liability Trust Fund		\$ 19,022,471	\$ (40,699,556)	\$ (21,677,085)
Intergovernmental transfers	\$ 48,508,460	\$ (13,649,442)	\$ (34,859,018)	
<b>Increase in net assets</b>	<b>\$ 64,618,884</b>	<b>\$ 77,426,048</b>	<b>\$ (56,050,711)</b>	<b>\$ 85,994,221</b>
<b>Net Assets, beginning of year</b>	<b>\$ 1,110,843,399</b>	<b>\$ 620,080,465</b>	<b>\$ 151,758,980</b>	<b>\$ 1,882,682,844</b>
<b>Net Assets, end of year</b>	<b>\$ 1,175,462,283</b>	<b>\$ 697,506,513</b>	<b>\$ 95,708,269</b>	<b>\$ 1,968,677,065</b>

See accompanying notes to financial statements



# The University of Alabama at Birmingham

## Statement of Revenues, Expenses, and Changes in Net Assets

Year Ended September 30, 2005

	University	Hospital	Other Nonmajor Funds	Total
<b>Operating Revenues</b>				
Tuition and Fees	\$ 95,295,781	\$	\$	\$ 95,295,781
Less: scholarship allowance	(21,669,443)			(21,669,443)
Less: bad debt expense	(672,693)			(672,693)
Tuition and Fees, net	72,953,645			72,953,645
Grants and contracts				
Federal	317,210,534		52,330,200	369,540,734
State	2,504,419			2,504,419
Local	4,438,964			4,438,964
Private	40,559,749		16,288,800	56,848,549
Sales and services:				
Educational activities	43,956,428			43,956,428
Hospital, net of bad debt expense of \$ 116,733,083		729,646,427		729,646,427
Auxiliary enterprises, net of scholarship allowance of \$423,520	17,435,583			17,435,583
Other operating revenues	42,856,895	18,463	170,570,901	213,446,259
<b>Total operating revenues</b>	<b>\$ 541,916,217</b>	<b>\$ 729,664,890</b>	<b>\$ 239,189,901</b>	<b>\$ 1,510,771,008</b>
<b>Operating Expenses</b>				
Salaries, wages and benefits	\$ 541,589,780	\$ 358,176,516	\$ 45,519,747	\$ 945,286,043
Supplies and services	227,110,155	328,043,294	155,585,048	710,738,497
Depreciation and amortization	63,074,723	39,998,744	4,145,616	107,219,083
Scholarships and fellowships	19,733,167			19,733,167
<b>Total operating expenses</b>	<b>\$ 851,507,825</b>	<b>\$ 726,218,554</b>	<b>\$ 205,250,411</b>	<b>\$ 1,782,976,790</b>
<b>Operating income (loss)</b>	<b>\$ (309,591,608)</b>	<b>\$ 3,446,336</b>	<b>\$ 33,939,490</b>	<b>\$ (272,205,782)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	\$ 195,845,037	\$ 30,121,020	\$	\$ 225,966,057
Federal grants and contracts	13,289,342			13,289,342
State grants and contracts	102,556			102,556
Private grants and contracts	554,465			554,465
Gifts	19,932,391	290,071	58,000	20,280,462
Investment income	54,255,509	35,978,742	6,314,371	96,548,622
Interest expense	(8,920,318)	(14,560,186)	(146,000)	(23,626,504)
Loss on asset disposition	(2,345,703)	(922,154)	(667,000)	(3,934,857)
Net other nonoperating revenue (expense)	3,715,670		(545,242)	3,170,428
<b>Net nonoperating revenues</b>	<b>\$ 276,428,949</b>	<b>\$ 50,907,493</b>	<b>\$ 5,014,129</b>	<b>\$ 332,350,571</b>
<b>Income (loss) before other revenues, expenses, gains, losses, and transfers</b>	<b>\$ (33,162,659)</b>	<b>\$ 54,353,829</b>	<b>\$ 38,953,619</b>	<b>\$ 60,144,789</b>
<b>Other Changes in Net Assets</b>				
State funds-capital	\$ 18,232,216	\$	\$	\$ 18,232,216
Capital grants and contracts	30,069,663			30,069,663
Capital gifts	1,388,113	1,136,332		2,524,445
Endowment gifts	6,361,051			6,361,051
Other expense			(1,750,000)	(1,750,000)
<b>Net other changes in net assets</b>	<b>\$ 56,051,043</b>	<b>\$ 1,136,332</b>	<b>\$ (1,750,000)</b>	<b>\$ 55,437,375</b>
<b>Increase in net assets prior to intergovernmental transfers</b>	<b>\$ 22,888,384</b>	<b>\$ 55,490,161</b>	<b>\$ 37,203,619</b>	<b>\$ 115,582,164</b>
Intergovernmental transfers	\$ 47,031,012	\$ (20,281,012)	\$ (26,750,000)	\$
<b>Increase in net assets</b>	<b>\$ 69,919,396</b>	<b>\$ 35,209,149</b>	<b>\$ 10,453,619</b>	<b>\$ 115,582,164</b>
<b>Net Assets, beginning of year</b>	<b>\$ 1,040,924,003</b>	<b>\$ 584,871,316</b>	<b>\$ 141,305,361</b>	<b>\$ 1,767,100,680</b>
<b>Net Assets, end of year</b>	<b>\$ 1,110,843,399</b>	<b>\$ 620,080,465</b>	<b>\$ 151,758,980</b>	<b>\$ 1,882,682,844</b>

See accompanying notes to financial statements

# The University of Alabama at Birmingham Statement of Cash Flows

Year Ended September 30, 2006

	University	Hospital	Other Nonmajor Funds	Total
<b>Cash flows from operating activities</b>				
Student tuition and fees	\$ 71,717,153	\$	\$	\$ 71,717,153
Grants and contracts	350,314,737		77,516,411	427,831,148
Receipts from sales and services of:				
Educational activities	46,255,065			46,255,065
Patient services		782,166,339		782,166,339
Auxiliary enterprises, net	21,375,305			21,375,305
Premium and administrative fees collected			228,216,703	228,216,703
Payment to employees and related benefits	(553,958,985)	(376,633,537)	(51,377,261)	(981,969,783)
Payment to suppliers	(233,258,470)	(337,069,137)	(224,618,862)	(794,204,123)
Payment for scholarships and fellowships	(20,505,063)			(20,505,063)
Student loans disbursements, net of collections	(165,772)			(165,772)
Other receipts	38,322,581	23,187	18,447,996	56,793,764
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (279,903,449)</b>	<b>\$ 68,486,852</b>	<b>\$ 48,184,987</b>	<b>\$ (163,231,610)</b>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from issuance of capital debt	\$ 53,767,714	\$ 244,144,429	\$	\$ 297,912,143
State capital appropriations	286,940			286,940
Federal grants & contracts	22,666,635			22,666,635
Local grants & contracts	3,186,995			3,186,995
Intergovernmental transfers		20,000,000	(20,000,000)	
Private gifts	4,106,608	1,174,306		5,280,914
Proceeds from sale of capital assets	522,941			522,941
Purchases of capital assets	(94,355,588)	(61,360,306)	(9,847,016)	(165,562,910)
Principal payments on capital debt	(11,027,507)	(152,615,812)	(1,459,674)	(165,102,993)
Interest payments on capital debt	(9,120,529)	(17,544,192)	(132,483)	(26,797,204)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (29,965,791)</b>	<b>\$ 33,798,425</b>	<b>\$ (31,439,173)</b>	<b>\$ (27,606,539)</b>
<b>Cash flows from noncapital financing activities</b>				
State appropriations	\$ 224,847,724	\$ 35,327,104	\$	\$ 260,174,828
Private gifts	46,027,667	3,197,130	60,217	49,285,014
Student direct lending disbursements, net of receipts	(1,921,244)			(1,921,244)
Intergovernmental transfers	48,508,460	(33,649,442)	(14,859,018)	
Other deposits	15,429,186			15,429,186
Payments related to due to related party	(4,363,373)	4,363,373		
Deposits from affiliates	4,643,508		7,629	4,651,137
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ 333,171,928</b>	<b>\$ 9,238,165</b>	<b>\$ (14,791,172)</b>	<b>\$ 327,618,921</b>
<b>Cash flows from investing activities</b>				
Interest and dividends from investments, net	\$ 29,622,997	\$ 16,938,729	\$ 257,732	\$ 46,819,458
Payments for intangibles			(468,509)	(468,509)
Cash distributions from equity investments		1,468,350		1,468,350
Loan to UAB Highlands HCA		(48,000,000)		(48,000,000)
Proceeds from sales and maturities of investments	22,203		81,124,222	81,146,425
Contributions to system pooled investment funds	(18,494,387)	(14,227,911)		(32,722,298)
Purchases of investments	(25,137,179)		(70,645,441)	(95,782,620)
<b>Net cash provided by (used in) investing activities</b>	<b>\$ (13,986,366)</b>	<b>\$ (43,820,832)</b>	<b>\$ 10,268,004</b>	<b>\$ (47,539,194)</b>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 9,316,322</b>	<b>\$ 67,702,610</b>	<b>\$ 12,222,646</b>	<b>\$ 89,241,578</b>
<b>Cash, beginning of year</b>	<b>47,370,558</b>	<b>60,130,055</b>	<b>21,142,209</b>	<b>128,642,822</b>
<b>Cash, end of year</b>	<b>\$ 56,686,880</b>	<b>\$ 127,832,665</b>	<b>\$ 33,364,855</b>	<b>\$ 217,884,400</b>
<b>Reconciliation of operating income (loss) to net cash used in operating activities</b>				
Operating income (loss)	\$ (333,337,155)	\$ 14,753,316	\$ 20,245,895	\$ (298,337,944)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Depreciation and amortization expense	64,997,038	45,164,311	4,807,355	114,968,704
Changes in assets and liabilities:				
Accounts receivable, net	(45,202,605)	7,776,587	(3,703,412)	(41,129,430)
Prepaid expenses and other assets	(573,688)	(1,258,225)	(1,577,483)	(3,409,396)
Accounts payable and accrued liabilities	36,860,305	2,076,079	27,629,516	66,565,900
Deposits from affiliates				
Deferred Revenue	(2,647,344)	(25,216)	783,116	(1,889,444)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (279,903,449)</b>	<b>\$ 68,486,852</b>	<b>\$ 48,184,987</b>	<b>\$ (163,231,610)</b>

See accompanying notes to financial statements

# The University of Alabama at Birmingham

## Statement of Cash Flows

Year Ended September 30, 2005

	University	Hospital	Other Nonmajor Funds	Total
<b>Cash flows from operating activities</b>				
Student tuition and fees	\$ 74,113,686	\$	\$	\$ 74,113,686
Grants and contracts	353,559,195		68,351,000	421,910,195
Receipts from sales and services of:				
Educational activities	43,493,636			43,493,636
Patient services		720,273,763		720,273,763
Auxiliary enterprises, net	18,227,933			18,227,933
Premium and administrative fees collected			198,596,057	198,596,057
Payment to employees and related benefits	(543,379,292)	(357,922,439)	(46,478,334)	(947,780,065)
Payment to suppliers	(195,734,439)	(325,588,715)	(214,631,731)	(735,954,885)
Payment for scholarships and fellowships	(19,733,167)			(19,733,167)
Student loans disbursements, net of collections	(106,275)			(106,275)
Other receipts	42,833,642	18,463	21,232,414	64,084,519
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (226,725,081)</b>	<b>\$ 36,781,072</b>	<b>\$ 27,069,406</b>	<b>\$ (162,874,603)</b>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from issuance of capital debt	\$ 63,756,009	\$	\$	\$ 63,756,009
State capital appropriations	18,232,216			18,232,216
Federal grants & contracts	28,373,373			28,373,373
Local grants & contracts	1,813,005			1,813,005
Private grants & contracts	(116,715)			(116,715)
Private gifts	5,602,777	1,039,601		6,642,378
Proceeds from sale of capital assets	883,452	202,868	102,000	1,188,320
Purchases of capital assets	(112,887,378)	(63,315,775)	(4,131,030)	(180,334,183)
Principal payments on capital debt	(77,214,679)	(8,778,531)	(1,211,000)	(87,204,210)
Interest payments on capital debt	(11,658,615)	(14,741,000)	(146,000)	(26,545,615)
<b>Net cash used in capital and related financing activities</b>	<b>\$ (83,216,555)</b>	<b>\$ (85,592,837)</b>	<b>\$ (5,386,030)</b>	<b>\$ (174,195,422)</b>
<b>Cash flows from noncapital financing activities</b>				
State appropriations	\$ 195,845,037	\$ 30,121,020	\$	\$ 225,966,057
Private gifts	28,491,261	290,071		28,781,332
Student direct lending disbursements, net of receipts	(4,664,462)			(4,664,462)
Intergovernmental transfers	47,031,012	(20,281,012)	(26,750,000)	
Other deposits	20,650,871		2,500	20,653,371
Payments related to due to related party	(9,101,544)	9,101,544		
Deposits from affiliates	(2,778,660)		(5,094)	(2,783,754)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ 275,473,515</b>	<b>\$ 19,231,623</b>	<b>\$ (26,752,594)</b>	<b>\$ 267,952,544</b>
<b>Cash flows from investing activities</b>				
Interest and dividends from investments, net	\$ 21,534,368	\$ 16,569,860	\$ 5,704,661	\$ 43,808,889
Payments for intangibles			(319,000)	(319,000)
Cash distributions from equity investments		1,768,071		1,768,071
Proceeds from sales and maturities of investments	15,366,077	30,000,000	59,721,300	105,087,377
Contributions to system pooled investment funds	(6,624,348)	(13,572,383)		(20,196,731)
Purchases of investments	4,444,638		(79,299,436)	(74,854,798)
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 34,720,735</b>	<b>\$ 34,765,549</b>	<b>\$ (14,192,475)</b>	<b>\$ 55,293,809</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 252,614</b>	<b>\$ 5,185,407</b>	<b>\$ (19,261,693)</b>	<b>\$ (13,823,672)</b>
<b>Cash, beginning of year</b>	<b>47,117,944</b>	<b>54,944,648</b>	<b>40,403,902</b>	<b>142,466,494</b>
<b>Cash, end of year</b>	<b>\$ 47,370,558</b>	<b>\$ 60,130,055</b>	<b>\$ 21,142,209</b>	<b>\$ 128,642,822</b>
<b>Reconciliation of operating income (loss) to net cash used in operating activities</b>				
Operating income (loss)	\$ (309,591,608)	\$ 3,446,336	\$ 33,939,490	\$ (272,205,782)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Depreciation and amortization expense	63,074,723	39,998,744	4,145,616	107,219,083
Changes in assets and liabilities:				
Account receivable, net	(15,165,987)	(9,410,807)	(1,703,965)	(26,280,759)
Prepaid expenses and other assets	(646,409)	(1,163,942)	(340,292)	(2,150,643)
Accounts payable and accrued liabilities	30,388,451	3,885,525	(1,238,238)	33,035,738
Deferred revenue	5,215,749	25,216	(7,733,205)	(2,492,240)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (226,725,081)</b>	<b>\$ 36,781,072</b>	<b>\$ 27,069,406</b>	<b>\$ (162,874,603)</b>

See accompanying notes to financial statements



# The University of Alabama at Birmingham

## Statement of Cash Flows (continued)

Year Ended September 30, 2006 and 2005

**Supplemental noncash activities information**

**Year ended September 30, 2006**

Interest in Professional Liability Trust Fund

acquired through transfer

Professional Liability Trust Fund transfer

Capital assets acquired included in accounts payable

Interest capitalized, net of qualifying interest income on municipal bonds of \$958,613

**Year ended September 30, 2005**

Capital assets acquired through capital lease

Capital assets acquired included in accounts payable

Interest capitalized, net of qualifying interest income on municipal bonds of \$580,551 for the University and \$585,308 for the Hospital

	University	Hospital	Other Nonmajor Funds	Total
Interest in Professional Liability Trust Fund acquired through transfer		\$ 19,022,471		\$ 19,022,471
Professional Liability Trust Fund transfer			\$ (40,699,556)	\$ (40,699,556)
Capital assets acquired included in accounts payable	\$ 7,588,004	\$ 6,107,606		\$ 13,695,610
Interest capitalized, net of qualifying interest income on municipal bonds of \$958,613	\$ 1,303,872			\$ 1,303,872
			<b>Other Nonmajor Funds</b>	
	<b>University</b>	<b>Hospital</b>		<b>Total</b>
Capital assets acquired through capital lease	\$ 631,892	\$ 4,097,480		\$ 4,729,372
Capital assets acquired included in accounts payable	\$ 11,561,135	\$ 8,686,000		\$ 20,247,135
Interest capitalized, net of qualifying interest income on municipal bonds of \$580,551 for the University and \$585,308 for the Hospital	\$ 1,422,523	\$ 1,230,348		\$ 2,652,871

# The University of Alabama at Birmingham Notes to Financial Statements

September 30, 2006

## (1) Summary of Significant Accounting Policies

The University of Alabama at Birmingham (UAB) is one of three campuses of The University of Alabama System (the System), which is a discretely presented component unit of the State of Alabama (the State). The financial statements of UAB are intended to present the financial position, changes in financial position, and the cash flows of only that portion of the business-type activities and each major fund and other nonmajor funds of the financial reporting entity of the System that is attributable to the transactions of UAB. The System is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code.

During 2005, the by-laws and corporate charters of the Southern Research Institute (SRI) and UAB Research Foundation (UABRF) were amended, allowing UAB to appoint a majority of the respective boards of directors and allowing UAB to impose its will on the entities. These entities operate for the exclusive benefit of UAB. Management has therefore determined that SRI and UABRF constitute blended component units of UAB under GASB Statement No. 14, *The Financial Reporting Entity* (GASB No. 14).

The other nonmajor funds column of the basic financial statements is comprised of Triton Health Systems, L.L.C. (Triton), SRI, The University of Alabama at Birmingham Professional Liability Trust Fund (PLTF), and UABRF. Triton was formed to advance the educational and research mission of UAB and to educate and train physicians and other health care professionals. Triton is owned 99% by UAB and 1% by The UAB Educational Foundation (UABEF). SRI offers research and technology services to support industry and federal government agencies primarily in the areas of drug design and evaluation, environmental controls, materials engineering and chemical and biological defense. UABRF was organized exclusively for charitable, scientific, and educational purposes in order to benefit UAB. The activities of SRI and Triton are maintained using a calendar year-end. The PLTF and UABRF maintain a September 30 year-end. The activities of SRI and Triton are maintained using a fiscal calendar year-end that predates the University and Hospital fiscal year-end of September 30. However, interfund cash transactions during the period from January 1 through September 30 have

been eliminated in order to balance the accounts. Separate financial statements are available for SRI, Triton, and UABRF.

See Note 18 for more information on PLTF.

UAB, as a public institution, prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB), including all applicable effective statements of the GASB and all statements of the Financial Accounting Standards Board (FASB) through November 30, 1989. With the exception of blended component units included in other nonmajor funds, UAB has elected to not apply the provisions of any pronouncements of the FASB issued after November 30, 1989. All blended components of Other Nonmajor Funds have elected to apply FASB pronouncements issued after November 30, 1989 which do not conflict with GASB pronouncements.

GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- **Invested in Capital Assets, Net of Related Debt:**

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- **Restricted:**


**Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by UAB. Such assets include UAB's permanent endowment funds.

**Expendable:** Net assets whose use by UAB is subject to externally imposed stipulations that can be fulfilled by actions of UAB pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:**

Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and research programs and initiatives and capital programs.

The financial statements of UAB have been prepared on the accrual basis of accounting in accor-



dance with accounting principles generally accepted in the United States of America. UAB reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those financed in whole or in part by fees charged to external parties for goods or services. UAB reports the University and the Hospital as major funds in the accompanying financial statements because management believes each of those activities present information that is particularly important to financial statement users.


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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The estimates susceptible to significant changes include those used in determining the allowance for contractual adjustments and uncollectible accounts, allowance for self insurance, estimated amounts due to or from third-party payors, and reserves for general and professional liability claims. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate.

Other significant accounting policies are as follows:

**Cash and cash equivalents:** For purposes of the statement of cash flows, UAB considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of UAB's endowment, life income, and other long-term investments are included in noncurrent investments.

**Investments:** UAB accounts for its investments in accordance with the provisions of GASB Statement No. 31, *Accounting and Reporting for Certain Investments and For External Investment Pools* (see Note 4). Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at their fair value. UAB invests certain amounts in a



commingled investment pool sponsored by the System. The value of the investments in the pool is determined by the System and based on UAB's proportionate share of the net asset value of the investment pool. The investment pool invests in various investment securities, including both marketable and non-marketable securities. Historically, both marketable and non-marketable investments securities held by the investment pool were carried at fair value. During 2006, the System changed its policy for valuing investments which do not have readily determinable market values from reporting such investments at fair value to reporting these investments at cost. This change in policy did not have a material impact on UAB's financial statements.

Investments are reported in four categories in the statement of net assets. Investments recorded as endowment and life income are those invested funds considered by management to be of long duration. Other long-term investments include amounts resulting from UAB's equity investment in other entities, as discussed in Note 4 and Note 18. Investments for capital projects are included in noncurrent assets. All other investments are included as short-term investments.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, was adopted during the fiscal year ended September 30, 2005. Statement No. 40 establishes additional disclosures requirements addressing common risks of investments. The implementation of Statement No. 40 had no effect on the University's net assets or cash flows for the year ended September 30, 2005.

**Inventories:** Inventories are carried at the lower of cost or market. Inventories consist primarily of textbooks, medical supplies, and pharmaceuticals.

**Capital assets:** All capital assets are carried at cost on date of acquisition (or in the case of gifts, at fair value on the date of donation), less accumulated depreciation (or in the case of assets leased under capital leases, net of accumulated amortization). UAB computes depreciation for buildings and building improvements (15-40 years) and for fixed equipment systems (3-20 years) using a component method. Depreciation of land improvements (40 years), library collection (10 years), and inventoried equipment (3-20 years) is computed on a straight-line basis. The Hospital uses guidelines established by the American Hospital Association to assign useful lives to inventoried equipment.

Capital assets acquired under capital leases are amortized over the shorter of the lives of the respective leases or the estimated useful lives of the assets. Capital assets acquired through fed-



eral grants and contracts in which the federal government retains a reversionary interest are capitalized and depreciated. Interest costs, net of any related investment earnings, for certain assets acquired with the proceeds of tax-exempt borrowings are capitalized as a component of the cost of acquiring those assets.

Computer software capitalization, which is included as inventoried equipment, includes the costs of software and implementation. Implementation costs include consulting expenses and allocation of internal salaries and fringes for the core implementation team.

**Pledges:** UAB receives gift pledges and bequests of financial support. Revenue is recognized when a pledge representing an unconditional promise to give is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Pledges are recorded at their gross, undiscounted amount. Endowment pledges do not meet eligibility requirements and are not recorded as assets until the related gift is received in accordance with the requirements of GASB Statement No. 33.

**Endowment spending:** For donor-restricted endowments, the Uniform Management of Institutional Funds Act, as adopted in Alabama, permits the Board of Trustees of The University of Alabama (the Board) to allocate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. UAB's policy is to retain the endowment realized and unrealized appreciation with the endowment after the spending rate distributions. The Board approved a spending rate for the fiscal year ending September 30, 2006 and 2005 of 5.0% of a moving three-year average of market (unit) value. Endowment earnings are classified in accordance with donor restrictions.

**Deferred revenue:** Deferred revenue consists primarily of student fees related predominantly to future fiscal years. Deferred revenue also includes amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreements and, therefore, have not yet been included in the net assets.

**Federal refundable loans:** Certain loans to students are administered by UAB with funding primarily supported by the federal government. UAB's statement of net assets includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

**Compensated absences:** UAB accrues annual leave for employees at rates based upon length of

service and job classification. UAB accrues compensatory time based upon job classification and hours worked. These amounts are included in accounts payable and accrued liabilities.

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

**Grant and contract revenue:** UAB receives grant and contract revenue from governmental and private sources. UAB recognizes revenue associated with the sponsored programs in accordance with GASB Statement No. 33, based on the terms of the individual grant or contract.

**Hospital revenue:** Net patient service revenue is reported at the Hospital's estimated net realizable amounts from patients, third-party payors, and others for services rendered, included estimated retroactive revenue adjustments due to revenue 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.

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its estimated rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

**Auxiliary enterprise revenue:** Auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics and parking.

**Other revenue:** Other revenue represents primarily revenues generated by UAB, including the Other Nonmajor Funds, for activities such as intellectual property income and subscriber premiums.

**Equity investments:** Investments in affiliated companies where UAB's ownership interest is 50% or less are accounted for using the equity method. The Hospital investment in the PLTF also is accounted for using the equity method. See Notes 4 and 18.

#### **Intergovernmental Transfers:**

##### **University**

Transfers are defined as transfers from the Hospital and components of Other Nonmajor Funds to the University for which the Hospital and components of Other Nonmajor Funds do not receive significant direct economic benefit. Transfers are used to support capital projects and the ongoing academic mission of the University. Transfers for which the Hospital and Triton receive services or



other benefits are recorded as operating expenses in the statements of revenues, expenses and changes in net assets.

**Hospital**

Transfers are defined as transfers to the University for which the Hospital does not receive significant direct economic benefit. Transfers are used primarily to support the ongoing academic mission of the University Transfers for which the Hospital receives services or other benefits are recorded as operating expenses in the statements of revenues, expenses and changes in net assets.

**Other Nonmajor Funds**

Transfers are defined as transfers to the University for which the components of Other Nonmajor Funds do not receive significant direct economic benefit. Transfers are used to support capital projects and the ongoing academic mission of the University. Transfers for which the components of Other Nonmajor Funds receive services or other benefits are recorded as operating expenses in the statements of revenues, expenses and changes in net assets.

annual rental expense of approximately \$1,682,000 and \$1,651,000 for 2006 and 2005, respectively. UAB expects to receive title to certain of the properties upon retirement of the related debt. These properties have been appropriately capitalized by UAB as assets acquired under capital leases. UABEF made contributions to UAB which totaled approximately \$5,275,000 and \$4,218,000 in 2006 and 2005, respectively. UABEF's total assets were \$48,215,000 and \$47,917,000 at September 30, 2006 and 2005, respectively. UABEF's total liabilities were \$20,208,000 and \$20,176,000 at September 30, 2006 and 2005, respectively.

HSF's primary purpose is to provide a group medical practice for physicians who are members of the regular faculty of the School of Medicine at UAB and serve on the University of Alabama Hospital's medical staff. It is governed by a 19-member board of directors, 16 of whom are not affiliated with UAB. An affiliation agreement (the Agreement) documents the relationship between HSF and UAB. The University's other operating revenues include approximately \$30,243,000 and \$25,936,000 of funding from HSF in 2006 and 2005, respectively, which is used to support the educational and research activities of UAB. These funds were paid by HSF pursuant to its tax-exempt purpose and in recognition of the mutual benefit derived by the two organizations from the enhancement and continued development of UAB's programs. The funds were negotiated with HSF as part of UAB's budget development process. In the normal course of business, HSF purchases various services from the Hospital, aggregating approximately \$287,000 and \$385,000 in 2006 and 2005, respectively, and the Hospital purchases various services from HSF, aggregating approximately \$24,888,000 and \$21,829,000 for the year ended September 30, 2006 and 2005, respectively. As a result of these transactions, the Hospital had a net payable to HSF of approximately \$2,064,000 and \$680,000 at September 30, 2006 and 2005, respectively.

The Board and the HSF's board have entered into an agreement, under which UAB and HSF have established a common management group, the UAB Health System, to provide management for their existing and future health care delivery operations. The UAB Health System Board of Directors is composed of 18 members, of whom nine are appointed by the Board. For the fiscal year ended September 30, 2006 and 2005, respectively, UAB contributed \$4,896,000 and \$4,627,000 to the UAB Health System Board to support Health System administrative functions. In addition, the Hospital had a net payable to the Health System of approximately \$2,027,000 and \$580,000 at September 30, 2006, and 2005, respectively, which is

## (2) Scope of Statements and Related Parties

GASB Statement No. 14, *The Financial Reporting Entity*, requires governmental entities to include in their financial statements as a component unit organizations that are legally separate entities for which the governmental entity, as a primary organization, is financially accountable.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which UAB is not financially accountable should be reported as component units based on the nature and significance of their relationship to UAB.

UAB is affiliated with the UABEF, the University of Alabama Health Services Foundation, P.C. (HSF), UAB Health System (UABHS), and the Valley Foundation (VF). UAB is not financially accountable for HSF, VF, UABEF, and UABHS; therefore, they do not constitute component units under the provisions of GASB Statement No. 14, *The Financial Reporting Entity*. These entities are not required to be presented as component units under GASB 39.

The purpose of UABEF is to operate exclusively for the benefit of UAB. UABEF has 13 board members, including seven outside members not affiliated with UAB. UABEF leases certain facilities to UAB, with



included in accounts payable and accrued expenses in the accompanying statements of net assets.

VF's primary purpose is to provide a group medical practice for physicians who are faculty members in the UAB School of Medicine Huntsville program. It is governed by a 17-member board of directors, consisting of three nonvoting members and 14 voting members, of whom seven are affiliated with UAB. VF's total assets were approximately \$5,710,000 and \$5,319,000, and total liabilities were approximately \$850,000 and \$842,000 at September 30, 2006 and 2005, respectively.

See Note 1 for discussion of SRI, Triton, and UABRF.

The Hospital received premium revenue (capitation fees) of approximately \$52,555,000 and \$45,305,000 from Triton during the years ended September 30, 2006 and 2005.

In February 2006, the Board formed the HealthCare Authority for UAB Highlands, an Affiliate of UAB Health System (UAB Highlands HCA) for the purpose of acquiring and operating HealthSouth Medical Center (HMC). The Board and UAB Highlands HCA entered into a loan agreement dated March 31, 2006 whereby the Board, through the Hospital, agreed to loan UAB Highlands HCA up to \$48,000,000 at an annual interest rate of 5% for the acquisition, improvement, and start-up expenses of HMC. Interest only is payable through the loan advance period which ends April 1, 2007. Beginning May 1, 2009, UAB Highlands HCA is required to make monthly payments sufficient to pay both principal and interest by April 1, 2026. As of September 30, 2006, the outstanding loan balance and unpaid interest due the Hospital was \$48,000,000 and \$370,000 respectively. In addition, the Hospital has performed various services on behalf of UAB Highlands HCA for which \$277,000 was charged and is outstanding at September 30, 2006.

### (3) Cash and Cash Equivalents

The Board approves, by resolution, all banks or other financial institutions utilized as depositories for UAB funds. Prior to approval, each proposed depository must provide evidence of its designation by the Alabama state treasurer as a qualified public depository under the Security for Alabama Funds Enhancement Act (SAFE). From time to time, the Board may request that the depository provide evidence of its continuing designation as a qualified public depository. The enactment of the SAFE program changed the way all Alabama public deposits are collateral-

ized. In the past, the bank pledged collateral directly to each individual public entity. Under the mandatory SAFE program, each qualified public depository (QPD) is required to hold collateral for all its public deposits on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the state treasurer, who would use the SAFE pool collateral or other means to reimburse the loss.

During 2005, the Board established a short-term investment pool for the System campuses to invest operating cash reserves. As of September 30, 2006 and 2005, respectively, UAB had \$51,619,651 and \$105,301,303 (\$24,423,745 and \$45,188,078 for the University and \$27,195,906 and \$60,113,225 for the Hospital) invested in this System-sponsored investment pool, which is presented in cash and cash equivalents, cash designated for investment activities, and restricted cash and cash equivalents on the statement of net assets. See Note 4 for further disclosure regarding this investment pool.

As of September 30, 2006 and 2005, respectively, UAB had cash and cash equivalents totaling \$217,884,400 and \$128,642,822, (\$90,051,735 and \$68,512,767 for the University and Other Nonmajor Funds and \$127,832,665 and \$60,130,055 for the Hospital).

### (4) Investments

The Board has the responsibility for the establishment of the investment policy and the oversight of the investments for the various System and related entities. In order to facilitate System-wide investment economies and objectives, the Board has established four distinct investment pools based primarily on the projected investment time-horizons for cash reserves. These investment pools are the Endowment Fund, Prime Fund, Intermediate Fund and the Short-Term Fund (collectively, the "System Pools"). Pursuant to Board investment policies, each System or related entity may include all or a portion of their investments within the System sponsored investment pools. These investment funds are considered "internal" investment pools under GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" with the assets pooled on a market value basis. Separately managed funds that are resident on each campus are to be invested consistent with the asset mix of the corresponding

System investment pool.

UAB applies the same investment policies for separately held investments as those of the System Pools.

#### Endowment Fund

The purpose of the Endowment Fund is to pool endowment and similar funds to support the System campuses, the Hospital and related entities in carrying out their respective missions over an indefinite time frame. Accordingly, the primary investment objectives of the Endowment Fund are to preserve the purchasing power of the principal and provide a stable source of perpetual financial support. To satisfy the long-term rate of return objective, the Endowment Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation and natural income. Asset allocations are established to meet targeted returns while providing adequate diversification in order to minimize investment volatility.

#### Prime Fund

The Prime Fund is a longer-term fund used as a source of funds to meet projected cash reserve needs over a period of seven to ten years. This fund has an investment objective of growth through income and is invested in a diversified asset mix of liquid and semi-liquid securities. Long-term lockup funds with liquid assets are inappropriate investments for this fund.

#### Intermediate Fund

The Intermediate Fund serves as a source of funds to meet projected cash reserve needs over a two to

six year period. This fund is also used to balance the other funds when looking at the System's entire asset allocation of cash reserves relative to its investment objectives. The Intermediate Fund has an investment objective of income with preservation of capital and is invested in intermediate term fixed income securities. At least one of the investment managers must be a large mutual fund providing daily liquidity.

#### Short-Term Fund

The Short-Term Fund contains the short-term cash reserves of the various System entities. Because of the different income and disbursement requirements of each campus, consolidation of these funds reduces daily cash fluctuations and minimizes the amount of short-term cash reserves needed. Assets held in the Short-Term Fund are invested with the primary objective of stability of principal and liquidity. Such investments are restricted to high quality, liquid, money market funds and other fixed income obligations with a maturity of one year or less.

Although the investment philosophy of the Board is to minimize the direct ownership of investment vehicles, preferring ownership in appropriate investment fund groups, there are certain direct investments that are held in the name of the Board. All other investments in the System Pools are classified as commingled funds.

The composition in investments, by investment type, for the System Pools at September 30, 2006 and 2005 is as follows:

### September 30, 2006

	Endowment Fund	Prime Fund	Intermediate Fund	Short-Term Fund
Cash And Receivables:				
Cash	\$	\$	\$	\$
Accrued income receivables	981,140	1,118,196	12,503	2,267,460
<b>Total Cash &amp; Receivables</b>	<b>\$ 981,140</b>	<b>\$ 1,118,196</b>	<b>\$ 2,279,963</b>	<b>\$</b>
Cash And Equivalents:				
Commercial paper	\$	\$	\$	\$
Money market funds	7,574,688	6,428,567	13,748,821	8,434,541
<b>Total Cash And Equivalents</b>	<b>\$ 7,574,688</b>	<b>\$ 6,428,567</b>	<b>\$ 22,183,362</b>	<b>\$</b>
Equities:				
Common stock	\$	\$	\$	\$
<b>Total Equities</b>	<b>\$ 123,226,310</b>	<b>\$ 158,268,913</b>	<b>\$</b>	<b>\$</b>
Fixed Income Securities:				
U S government obligations	\$	\$	\$	\$
Mortgage backed securities	16,359,318	18,806,639	65,619,783	
Collateralized mortgage obligations	3,069,336	9,057,376	39,269,785	
Corporate bonds	8,254,290	8,165,028	61,062,777	
Foreign bonds	9,740,519	11,933,901	158,852,908	
<b>Total Fixed Income Securities</b>	<b>\$ 37,423,463</b>	<b>\$ 47,962,944</b>	<b>\$ 326,232,117</b>	<b>\$</b>
Commingled Commingled Funds:				
U S equity funds	\$	\$	\$	\$
Non-U S equity funds	278,168,873	140,886,041		
U S bond funds	149,893,182	49,545,096		
Hedge funds	121,167,857	187,554,297	8,748,701	85,805,856
Private equity funds	73,778,807	64,690,006		
Timberland funds	20,670,307			
Real estate funds	10,000,141			
<b>Total Commingled Funds</b>	<b>\$ 659,578,675</b>	<b>\$ 442,675,440</b>	<b>\$ 8,748,701</b>	<b>\$ 85,805,856</b>
<b>Total Fund Investments</b>	<b>\$ 827,803,136</b>	<b>\$ 655,335,864</b>	<b>\$ 357,164,180</b>	<b>\$ 85,805,856</b>
<b>Total Fund Assets</b>	<b>\$ 828,784,276</b>	<b>\$ 656,454,060</b>	<b>\$ 359,444,143</b>	<b>\$ 85,805,856</b>
<b>Total Fund Liabilities</b>	<b>\$ (215,789)</b>	<b>\$ (204,829)</b>	<b>\$ (370,639)</b>	<b>\$</b>
<b>Affiliated Entity Investments In Funds</b>	<b>\$ (87,266,923)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total Net Asset Value</b>	<b>\$ 741,301,564</b>	<b>\$ 656,249,231</b>	<b>\$ 359,073,504</b>	<b>\$ 85,805,856</b>

## September 30, 2005

	Endowment Fund	Prime Fund	Intermediate Fund	Short-Term Fund
Cash and receivables:				
Cash	\$ 1,011,107	\$ 17,507	\$ 1,877,554	\$
Accrued income receivables	975,095	559,496	1,877,554	
<b>Total cash &amp; receivables</b>	<b>\$ 1,986,202</b>	<b>\$ 577,003</b>	<b>\$ 1,877,554</b>	<b>\$</b>
Cash and equivalents:				
Commercial paper	\$	\$	\$ 9,855,000	\$
Money market funds	9,105,229	8,381,106	18,673,245	
<b>Total Cash and Equivalents</b>	<b>\$ 9,105,229</b>	<b>\$ 8,381,106</b>	<b>\$ 28,528,245</b>	<b>\$</b>
Equities:				
Common stock	\$ 130,665,163	\$ 108,768,522	\$	\$
<b>Total Equities</b>	<b>\$ 130,665,163</b>	<b>\$ 108,768,522</b>	<b>\$</b>	<b>\$</b>
Fixed income securities:				
U S government obligations	\$ 13,447,557	\$ 19,114,820	\$ 31,940,657	\$
Mortgage backed securities	11,742,454	16,241,627	31,995,079	
Collateralized mortgage obligations			162,260,168	
Corporate bonds	10,375,216	14,385,447	81,317,880	
Foreign bonds			4,620,889	
<b>Total Fixed Income Securities</b>	<b>\$ 35,565,227</b>	<b>\$ 49,741,894</b>	<b>\$ 312,134,673</b>	<b>\$</b>
Commingled funds:				
U S equity funds	\$ 253,692,939	\$ 167,310,710	\$	\$
Non-U S equity funds	122,522,440	103,392,044		
U S bond funds	75,149,275	120,190,770	48,931,227	136,905,991
Hedge funds	71,679,148	51,030,321		
Private equity funds	18,860,126			
Timberland funds	11,826,958			
Real estate funds	12,263,142			
<b>Total Commingled Funds</b>	<b>\$ 565,994,028</b>	<b>\$ 441,923,845</b>	<b>\$ 48,931,227</b>	<b>\$ 136,905,991</b>
<b>Total Fund Investments</b>	<b>\$ 741,329,647</b>	<b>\$ 608,815,367</b>	<b>\$ 389,594,145</b>	<b>\$ 136,905,991</b>
<b>Total Fund Assets</b>	<b>\$ 743,315,849</b>	<b>\$ 609,392,370</b>	<b>\$ 391,471,699</b>	<b>\$ 136,905,991</b>
<b>Total Fund Liabilities</b>	<b>\$ (223,485)</b>	<b>\$ (238,494)</b>	<b>\$ (209,221)</b>	<b>\$</b>
<b>Affiliated Entity Investments in Funds</b>	<b>\$ (80,114,158)</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total Net Asset Value</b>	<b>\$ 662,978,206</b>	<b>\$ 609,153,876</b>	<b>\$ 391,262,478</b>	<b>\$ 136,905,991</b>

The composition in investments, by investment type for UAB's separately held investments, and UAB's interest in System Pools, at September 30, 2006 and 2005 is as follows:

## September 30, 2006

	University and Other Nonmajor Funds	Hospital	Total
Cash and receivables			
Cash and receivables	\$ 6,632,200		\$ 6,632,200
Accrued income receivables			
<b>Total Cash and Receivables</b>	<b>\$ 6,632,200</b>	<b>\$</b>	<b>\$ 6,632,200</b>
Cash and equivalents			
Commercial paper	\$ 6,137,932	\$	\$ 6,137,932
Money market funds	931,207		931,207
<b>Total Cash and Equivalents</b>	<b>\$ 7,069,139</b>	<b>\$</b>	<b>\$ 7,069,139</b>
Equities:			
Common Stock	\$ 1,083,564	\$	\$ 1,083,564
Equity investment in partnerships		26,633,116	26,633,116
<b>Total Equities</b>	<b>\$ 1,083,564</b>	<b>\$ 26,633,116</b>	<b>\$ 27,716,680</b>
Fixed Income Securities:			
US government obligations	\$ 24,604,102		\$ 24,604,102
Mortgage backed securities	28,975,189		28,975,189
Collateralized mortgage obligations			
Corporate bonds	56,725		56,725
Foreign bonds			
<b>Total Fixed Income Securities</b>	<b>\$ 53,636,016</b>	<b>\$</b>	<b>\$ 53,636,016</b>
Commingled Funds:			
US equity funds	\$ 23,698,116		\$ 23,698,116
Non-US equity funds	8,410,886		8,410,886
US bond funds	14,790,984		14,790,984
<b>Total Commingled Funds</b>	<b>\$ 46,899,986</b>	<b>\$</b>	<b>\$ 46,899,986</b>
<b>Real Estate</b>	<b>\$ 781,179</b>	<b>\$</b>	<b>\$ 781,179</b>
Portion of System Pooled Investments			
Endowment Fund	\$ 274,031,129	\$ 19,764,574	\$ 293,795,703
Prime Fund	196,481,617	267,196,958	463,678,575
Intermediate Fund	142,193,069	128,093,386	270,286,455
Short-Term Fund	24,423,745	27,195,906	51,619,651
<b>Total Portion of System Pooled Investments</b>	<b>\$ 637,129,560</b>	<b>\$ 442,250,824</b>	<b>\$ 1,079,380,484</b>
<b>Total Cash and Investments</b>	<b>\$ 753,231,644</b>	<b>\$ 468,883,940</b>	<b>\$ 1,222,115,584</b>
<b>Less Short-Term Fund</b>	<b>\$ 24,423,745</b>	<b>\$ 27,195,906</b>	<b>\$ 51,619,651</b>
<b>Total Investments</b>	<b>\$ 728,807,899</b>	<b>\$ 441,688,034</b>	<b>\$ 1,170,495,933</b>



September 30, 2005

	University and Other Nonmajor Funds	Hospital	Total
Cash and equivalents:			
Commercial paper	\$ 100,000	\$	\$ 100,000
Money market funds	22,235,382		22,235,382
<b>Total Cash and Equivalents</b>	<b>\$ 22,335,382</b>	<b>\$</b>	<b>\$ 22,335,382</b>
Equities:			
Common stock	\$ 21,716,121	\$	\$ 21,716,121
Equity investment in partnerships	127,000	6,675,406	6,802,406
<b>Total Equities</b>	<b>\$ 21,843,121</b>	<b>\$ 6,675,406</b>	<b>\$ 28,518,527</b>
Fixed income securities:			
U S government obligations	\$ 8,419,201	\$	\$ 8,419,201
Mortgage backed securities	39,560,706		39,560,706
Corporate bonds	4,389,190		4,389,190
<b>Total Fixed Income Securities</b>	<b>\$ 52,369,097</b>	<b>\$</b>	<b>\$ 52,369,097</b>
Commingled funds:			
U S equity funds	\$ 98,808,748	\$	\$ 98,808,748
Non-U S equity funds	6,701,783		6,701,783
U S bond funds	21,377,371		21,377,371
<b>Total Commingled Funds</b>	<b>\$ 126,887,902</b>	<b>\$</b>	<b>\$ 126,887,902</b>
<b>Real Estate</b>	<b>\$ 781,179</b>	<b>\$</b>	<b>\$ 781,179</b>
Portion of System Pooled Investments:			
Endowment Fund	\$ 244,895,370	\$ 18,969,581	\$ 263,864,951
Prime Fund	185,171,543	243,582,637	428,754,180
Intermediate Fund	142,577,810	122,621,563	265,199,373
Short-Term Fund	45,188,078	60,113,225	105,301,303
<b>Total Portion of System Pooled Investments:</b>	<b>\$ 617,832,801</b>	<b>\$ 445,287,006</b>	<b>\$ 1,063,119,807</b>
<b>Total Cash and Investments</b>	<b>\$ 842,049,481</b>	<b>\$ 451,962,412</b>	<b>\$ 1,294,011,893</b>
<b>Less Short-Term Fund</b>	<b>\$ 45,188,078</b>	<b>\$ 60,113,225</b>	<b>\$ 105,301,303</b>
<b>Total Investments</b>	<b>\$ 796,861,403</b>	<b>\$ 391,849,187</b>	<b>\$ 1,188,710,590</b>

### Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

### Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation, and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evalu-

ated by one of the independent bond-rating agencies, for example Moody's Investors Service (Moody's) or Standards and Poor's (S&P). The lower the rating, the greater the chance—in the rating agency's opinion—that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Board policy recognizes that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk adjusted return over its benchmark. Credit risk in each investment pool is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities. Fixed income holdings in a single entity (excluding obligations of the U.S. government and its agencies) may not exceed 6% of a manager's portfolio measured at market value. At least 95% of these fixed income investments must be in investment grade securities (securities with ratings of BBB- or Baa3) or higher. However, multi-strategy fixed income managers may have up to 20% of their investments in non-investment grade securities. Securities of foreign entities either denominated in U.S. dollars or other currencies are limited to 20% of a manager's portfolio.

The investment policy recognizes that credit risk is appropriate in balanced investment pools such as the Endowment and Prime Funds, which are tracked against the Lehman Aggregate Index benchmark for the fixed income portion of these pools. For the Endowment Fund, 15% of the fund is committed to fixed income investments, of which, 5% are actively managed. For the Prime Fund, 30% of the fund is invested in fixed income securities, of which, 20% are actively managed. Fixed income investments within the Endowment and Prime Funds include corporate, mortgage backed, asset backed and U.S. treasury and/or agency bonds with a minimum BBB- rating and an average duration of four years. In addition, approximately \$29,000,000 and \$26,000,000 at September 30, 2006 and 2005 is invested in unrated fixed income securities. Commingled funds were approximately \$323,000,000 and \$213,000,000 at September 30, 2006 and 2005, respectively.

The Intermediate Fund is benchmarked against the Lehman 1-3 Government Index, with funds invested with three separate fund managers. Fixed income investments include corporate, mortgage backed, asset backed, collateralized mortgage and U.S. treasury and/or agency bonds with an average minimum rating of BB or higher. For September 30, 2006 and 2005, \$53,000,000 and \$73,000,000, respectively, were invested in unrated fixed income securities.

The Short-Term Fund is committed to immediate liquidity to meet the operating needs of the campuses and the Hospital. These funds are invested in a bank sponsored common/collective trust fund, which in turn invests in money market, corporate, mortgage backed, asset backed and U.S. treasury and/or agency securities. These funds are all commingled with funds of other investors.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2006 and 2005 is as follows:

## September 30, 2006 and 2005

	ENDOWMENT FUND		PRIME FUND		INTERMEDIATE FUND		SHORT-TERM FUND	
	2006	2005	2006	2005	2006	2005	2006	2005
Fixed or Variable Income Securities								
U.S. Government Guaranteed	\$ 16,359,318	\$ 13,447,557	\$ 18,806,639	\$ 19,114,820	\$ 65,619,783	\$ 31,940,657	\$	\$
Other U.S. Denominated:								
AAA	499,000	1,493,845	499,000	1,999,455	119,590,000	119,010,471		
AA	1,191,000	2,010,900	1,752,000	3,791,378	28,772,000	39,696,871		
A	6,139,000	6,203,748	6,514,000	6,984,790	44,855,000	28,954,121		
BBB	1,688,000	1,656,413	3,170,000	2,599,515	10,603,000	15,384,932		
BB						3,843,808		
B					3,464,000			
Unrated	11,547,145	10,752,764	17,221,305	15,251,936	53,328,334	73,303,812		
Commingled Funds:								
U.S. Bond Funds: Unrated	121,167,857	75,149,275	187,554,297	120,190,770	8,748,701	48,931,227	85,805,856	136,905,991
Money Market Funds: Unrated	7,574,688	9,105,229	6,428,567	8,381,106	8,434,541	18,673,245		
Commercial Paper: Unrated					13,748,821	9,855,000		
<b>Total</b>	<b>\$ 166,166,008</b>	<b>\$ 119,819,731</b>	<b>\$ 241,945,808</b>	<b>\$ 178,313,770</b>	<b>\$ 357,164,180</b>	<b>\$ 389,594,145</b>	<b>\$ 85,805,856</b>	<b>\$ 136,905,991</b>

The credit risk for fixed and variable income securities of UAB's separately held investments at September 30, 2006 and 2005 is as follows:

## September 30, 2006 and 2005

	University and Other Nonmajor Funds	
	2006	2005
Fixed or Variable Income Securities		
U.S. Government Guaranteed	\$ 24,604,102	\$ 8,419,201
Other U.S. Denominated:		
AAA	28,975,189	25,662,366
AA		488,124
A		1,770,590
BBB		1,777,095
Unrated	56,725	14,251,721
Commingled Funds:		
U.S. Bond Funds: Unrated	14,790,984	21,377,371
Money Market Funds: Unrated	931,209	22,235,382
Commercial Paper: Unrated	6,137,932	100,000
<b>Total</b>	<b>\$ 75,496,141</b>	<b>\$ 96,081,850</b>

There are no fixed or variable income securities held by the Hospital at September 30, 2006 and 2005.

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of the corporate failure of the custodian, the investment securities may not be returned.

Investment securities in the System Pools are registered in the Board's name by the custodial bank as an agent for the System. Other types of investments (e.g. open-ended mutual funds, common/collective trusts) represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk is remote.

### Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments.

As previously mentioned, credit risk in each investment pool and UAB's separately held portfolio is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities. As of September 30, 2006 and 2005, there was no investment in a single issuer that represents 5% or more of total investments in the System Pools or UAB's separately held investments.

### Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time. The Board does not have a specific policy relative to interest rate risk. As such, there are no restrictions on weighted average maturity for each portfolio as they are managed relative to the investment objectives and liquidity demands of the investors.

The effective durations of the fixed income securities held in each investment pool at September 30, 2006 and 2005 are presented in tables below. The information presented does not take into account the relative weighting of the portfolio components to the total portfolio.

The effective durations for fixed or variable income securities, for the System Pools at September 30, 2006 and 2005 are as follows:

## September 30, 2006 and 2005

	ENDOWMENT FUND		PRIME FUND		INTERMEDIATE FUND	
	2006	2005	2006	2005	2006	2005
U S government obligations	5.7	6.9	5.8	6.3	1.7	1.5
Corporate bonds	4.7	3.6	5.0	2.8	2.5	7.3
Commingled bond funds	5.2	4.5	4.9	4.5	1.9	1.8

There are no fixed or variable income securities in the Short-Term Fund at September 30, 2006 and 2005.

The effective durations for fixed or variable income securities for UAB's separately held investments at September 30, 2006 and 2005 are as follows:

## September 30, 2006 and 2005

	University and Other Nonmajor Funds	
	2006	2005
U S government obligations	0.8	4.9
Corporate bonds		4.9
Commingled bond funds	4.9	3.4

There are no fixed or variable income securities held by the Hospital at September 30, 2006 and 2005.

While the Board does not have a specific policy relative to interest rate risk, UAB has historically invested funds outside of the investment pools in fixed income and variable income securities with short maturity terms.

Investments may also include mortgage pass through securities and collateralized mortgage obligations that may be considered to be highly sensitive to changes in interest rates due to the

existence of prepayment or conversion features. At September 30, 2006 and 2005, the fair market value of these investments in the System Pool is as follows:

### September 30, 2006 and 2005

	ENDOWMENT FUND		PRIME FUND		INTERMEDIATE FUND	
	2006	2005	2006	2005	2006	2005
Mortgage backed securities	\$ 3,069,336	\$ 11,742,454	\$ 9,057,376	\$ 16,241,626	\$ 39,269,785	\$ 31,995,079
Collateralized mortgage obligations	8,254,290		8,165,028		61,062,777	162,260,168
Total	\$ 11,323,626	\$ 11,742,454	\$ 17,222,404	\$ 16,241,626	\$ 100,332,562	\$ 194,255,247

There are none of these type investments in the Short-Term Fund at September 30, 2006 and 2005.

At September 30, 2006 and 2005, the fair market value of these investments in UAB's separately held investments is as follows:

### September 30, 2006 and 2005

	University and Other Nonmajor Funds	
	2006	2005
University and Other Nonmajor Funds		
Mortgage backed securities	\$ 28,975,189	\$ 39,560,706
Collateralized mortgage obligations		
Total	\$ 28,975,189	\$ 39,560,706

There are none of these type investments held by the Hospital at September 30, 2006 and 2005.

**Mortgage Backed Securities.** These securities are issued by the Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae) and Federal Home Loan Mortgage Association (Freddie Mac) and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduces the total expected rate of return.

**Collateralized Mortgage Obligations.** Collateralized mortgage obligations (CMOs) generate a return

based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

At September 30, 2006 and 2005, the effective durations for these securities held in the System Pools are as follows:

### September 30, 2006 and 2005

	ENDOWMENT FUND		PRIME FUND		INTERMEDIATE FUND	
	2006	2005	2006	2005	2006	2005
Mortgage backed securities	3.4	11.6	3.5	11.0	2.3	12.2
Collateralized mortgage obligations					1.6	9.7

There are no mortgage backed securities or CMO's in the Short Term Fund at September 30, 2006 and 2005.

At September 30, 2006 and 2005, the effective duration for these securities held in UAB's separately held investments are as follows:

### September 30, 2006 and 2005

	University and Other Nonmajor Funds	
	2006	2005
Mortgage backed securities	1.2	2.9

There are no mortgage backed securities or CMO's held by the Hospital at September 30, 2006 and 2005.



### Foreign Currency Risk

The strategic asset allocation policy for the Endowment Fund and the Prime Fund includes an allocation to non-United States equity securities. Under Board policy foreign equity holdings in a single industry should not exceed 25% of the investment manager's portfolio measured at market value, with 50% of portfolio's holdings representing EAFE Index firms. Each investment manager must hold a minimum of 30 individual stocks with equity holdings in a single company remaining below 8% of the investment manager's portfolio, measured at market value. Hedging of foreign currency risks is allowed at the investment manager's discretion. In addition, investments in foreign bonds are allowed under Board policy. Foreign bonds denominated in U.S. dollars are limited to 20% of the investment manager's portfolio, and bonds denominated in currencies other than U.S. dollars are limited to 20% of the investment manager's portfolio, measured at market value. As of September 30, 2006 and 2005, all foreign investments are in international commingled funds, which in turn invest in equity securities and bonds of foreign issuers.

### Securities Lending

Board policies permit security lending as a mechanism to augment income. Loans of the securities shall be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral must equal at least 102% of the current market value of the loaned securities. Securities lending contracts must state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and acceptable investment of the collateral.

The System Pools participate in a securities lending program managed by one of the System's custodial banks. The program is designed to allow the System to lend certain securities from the investment pools and receive a pledge of collateral sufficient to cover the market value of the securities lent. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. At September 30, 2006 and 2005, there were no securities on loan from the investment pools and no collateral held by the System.

### Joint Ventures

UAB and HealthSouth Corporation were awarded a joint state Certificate of Need to operate a Gamma Knife. HealthSouth and UAB are equal members in a

joint venture, HealthSouth/UAB Gamma Knife L.L.C., that leases the Gamma Knife to HealthSouth, which manages the operations. The clinical portion of the Gamma Knife program is administered jointly by HealthSouth and UAB. Since UAB did not acquire a majority ownership in the joint venture of the Gamma Knife program, UAB has recorded its ownership as an equity investment. Accordingly, UAB's investment in Gamma Knife is carried at original cost plus or minus equity in undistributed earnings or losses since the date of acquisition and is presented in other long-term investments in these financial statements in the amount of approximately \$2,057,000 and \$1,817,000 at September 30, 2006 and 2005, respectively. Separate financial statements are available for this entity.

Effective July 1, 1997, UAB, in an equal partnership with HSF, acquired The Eye Foundation, Inc. (EFI). UAB's investment, accounted for using the equity method, was approximately \$5,554,000 and \$4,858,000 at September 30, 2006 and 2005, respectively. Effective July 1, 2006, HSF transferred its interest in EFI to the Health Care Authority for UAB Highlands, an Affiliate of the UAB Health System. As a result of the change in ownership, EFI restated its 2006 beginning net assets by approximately \$1,198,000 to comply with the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. UAB's share of EFI's increase in net assets as a result of this restatement is approximately \$ 594,000. This amount is included within net investment income in the accompanying statements of revenues, expenses, and changes in net assets. Summary financial information of EFI as of and for the year ended September 30, 2006 and 2005, respectively, include total assets of approximately \$31,878,000 and \$33,868,000, total liabilities of approximately \$20,771,000 and \$24,152,000, and total net assets of \$11,107,000 and \$9,716,000. Separate financial statements are available for this entity.

As further described in Note 18, effective September 15, 2006, the Hospital began accounting for its ownership of the PLTF as a joint venture.

## (5) Accounts Receivable

The composition of accounts receivable at September 30, 2006 and 2005, is summarized as follows:

<b>University and Other Nonmajor Funds</b>	<b>2006</b>	<b>2005</b>
Receivables from sponsoring agencies	\$ 114,510,755	\$ 81,381,064
Student accounts	10,885,547	8,499,640
Other	18,455,343	9,715,695
	<u>\$ 143,851,645</u>	<u>\$ 99,596,399</u>
Less: provision for doubtful accounts	1,889,055	1,645,636
<b>Total University and Other Nonmajor Funds</b>	<u>\$ 141,962,590</u>	<u>\$ 97,950,763</u>
<b>Hospital</b>		
Patient care	\$ 328,911,359	\$ 340,517,216
Other	389,834	1,717,763
	<u>\$ 329,301,193</u>	<u>\$ 342,234,979</u>
Less: provision for doubtful accounts	224,268,018	229,425,218
<b>Total Hospital</b>	<u>\$ 105,033,175</u>	<u>\$ 112,809,761</u>
<b>Total</b>		
Patient care	\$ 328,911,359	\$ 340,517,216
Receivables from sponsoring agencies	114,510,755	81,381,064
Student accounts	10,885,547	8,499,640
Other	18,845,177	11,433,458
	<u>\$ 473,152,838</u>	<u>441,831,378</u>
Less: provision for doubtful accounts	226,157,073	231,070,854
<b>Total UAB</b>	<u>\$ 246,995,765</u>	<u>\$ 210,760,524</u>

## (6) Student Loans and Pledges Receivable

The composition of student loans and pledges receivable at September 30, 2006 and 2005, is summarized to the right:

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

Pledges for permanent endowment do not meet eligibility requirements, as defined by GASB Statement No. 33, until the related gift is received. Due to uncertainties with regard to their realization and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met.

<b>Student Loans Receivable</b>	<b>2006</b>	<b>2005</b>
<b>University and Other Nonmajor Funds</b>		
Federal loan program	\$ 17,464,702	\$ 18,792,279
University loan funds	1,665,919	1,464,670
<b>Total student loans outstanding</b>	<u>\$ 19,130,621</u>	<u>\$ 20,256,949</u>
Less allowance for doubtful accounts	2,543,024	2,060,900
<b>Total student loans outstanding, net</b>	<u>\$ 16,587,597</u>	<u>\$ 18,196,049</u>
Less: current portion	3,265,595	3,268,496
<b>Total student loans outstanding, noncurrent</b>	<u>\$ 13,322,002</u>	<u>\$ 14,927,553</u>
<b>Gift Pledges Outstanding:</b>		
<b>University and Other Nonmajor Funds</b>		
Operations	\$ 16,446,589	\$ 10,527,546
Capital	251,568	4,803,729
<b>Total gift pledges</b>	<u>\$ 16,698,157</u>	<u>\$ 15,331,275</u>
Less: current portion	7,753,656	7,014,491
<b>Total gift pledges, noncurrent</b>	<u>\$ 8,944,501</u>	<u>\$ 8,316,784</u>
<b>Hospital</b>		
Capital	\$ 4,312,193	\$ 206,000
<b>Total gift pledges</b>	<u>\$ 4,312,193</u>	<u>\$ 206,000</u>
Less: current portion	1,177,193	110,000
<b>Total gift pledges, noncurrent</b>	<u>\$ 3,135,000</u>	<u>\$ 96,000</u>
<b>Total UAB</b>		
Operations	\$ 16,446,589	\$ 10,527,546
Capital	4,563,761	5,009,729
<b>Total gift pledges</b>	<u>\$ 21,010,350</u>	<u>\$ 15,537,275</u>
Less: current portion	8,930,849	7,124,491
<b>Total gift pledges, noncurrent</b>	<u>\$ 12,079,501</u>	<u>\$ 8,412,784</u>



## (7) Capital Assets

Capital assets activity for the years ended September 30, 2006 and 2005, is summarized at right and below:

Net interest costs capitalized in 2006 and 2005, respectively were approximately \$1,304,000 and \$1,425,000 (\$2,263,000 and \$2,005,000 interest cost net of \$959,000 and \$580,000 investment earnings) for the University and Other Nonmajor Funds and \$1,230,000 (\$1,816,000 interest cost net of \$586,000 investment earnings) for the Hospital.

September 30, 2006	Beginning Balance	Additions	Sales/ Retirements/ Transfers	Ending Balance
<b>University and Other Nonmajor Funds</b>				
Capital assets not being depreciated				
Land	\$ 34,569,349	\$ 7,556,094	\$	\$ 42,125,443
Construction in progress	107,861,776	15,087,599	90,615,646	32,333,729
	\$ 142,431,125	\$ 22,643,693	\$ 90,615,646	\$ 74,459,172
Capital assets being depreciated				
Land improvements	\$ 11,927,860	\$ 2,083,846	\$ 35,689	\$ 13,976,017
Buildings	825,398,617	140,632,209	145,893	965,884,933
Fixed equipment systems	72,840,607	2,275,683		75,116,290
Equipment	348,149,057	19,662,286	52,557,708	315,253,635
Library materials	66,286,003	4,996,094		71,282,097
	\$ 1,324,602,144	\$ 169,650,118	\$ 52,739,290	\$ 1,441,512,972
Total Capital Assets	\$ 1,467,033,269	\$ 192,293,811	\$ 143,354,936	\$ 1,515,972,144
Less: accumulated depreciation	686,846,897	69,534,708	43,290,908	713,090,697
Total Net Assets	\$ 780,186,372	\$ 122,759,103	\$ 100,064,028	\$ 802,881,447
<b>Hospital</b>				
Capital assets not being depreciated				
Land	\$ 17,590,309	\$	\$ 174,009	\$ 17,416,300
Construction in progress	2,005,046	6,797,849	6,824	8,796,071
	\$ 19,595,355	\$ 6,797,849	\$ 180,833	\$ 26,212,371
Capital assets being depreciated				
Land improvements	\$ 129,467	\$	\$	\$ 129,467
Buildings	559,966,693	9,983,071	491,313	569,458,451
Fixed equipment systems	7,525,163	934,250		8,459,413
Equipment	266,801,777	42,853,433	15,263,668	294,391,542
	\$ 834,423,100	\$ 53,770,754	\$ 15,754,981	\$ 872,438,873
Total Capital Assets	\$ 854,018,455	\$ 60,568,603	\$ 15,935,814	\$ 898,651,244
Less: accumulated depreciation	356,687,337	45,164,311	14,147,378	387,704,270
Total Net Assets	\$ 497,331,118	\$ 15,404,292	\$ 1,788,436	\$ 510,946,974
<b>Total UAB</b>				
Capital assets not being depreciated				
Land	\$ 52,159,658	\$ 7,556,094	\$ 174,009	\$ 59,541,743
Construction in progress	109,866,822	21,885,448	90,622,470	41,129,800
	\$ 162,026,480	\$ 29,441,542	\$ 90,796,479	\$ 100,671,543
Capital assets being depreciated				
Land improvements	\$ 12,057,327	\$ 2,083,846	\$ 35,689	\$ 14,105,484
Buildings	1,385,365,310	150,615,280	637,206	1,535,343,384
Fixed equipment systems	80,365,770	3,209,933		83,575,703
Equipment	614,950,834	62,515,719	67,821,376	609,645,177
Library materials	66,286,003	4,996,094		71,282,097
	\$ 2,159,025,244	\$ 223,420,872	\$ 68,494,271	\$ 2,313,951,845
Total Capital Assets	\$ 2,321,051,724	\$ 252,862,414	\$ 159,290,750	\$ 2,414,623,388
Less: accumulated depreciation	1,043,534,234	114,699,019	57,438,286	1,100,794,967
Total Net Assets	\$ 1,277,517,490	\$ 138,163,395	\$ 101,852,464	\$ 1,313,828,421

<b>September 30, 2005</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Sales/ Retirements/ Transfers</b>	<b>Ending Balance</b>
<b>University and Other Nonmajor Funds</b>				
Capital assets not being depreciated				
Land	\$ 34,466,454	\$ 569,895	\$ 467,000	\$ 34,569,349
Construction in progress	102,400,978	70,751,254	65,290,456	107,861,776
	\$ 136,867,432	\$ 71,321,149	\$ 65,757,456	\$ 142,431,125
Capital assets being depreciated				
Land improvements	\$ 11,035,018	\$ 996,842	\$ 104,000	\$ 11,927,860
Buildings	743,886,208	84,561,294	3,048,885	825,398,617
Fixed equipment systems	67,164,320	5,676,287		72,840,607
Equipment	337,049,302	28,967,587	17,867,832	348,149,057
Library materials	62,133,499	4,152,504		66,286,003
	\$ 1,221,268,347	\$ 124,354,514	\$ 21,020,717	\$ 1,324,602,144
Total Capital Assets	\$ 1,358,135,779	\$ 195,675,663	\$ 86,778,173	\$ 1,467,033,269
Less: accumulated depreciation	637,365,242	66,942,339	17,460,684	686,846,897
<b>Total Net Assets</b>	<b>\$ 720,770,537</b>	<b>\$ 128,733,324</b>	<b>\$ 69,317,489</b>	<b>\$ 780,186,372</b>
<b>Hospital</b>				
Capital assets not being depreciated				
Land	\$ 7,592,395	\$ 9,997,914	\$	\$ 17,590,309
Construction in progress	221,841,000	6,581,171	226,417,125	2,005,046
	\$ 229,433,395	\$ 16,579,085	\$ 226,417,125	\$ 19,595,355
Capital assets being depreciated				
Land improvements	\$ 129,467	\$	\$	\$ 129,467
Buildings	316,077,455	243,889,238		559,966,693
Fixed equipment systems	3,966,171	3,558,992		7,525,163
Equipment	251,387,369	27,633,883	12,219,475	266,801,777
	\$ 571,560,462	\$ 275,082,113	\$ 12,219,475	\$ 834,423,100
Total Capital Assets	\$ 800,993,857	\$ 291,661,198	\$ 238,636,600	\$ 854,018,455
Less: accumulated depreciation	327,783,046	39,998,744	11,094,453	356,687,337
<b>Total Net Assets</b>	<b>\$ 473,210,811</b>	<b>\$ 251,662,454</b>	<b>\$ 227,542,147</b>	<b>\$ 497,331,118</b>
<b>Total UAB</b>				
Capital assets not being depreciated				
Land	\$ 42,058,849	\$ 10,567,809	\$ 467,000	\$ 52,159,658
Construction in progress	324,241,978	77,332,425	291,707,581	109,866,822
	\$ 366,300,827	\$ 87,900,234	\$ 292,174,581	\$ 162,026,480
Capital assets being depreciated				
Land improvements	\$ 11,164,485	\$ 996,842	\$ 104,000	\$ 12,057,327
Buildings	\$ 1,059,963,663	328,450,532	3,048,885	1,385,365,310
Fixed equipment systems	\$ 71,130,491	9,235,279		80,365,770
Equipment	\$ 588,436,671	56,601,470	30,087,307	614,950,834
Library materials	\$ 62,133,499	4,152,504		66,286,003
	\$ 1,792,828,809	\$ 399,436,627	\$ 33,240,192	\$ 2,159,025,244
Total Capital Assets	\$ 2,159,129,636	\$ 487,336,861	\$ 325,414,773	\$ 2,321,051,724
Less: accumulated depreciation	965,148,288	106,941,083	28,555,137	1,043,534,234
<b>Total Net Assets</b>	<b>\$ 1,193,981,348</b>	<b>\$ 380,395,778</b>	<b>\$ 296,859,636</b>	<b>\$ 1,277,517,490</b>



# (8) Long-Term Debt

Long-term debt activity for the years ended September 30, 2006 and 2005, is summarized as follows:

A portion of UAB's long term debt has been issued with variable interest rates. The interest rates are determined in accordance with the individual related indenture of the related outstanding debt. UAB's bonds are secured by pledged revenues as defined in the applicable indentures. See Note 10 for information regarding the pledged revenues, which collateralize certain outstanding debt.

## September 30, 2006

### University and Other Nonmajor Funds

	Beginning Balance	New Debt	Principal Repayment	Ending Balance
Leases payable for purchase of equipment, 3.68% to 5.45%, due various dates through 2010	\$ 2,728,731	\$ 1,004,220	\$ 1,662,814	\$ 2,070,137
Lease payable Medical Advancement Foundation, variable rate interest, (3.21% at September 30,2006), due annually through 2030	21,105,000		430,000	20,675,000
Birmingham General Revenue Bonds Series 1993B, variable rate interest (3.58% at September 30, 2006), due annually through 2013	8,800,000		800,000	8,000,000
Birmingham General Revenue Bonds Series 2001, 4% to 5.25% due annually through 2027	46,512,959		1,964,272	44,548,687
Birmingham General Revenue Bonds Series 2002, 2.5% to 3.8%, due annually through 2013	9,555,000		950,000	8,605,000
Birmingham General Revenue Bonds Series 2003A, 2% to 5% due annually through 2027	69,335,000		2,190,000	67,145,000
Birmingham General Revenue Bonds Series 2003B, 2% to 3% due annually through 2009	18,703,710		4,489,618	14,214,092
Birmingham General Revenue Bonds Series 2005A, 3% to 5% principal due annually from 2007 through 2020	60,375,000			60,375,000
Birmingham General Revenue Bonds Series 2005B,3.% to 4.5% principal due annually from 2008 through 2027		53,525,000		53,525,000
	\$ 237,115,400	\$ 54,529,220	\$ 12,486,704	\$ 279,157,916
Less: unamortized bond discount				1,352,142
<b>Total University and Other Nonmajor Funds debt</b>				\$ 277,805,774
Less: current portion				16,376,359
<b>Total University and Other Nonmajor Funds debt, noncurrent</b>				\$ 261,429,415

### Hospital

Lease payable, 3.75% due monthly at through 2019	\$ 3,907,608	\$	\$ 214,702	\$ 3,692,906
Birmingham Hospital Revenue Bonds Series 2000A, 4.9% to 5.875% due annually through 2031	146,190,000		146,190,000	
Birmingham Hospital Revenue Bonds Series 2000B, variable interest rate (3.58% at September 30, 2006), principal due annually from 2016 through 2031	107,800,000			107,800,000
Birmingham Hospital Revenue Bonds Series 2000C, variable interest rate (3.58% at September 30, 2006), due annually through 2031	39,000,000		400,000	38,600,000
Birmingham Hospital Revenue Bonds Series 2000D, variable interest rate (3.65% at September 30, 2006), due annually through 2031	75,675,000		1,575,000	74,100,000
Birmingham General Revenue Bonds Series 2001, 4% to 5.25% due annually through 2027	2,707,041		155,728	2,551,313
Birmingham General Revenue Bonds Series 2003B, 2% to 3% due annually through 2009	1,876,290		450,382	1,425,908
Birmingham Hospital Revenue Bonds Series 2004A, 2% to 5% due annually through 2014	39,120,000		3,630,000	35,490,000
Birmingham Hospital Revenue Bonds Series 2006A, 4% to 5% due annually through 2041		245,735,000		245,735,000
	\$ 416,275,939	\$ 245,735,000	\$ 152,615,812	\$ 509,395,127
Less: unamortized bond discount				10,494,920
<b>Total Hospital debt</b>				\$ 498,900,207
Less: current portion				7,044,087
<b>Total Hospital debt, noncurrent</b>				\$ 491,856,120

### Total

Leases payable for purchase of equipment, 3.68% to 5.45%, due various dates through 2010	\$ 6,636,339	\$ 1,004,220	\$ 1,877,516	\$ 5,763,043
Lease payable Medical Advancement Foundation, variable rate interest, (3% at September 30,2005), due annually through 2030	21,105,000		430,000	20,675,000
Birmingham General Revenue Bonds Series 1993B, variable rate interest (2.76% at September 30, 2005), due annually through 2013	8,800,000		800,000	8,000,000
Birmingham Hospital Revenue Bonds Series 2000A, 4.9% to 5.875% due annually through 2031	146,190,000		146,190,000	
Birmingham Hospital Revenue Bonds Series 2000B, variable interest rate (3.58% at September 30, 2006), principal due annually from 2016 through 2031	107,800,000			107,800,000
Birmingham Hospital Revenue Bonds Series 2000C, variable interest rate (2.60% at September 30, 2005), due annually through 2031	39,000,000		400,000	38,600,000
Birmingham Hospital Revenue Bonds Series 2000D, variable interest rate (2.77% at September 30, 2005), due annually through 2031	75,675,000		1,575,000	74,100,000
Birmingham General Revenue Bonds Series 2001, 4% to 5.25% due annually through 2027	49,220,000		2,120,000	47,100,000
Birmingham General Revenue Bonds Series 2002, 2.5% to 3.8%, due annually through 2013	9,555,000		950,000	8,605,000
Birmingham General Revenue Bonds Series 2003A, 2% to 5% due annually through 2027	69,335,000		2,190,000	67,145,000
Birmingham General Revenue Bonds Series 2003B, 2% to 3% due annually through 2009	20,580,000		4,940,000	15,640,000
Birmingham Hospital Revenue Bonds Series 2004A, 2% to 5% due annually through 2014	39,120,000		3,630,000	35,490,000
Birmingham General Revenue Bonds Series 2005A, 3% to 5% principal due annually from 2007 through 2020	60,375,000			60,375,000
Birmingham General Revenue Bonds Series 2005B,3.% to 4.5% principal due annually from 2008 through 2027		53,525,000		53,525,000
Birmingham Hospital Revenue Bonds Series 2006A, 4% to 5% due annually through 2041		245,735,000		245,735,000
	\$ 653,391,339	\$ 300,264,220	\$ 165,102,516	\$ 788,553,043
Less: unamortized bond discount				11,847,062
<b>Total debt</b>				\$ 776,705,981
Less: current portion				23,420,446
<b>Total debt, noncurrent</b>				\$ 753,285,535

## September 30, 2005:

### University and Other Nonmajor Funds

	Beginning Balance	New Debt	Principal Repayment	Ending Balance
Leases payable for purchase of equipment, 3.68% to 5.45%, due various dates through 2010	\$ 3,484,683	\$ 631,892	\$ 1,387,845	\$ 2,728,730
Lease payable Medical Advancement Foundation, variable rate interest, (3% at September 30,2005), due annually through 2030	23,810,000		2,705,000	21,105,000
Birmingham General Revenue Bonds Series 1993B, variable rate interest (2.76% at September 30, 2005), due annually through 2013	9,600,000		800,000	8,800,000
Birmingham General Revenue Bonds Series 1999, 4% to 6.0%, due annually through 2020	65,800,000		65,800,000	
Birmingham General Revenue Bonds Series 2001, 4% to 5.25% due annually through 2027	48,393,795		1,880,835	46,512,960
Birmingham General Revenue Bonds Series 2002, 2.5% to 3.8%, due annually through 2013	10,480,000		925,000	9,555,000
Birmingham General Revenue Bonds Series 2003A, 2% to 5% due annually through 2027	69,835,000		500,000	69,335,000
Birmingham General Revenue Bonds Series 2003B, 2% to 3% due annually through 2009	23,129,710		4,425,999	18,703,711
<b>Birmingham General Revenue Bonds Series 2005A, 3% to 5% principal due annually from 2007 through 2020</b>		<b>60,375,000</b>		<b>60,375,000</b>
	\$ 254,533,188	\$ 61,006,892	\$ 78,424,679	\$ 237,115,401
Less: unamortized bond discount				1,764,600
<b>Total University and Other Nonmajor Funds debt</b>				<b>\$ 235,350,801</b>
Less: current portion				12,267,617
<b>Total University and Other Nonmajor Funds debt, noncurrent</b>				<b>\$ 223,083,184</b>

### Hospital

Lease payable for purchase of equipment	\$ 35,494	\$	\$ 35,494	\$
Lease payable, 3.75% due monthly at through 2019		4,097,480	189,872	3,907,608
Birmingham Hospital Revenue Bonds Series 2000A, 4.9% to 5.875% due annually through 2031	148,725,000		2,535,000	146,190,000
Birmingham Hospital Revenue Bonds Series 2000B, variable interest rate (2.60% at September 30, 2005), principal due annually from 2016 through 2031	107,800,000			107,800,000
Birmingham Hospital Revenue Bonds Series 2000C, variable interest rate (2.60% at September 30, 2005), due annually through 2031	39,400,000		400,000	39,000,000
Birmingham Hospital Revenue Bonds Series 2000D, variable interest rate (2.77% at September 30, 2005), due annually through 2031	77,175,000		1,500,000	75,675,000
Birmingham General Revenue Bonds Series 2001, 4% to 5.25% due annually through 2027	2,856,205		149,165	2,707,040
Birmingham General Revenue Bonds Series 2003B, 2% to 3% due annually through 2009	2,320,290		444,001	1,876,289
<b>Birmingham Hospital Revenue Bonds Series 2004A, 2% to 5% due annually through 2014</b>	<b>42,645,000</b>		<b>3,525,000</b>	<b>39,120,000</b>
	\$ 420,956,989	\$ 4,097,480	\$ 8,778,532	\$ 416,275,937
Less: unamortized bond discount				9,960,474
<b>Total Hospital debt</b>				<b>\$ 406,315,463</b>
Less: current portion				9,090,812
<b>Total Hospital debt, noncurrent</b>				<b>\$ 397,224,651</b>

### Total

Leases payable for purchase of equipment, 3.68% to 5.45%, due various dates through 2010	\$ 3,520,177	\$ 4,729,372	\$ 1,613,211	\$ 6,636,338
Lease payable Medical Advancement Foundation, variable rate interest, (3% at September 30,2005), due annually through 2030	23,810,000		2,705,000	21,105,000
Birmingham General Revenue Bonds Series 1993B, variable rate interest (2.76% at September 30, 2005), due annually through 2013	9,600,000		800,000	8,800,000
Birmingham General Revenue Bonds Series 1999, 4% to 6.0%, due annually through 2020	65,800,000		65,800,000	
Birmingham Hospital Revenue Bonds Series 2000A, 4.9% to 5.875% due annually through 2031	148,725,000		2,535,000	146,190,000
Birmingham Hospital Revenue Bonds Series 2000B, variable interest rate (2.60% at September 30, 2005), principal due annually from 2016 through 2031	107,800,000			107,800,000
Birmingham Hospital Revenue Bonds Series 2000C, variable interest rate (2.60% at September 30, 2005), due annually through 2031	39,400,000		400,000	39,000,000
Birmingham Hospital Revenue Bonds Series 2000D, variable interest rate (2.77% at September 30, 2005), due annually through 2031	77,175,000		1,500,000	75,675,000
Birmingham General Revenue Bonds Series 2001, 4% to 5.25% due annually through 2027	51,250,000		2,030,000	49,220,000
Birmingham General Revenue Bonds Series 2002, 2.5% to 3.8%, due annually through 2013	10,480,000		925,000	9,555,000
Birmingham General Revenue Bonds Series 2003A, 2% to 5% due annually through 2027	69,835,000		500,000	69,335,000
Birmingham General Revenue Bonds Series 2003B, 2% to 3% due annually through 2009	25,450,000		4,870,000	20,580,000
Birmingham Hospital Revenue Bonds Series 2004A, 2% to 5% due annually through 2014	42,645,000		3,525,000	39,120,000
<b>Birmingham General Revenue Bonds Series 2005A, 3% to 5% principal due annually from 2007 through 2020</b>		<b>60,375,000</b>		<b>60,375,000</b>
	\$ 675,490,177	\$ 65,104,372	\$ 87,203,211	\$ 653,391,338
Less: unamortized bond discount				11,725,074
<b>Total debt</b>				<b>\$ 641,666,264</b>
Less: current portion				21,358,429
<b>Total debt, noncurrent</b>				<b>\$ 620,307,835</b>

Maturities and interest on notes, leases, and bonds payable for the next five years and in the subsequent five-year incremental periods are presented in the table below. Future interest payments for variable rate debt are computed by applying the rate in effect at September 30, 2006.

University and Other Nonmajor Funds				
Year	Principal	Interest	Total	
2007	\$ 16,376,359	\$ 8,832,600	\$ 25,208,959	
2008	16,562,788	8,201,137	24,763,925	
2009	15,902,695	7,729,802	23,632,497	
2010	16,149,082	7,253,040	23,402,122	
2011	71,169,808	6,785,704	77,955,512	
2012-2016	63,547,184	26,571,910	90,119,094	
2017-2021	47,000,000	14,057,383	61,057,383	
2022-2026	28,440,000	5,913,025	34,353,025	
2027-2031	4,010,000	1,430,709	5,440,709	
<b>Total University</b>	<b>\$ 279,157,916</b>	<b>\$ 86,775,310</b>	<b>\$ 365,933,226</b>	

Hospital				
Year	Principal	Interest	Total	
2007	\$ 7,044,087	\$ 21,290,423	\$ 28,334,510	
2008	7,343,272	21,868,755	29,212,027	
2009	7,662,542	21,549,415	29,211,957	
2010	7,997,038	21,211,944	29,208,982	
2011	8,293,417	20,910,616	29,204,033	
2012-2016	47,440,525	98,544,620	145,985,145	
2017-2021	56,539,246	88,312,541	144,851,787	
2022-2026	66,580,000	77,178,463	143,758,463	
2027-2031	79,340,000	64,089,038	143,429,038	
2032-2036	97,155,000	46,046,500	143,201,500	
2037-2041	124,000,000	19,204,250	143,204,250	
<b>Total Hospital</b>	<b>\$ 509,395,127</b>	<b>\$ 500,206,565</b>	<b>\$ 1,009,601,692</b>	

Total UAB				
Year	Principal	Interest	Total	
2007	\$ 23,420,446	\$ 30,123,023	\$ 53,543,469	
2008	23,906,060	30,069,892	53,975,952	
2009	23,565,237	29,279,217	52,844,454	
2010	24,146,120	28,464,984	52,611,104	
2011	79,463,225	27,696,320	107,159,545	
2012-2016	110,987,709	125,116,530	236,104,239	
2017-2021	103,539,246	102,369,924	205,909,170	
2022-2026	95,020,000	83,091,488	178,111,488	
2027-2031	83,350,000	65,519,747	148,869,747	
2032-2036	97,155,000	46,046,500	143,201,500	
2037-2041	124,000,000	19,204,250	143,204,250	
<b>Total UAB</b>	<b>\$ 788,553,043</b>	<b>\$ 586,981,875</b>	<b>\$ 1,375,534,918</b>	

In September 2005, UAB issued \$60,375,000 in Series 2005A General Revenue Bonds. The bonds pay interest at varying rates from 3.0% to 5.0% with principal due annually through October 1, 2020. The proceeds from this offering were used to advance refund \$62,695,000 of Series 1999 General Revenue Bonds. UAB incurred an economic gain of approximately \$3,792,000 and a deferred accounting loss of \$4,393,000 included in long term debt on the Statement of Net Assets. The deferred loss is amortized over the life of the new debt and is included as part of interest expense.

In October 2005, UAB issued \$53,525,000 in Series 2005B General Revenue Bonds. The bonds pay interest at varying rates from 3.0% to 4.5% with principal due annually through October 1, 2027. The proceeds of this offering are being used for the purpose of constructing facilities, additions and improvements at UAB; funding capitalized interest on a portion of the Series 2005B Bonds through October 1, 2007; paying costs and expenses associated with this issuance. In September 2006, UAB issued \$245,735,000 in Series 2006A Hospital Revenue Bonds. The bonds pay interest at varying rates from 4% to 5% with principal annually through September 1, 2041. The proceeds from this offering are being used for the purpose of advance refunding of \$143,525,000 of Series 2000A Hospital Revenue Bonds and the remainder to finance capital improvements for the Hospital. UAB incurred an economic gain of \$7,889,000 and a deferred accounting loss of \$11,281,000 on the advance refunding portion of the 2006A Bonds.

The University defeased certain indebtedness on September 27, 2006 and September 24, 2005, by depositing funds in escrow trust accounts sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. Under the trust agreements, all funds deposited in the trust accounts are invested in obligations of the U.S. government. Neither the assets of the trust accounts nor the defeased indebtedness are included in the accompanying statement of net assets as of September 30,



2006 and 2005. The principal outstanding on the defeased indebtedness at September 30, 2006 and 2005, respectively, was approximately \$202,970,000 (\$59,445,000 and \$143,525,000 related to University and Hospital, respectively) and \$62,695,000 related to the University.

The Hospital Series 1993, 2000A, 2000B, 2000C, 2000D, and 2004A Revenue Trust Indentures contain certain restrictive covenants (see Note 10). The Hospital's management believes that it was in compliance with respect to these covenants at September 30, 2006 and 2005.

## (9) Other Noncurrent Liabilities

The activity with respect to other noncurrent liabilities not presented as part of Note 19 for the year ended September 30, 2006 and 2005, is as follows:

September 30, 2006	Beginning Balance	Additions	Retirements	Ending Balance
<b>University and Other Nonmajor Funds</b>				
Advances federal loans	\$ 16,717,093	\$ 490,486	\$ (649,523)	\$ 16,558,056
Other noncurrent liabilities	64,602,210	18,779,934	(82,195,961)	1,181,183
<b>Total advances federal loans and other noncurrent liabilities</b>	<b>\$ 81,319,303</b>	<b>\$ 19,265,420</b>	<b>\$ (82,845,484)</b>	<b>\$ 17,739,239</b>

September 30, 2005	Beginning Balance	Additions	Retirements	Ending Balance
<b>University and Other Nonmajor Funds</b>				
Advances federal loans	\$ 16,896,513	\$ 2,448,016	\$ (2,627,436)	\$ 16,717,093
Other noncurrent liabilities	49,732,845	14,869,365		64,602,210
<b>Total advances federal loans and other noncurrent liabilities</b>	<b>\$ 66,629,358</b>	<b>\$ 17,317,381</b>	<b>\$ (2,627,436)</b>	<b>\$ 81,319,303</b>

## (10) Pledged Revenues

Pledged revenues, adjusted operating expenses, and historical debt service coverage ratio for 2006 and 2005, as defined by the Series 1993, 2000A, 2000B, 2000C, 2000D, 2004A and 2006A Hospital Revenue Trust Indentures, are as follows:

<b>Hospital Bonds</b>	<b>2006</b>	<b>2005</b>
Total pledged revenues	\$ 807,509,972	\$ 764,721,478
Adjusted operating expense	716,153,467	686,219,810
<u>Net facilities income</u>	<u>\$ 91,356,505</u>	<u>\$ 78,501,668</u>
Maximum debt service coverage	\$ 29,937,750	\$ 28,299,781
Historical debt service coverage ratio	3.05:1	2.77:1

Pledged revenues for 2006 and 2005, as defined by the Series 1993B, 1999, 2001, 2002, 2003A, 2003B, 2005A and 2005B General Revenue Trust Indentures, are as follows:

<b>University Bonds</b>	<b>2006</b>	<b>2005</b>
Tuition and fees	\$ 96,756,357	\$ 95,295,781
Indirect cost recovery	81,572,348	81,550,002
Sales and service of educational activities	48,988,217	43,956,428
Auxiliary sales and service	20,743,394	17,435,583
Endowment and investment income	54,584,632	38,806,677
Other sources	38,396,761	42,856,895
<b>Total Pledged Revenues</b>	<b>\$ 341,041,709</b>	<b>\$ 319,901,366</b>

## (11) Employee Benefits

### Retirement and Pension Plans

Most employees of UAB participate in the Teachers' Retirement System of Alabama (TRS), a cost-sharing, multiple-employer public retirement system. Certain employees also participate in an optional plan with the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). TRS is a defined benefit plan and the TIAA-CREF programs are defined contribution plans. Participants in TRS who retire at age 60 with 10 years of credited service, or after completing 25

years of credited service, regardless of age, are entitled to an annual benefit, payable monthly for life. Service retirement benefits are calculated by three methods, with the participants receiving payments under the method which yields the highest monthly benefit. These methods include (1) minimum guaranteed, (2) money purchase, or (3) formula. Under the formula method, participants are allowed 2.0125% of their final average salary (average of three highest years of annual compensation during the last 10 years of service) for each year of service. A participant terminating before reaching retirement age, but after completing 10 years of credited service, is eligible for a vested allowance at age 60 provided accumulated employee contributions are not withdrawn. TRS also provides death and disability benefits.



Covered employees are required by law to contribute to TRS. UAB, as the employer, contributes to TRS. The contribution requirements for fiscal years 2006, 2005, and 2004, respectively, were approximately \$85,868,000, \$77,634,000, and \$66,860,000, which consisted of \$53,252,000, \$43,614,000, and \$37,930,000 from UAB and \$32,616,000, \$31,020,000, and \$28,930,000 from employees. UAB's contribution was 8.17%, 7.03%, and 6.56% of salaries and wages for covered employees in 2006, 2005, and 2004. The contribution by law enforcement employees is 6% of earned compensation. The contribution by all other employees is 5% of earned compensation. All regular employees of UAB are members of TRS, with the exception of temporary employees who, by definition, are those employees hired for a predetermined period of employment of less than one year and employees working less than one half of a regular schedule.

The 10-year historical trend information shows TRS's progress in accumulating sufficient assets to pay benefits when due and the significant actuarial assumptions used to compute the pension benefit obligation, including the discount rate, projected salary increases, and postretirement benefit increases presented in the September 30, 2005, annual financial report of the TRS. That report is publicly available and may be obtained by contacting TRS.

As previously noted, some employees participate in the optional TIAA-CREF programs, which are defined contribution plans. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All full-time regular monthly employees are eligible to participate from the date of employment. UAB contributes a matching amount of up to 5% of total salaries for participating employees. UAB's contribution is funded as it accrues and, along with that of the employee, is immediately and fully vested. The contributions for 2006 and 2005, respectively, excluding employee amounts not eligible for matching, were approximately \$26,558,000 and \$25,204,000 which included approximately \$13,279,000 and \$12,602,000 each from UAB and its employees.

UAB's total salaries and wages for fiscal year 2006 and 2005, respectively, were approximately \$749,709,000 and \$714,254,000. Total salaries and wages during fiscal years 2006 and 2005, respectively, for covered employees participating in TRS were approximately \$651,797,000 and \$620,398,000, respectively. Total salaries and wages during fiscal years 2006 and 2005 for cov-

ered employees participating in TIAA CREF were approximately \$274,884,000 and \$260,081,000, respectively.

#### **Postretirement Benefits**

Certain retired employees may elect to continue to participate in UAB's group health plan until they are eligible for Medicare by paying the full cost of the plan premium. Retired employees age 65 or older who are eligible for Medicare must enroll in the Medicare Coordinated Plan under which Medicare is the primary insurer and UAB's health care plan becomes the secondary insurer. Despite the availability of the UAB plan, most retirees elect to participate in the Public Education Employees Health Insurance Plan (PEEHIP) with TRS, in which case the retirees pay their premiums directly to TRS.

Certain retirees may also elect to continue their basic term life insurance coverage and accidental death and dismemberment insurance up to certain maximum amounts. The retirees pay the full amount of the premiums in such cases. Retirees are not eligible for tuition assistance benefits themselves. However, their unmarried dependent children may qualify in some cases.



#### **Compensated Absences**

Certain UAB employees accumulate vacation and sick leave at varying rates depending upon their years of continuous service and their payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rate of pay up to a designated maximum number of days. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the financial statements include accruals of \$27,677,200 and \$24,534,200 (\$20,307,500 and \$17,243,600 related to the University and \$7,369,700 and \$7,290,000 related to the Hospital) as of September 30, 2006 and 2005, respectively, for accrued vacation pay and salary-related payments associated with vacation pay. There is no such accrual recognized for sick leave benefits because there is no terminal cash benefit available to employees for accumulated sick leave.

SRI provides postretirement life insurance and medical benefit coverage to certain eligible employees. The detail of this postretirement benefit are presented in SRI's annual report.

Triton sponsors a 401(k) plan covering substantially all employees who have completed at least six





months of service. Information regarding this benefit is presented in Triton's annual report.

## **(12)** Federal Direct Student Loan Program

The Federal Direct Student Loan Program (FDSLP) was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the university rather than through private lenders. UAB began participation in the FDSLP on July 1, 1994. As a university qualified to originate loans, UAB is responsible for handling the complete loan process, including funds management, as well as promissory note functions. UAB is not responsible for collection of these loans. During the years ended September 30, 2006 and 2005, respectively, UAB disbursed approximately \$72,107,000 and \$70,186,000 under the FDSLP.

## **(13)** Grants and Contracts

At September 30, 2006 and 2005, UAB had been awarded approximately \$409,824,000 and \$424,251,000 in grants and contracts which had not been expended. These awards, which represent commitments of sponsors to provide funds for specific research, training, and service projects, have not been reflected in the financial statements.

## **(14)** Net Patient Service Revenue

The Hospital has agreements with governmental and other third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare—Substantially all acute-care services rendered to Medicare program beneficiaries are

paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the Hospital is reimbursed for both its direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Hospital generally is reimbursed for certain retroactively settled items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary. The Hospital's cost reports have been audited and settled for all fiscal years through 2003. Revenue from the Medicare program accounted for approximately 28% and 27% of the Hospital's net patient service revenue for the year ended September 30, 2006 and 2005, respectively.

- Blue Cross—Inpatient services rendered to Blue Cross subscribers are paid at a prospectively determined per diem rate. Outpatient services are reimbursed under a cost reimbursement methodology. For outpatient services, the Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by Blue Cross. The Hospital's Blue Cross cost reports have been audited and settled for all fiscal years through 2005. Revenue from the Blue Cross program accounted for approximately 26% and 28% of the Hospital's net patient service revenue for the year ended September 30, 2006 and 2005, respectively.
- Medicaid—Inpatient services rendered to Medicaid program beneficiaries are reimbursed at all-inclusive prospectively determined per diem rates. Outpatient services are reimbursed based on an established fee schedule. The Hospital qualifies as a Medicaid essential provider and therefore also receives supplemental payments based on formulas established by the Alabama Medicaid Agency. As a Medicaid essential provider, the Hospital is required to make an intragovernmental transfer of funds to the State Treasurer's Office and receives corresponding supplemental payments in excess of the amounts transferred. The Hospital anticipates it will continue to be a Medicaid essential provider hospital based on the present formulas provided by the Agency and the State of Alabama. The net benefit associated with the Hospital's essential

provider designation, totaling approximately \$10,105,000 and \$10,914,000 in 2006 and 2005, respectively, is included in net patient service revenue in the accompanying statements of revenues, expenses, and changes in net assets. There can be no assurance that the Hospital will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Revenue from the Medicaid program accounted for approximately 15% and 14% of the Hospital's net patient service revenue for year ended September 30, 2006 and 2005, respectively.

- Other—The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The bases for payments to the Hospital under these agreements include discounts from established charges, capitation, and prospectively determined daily and case rates.

The composition of Hospital operating revenue follows:

	<b>2006</b>	<b>2005</b>
Gross patient service revenue	\$ 2,307,695,022	\$ 2,090,029,752
Less provision for contractual and other adjustments	(1,488,543,980)	(1,332,404,565)
Less provision for bad debts	(148,690,483)	(116,773,083)
Total net patient service revenue	\$ 670,460,559	\$ 640,852,104
Capitation revenue	52,555,538	45,305,365
Other revenue	53,054,994	43,507,421
Total hospital sales revenue	<u>\$ 776,071,091</u>	<u>\$ 729,664,890</u>

## (15) Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services, and supplies and equivalent service statistics. The following information measures the level of charity care provided during the year ended September 30, 2006 and 2005:

	<b>2006</b>	<b>2005</b>
Approximate charges forgone, based on established rates	\$ 98,665,000	\$ 96,254,000
Percentage of charity charges to total charges	4.3%	4.5%



## (16) Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2006 and 2005, follows:

	2006	2005
Other	28%	36%
Self-pay patients	19	19
Medicare	20	15
Blue Cross	15	13
Medicaid	18	17
	100%	100%

## (17) Construction Commitments and Financing

UAB has contracted for the construction and renovation of several facilities. At September 30, 2006 and 2005, the estimated remaining cost to complete the construction and renovation of these facilities was approximately \$84,933,000 and \$168,801,000, respectively, which is expected to be financed from private gifts, grants, bond proceeds, and UAB reserves.

## (18) Risk Management and Self-Insurance

UAB manages risks related to medical malpractice, general liability, and employee health care through a combination of self-insurance, risk pooling arrangements, and commercial insurance coverage.

UAB's medical malpractice liability is managed by PLTF, a professional liability trust fund. PLTF functions as a risk-sharing vehicle for UAB and more than ten nongovernmental organizations. PLTF covers liabilities of the covered parties, including UAB, arising from reported claims, claims that are incurred but not reported, and future costs of handling these

claims. The liabilities are generally based on present value actuarial valuations discounted using interest rates from 4% to 5%. The discount rate used in 2006 and 2005 was 4%. The associated risks of claims are subject to aggregate limits, with excess liability coverage provided by independent insurers to protect participants against losses should a claim arise that exceeds PLTF coverage limits. Although UAB is the sponsor of PLTF, it is not the predominant participant in the fund.

The PLTF's policy committee establishes the premium rate of participants based on recommendations from consulting actuaries and considering the assumption of risk from the PLTF's date of inception. Premiums paid to the PLTF are provided by UAB, HSF, and other participants. In addition, certain legal and administrative services are provided to the PLTF by the University of Alabama System.

The PLTF agreement requires 10% of all PLTF assets to be held in liquid assets. At September 30, 2006 and 2005, the liquid assets of the PLTF, as defined by the agreement, were in compliance with the agreement.

For the year ending September 30, 2005 the PLTF was accounted for under GASB Statement No. 10 as a separate insurance enterprise and reported as a nonmajor fund. Effective September 15, 2006, the System Board and HSF Board amended the Trust agreement to institute changes to the PLTF that, when considered in connection with the joint venture guidance under GASB Statement No. 14, resulted in UAB and HSF receiving a joint venture investment in the PLTF. The resulting impact of this change is represented by a PLTF joint venture interest transfer of \$39,655,048, of which \$ 19,022,471 is included in the Hospital column of the Statement of Revenues, Expenses, and Changes in Net Assets for the year ended September 30, 2006. UAB will account for its investment in the PLTF, in the Hospital column, using the equity method of accounting.

General liability is subject to various claims and aggregate limits, with excess liability coverage provided by an independent insurer. General liability and employee health care claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The gen-

eral liability liabilities are generally based on actuarial valuations and are reported at presented value. The discount rate used for the general liability was 4% in 2006 and 2005. In addition, SRI is self-insured for active employees health care and dental coverage.

Changes in the total self-insured liabilities for the year ended September 30, 2006 and 2005 are presented as follows:

<b>University and Other Nonmajor Funds</b>	<b>2006</b>	<b>2005</b>
Balance, beginning of year	\$ 87,598,179	\$ 76,029,539
Claims incurred and changes in estimates	25,397,895	53,167,473
Claim payments	(25,153,718)	(41,598,833)
Transfer of PLTF	(80,824,961)	
<b>Balance, end of year</b>	<b>\$ 7,017,395</b>	<b>\$ 87,598,179</b>
<b>Hospital</b>		
Balance, beginning of year	\$ 1,657,265	\$ 2,095,319
Claims incurred and changes in estimates	20,684,704	13,071,137
Claim payments	(20,658,262)	(13,509,190)
<b>Balance, end of year</b>	<b>\$ 1,683,707</b>	<b>\$ 1,657,266</b>
<b>Total UAB</b>		
Balance, beginning of year	\$ 89,255,444	\$ 78,124,858
Claims incurred and changes in estimates	46,082,599	66,238,610
Claim payments	(45,811,980)	(55,108,023)
Transfer of PLTF	(80,824,961)	
<b>Balance, end of year</b>	<b>\$ 8,701,102</b>	<b>\$ 89,255,445</b>

## (19) Contingencies

UAB has sovereign immunity and is, therefore, in the opinion of UAB counsel, immune to ordinary tort actions including those based on medical malpractice or general injury to patients. Consequently, while UAB is sometimes named as defendant in malpractice actions and other actions for injuries arising in the Hospital, it has consistently been dismissed from those lawsuits on the basis of the sovereign immunity doctrine. That doctrine also protects UAB from vicarious liability arising from the negligence of its employees. While UAB is not aware of any impending threat to this doctrine, UAB is a named insured under the terms of the PLTF and GLTF and excess insurance purchased from commercial companies (Note 18). There are some exceptions to the sovereign immunity doctrine, most notably federal court cases arising under the federal constitution or federal statutes.

UAB is engaged in various legal actions in the ordinary course of business. Management does not believe the

ultimate outcome of these actions will have a material adverse effect on the financial statements.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by such agencies, principally the United States Government. Any disallowed claims, including amounts already collected, may constitute a liability of UAB. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although UAB expects any such amounts to be immaterial.

In March 2005, the University, the University of Alabama Health Services Foundation and UAB Health System entered into a Settlement Agreement with the United States, on behalf of the National Institute of Health, the Office of Acquisition Management and Policy, Department of Health and Human Services, and the Office of Inspector General, Department of Health and Human Services to conclude an audit of alleged Medicare and grant irregularities relating to effort reporting and billing for services rendered as part of research trials. With no admission of wrongdoing, UAB paid \$3,390,000 to the U.S. in exchange for a release of certain liability on the audited issues through June 30, 2004.

UAB also agreed to certain compliance program requirements for a three-year period, which include an annual report and certification submission. In addition, UAB entered into a settlement agreement with two former employees, with no admission of wrongdoing. UAB paid a total of \$500,000 to the former employees for release of all claims arising from their employment.

SRI is involved in an environmental remediation site where SRI voluntarily elected to clean up the site in accordance with applicable federal and state laws. Additionally, SRI has voluntarily elected to decommission a laboratory facility formerly used for projects involving toxic agents. Uncertainties about the status of laws and regulations, technology, the magnitude of possible contamination and the extent of the correction actions make it difficult to develop

estimates of probable future remediation and decommissioning costs. While the actual costs of remediation and decommissioning may vary from management's estimates because of these uncertainties, SRI has accrued \$2,300,000, included in accounts payable and accrued liabilities in the accompanying statement of net assets, based on management's best estimate of the exposures.

## (20) Operating Expenses by Function

Total operating expenses by functional classification for the year ended September 30, 2006 and 2005, are as follows:

September 30, 2006	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	\$ 196,588,191	\$ 29,941,368	\$	\$	\$ 226,529,559
Research	197,409,790	131,818,567			329,228,357
Public service	46,590,868	24,245,897			70,836,765
Academic support	74,734,169	180,611,726			255,345,895
Student services	12,931,223	6,246,226			19,177,449
Institutional support	62,220,692	23,733,373			85,954,065
Operations and maintenance of plant	24,586,061	28,476,203			53,062,264
Scholarships and fellowships	92,736	16,273		20,505,063	20,614,072
Hospital	376,449,419	339,704,045			716,153,464
Auxiliary	12,394,745	16,906,054			29,300,799
Depreciation			114,968,704		114,968,704
<b>Total Operating Expenses</b>	<b>\$ 1,003,997,894</b>	<b>\$ 781,699,732</b>	<b>\$ 114,968,704</b>	<b>\$ 20,505,063</b>	<b>\$ 1,921,171,393</b>

September 30, 2005	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	\$ 188,510,061	\$ 29,756,555	\$	\$	\$ 218,266,616
Research	183,476,454	110,929,559			294,406,013
Public service	46,704,743	20,528,598			67,233,341
Academic support	64,616,175	145,965,783			210,581,958
Student services	11,991,741	7,570,854			19,562,595
Institutional support	56,512,318	26,318,386			82,830,704
Operation and maintenance of plant	23,382,947	28,305,469			51,688,416
Scholarships and fellowships				19,733,167	19,733,167
Hospital	358,176,515	328,043,294			686,219,809
Auxiliary	11,915,089	13,319,999			25,235,088
Depreciation			107,219,083		107,219,083
<b>Total Operating Expenses</b>	<b>\$ 945,286,043</b>	<b>\$ 710,738,497</b>	<b>\$ 107,219,083</b>	<b>\$ 19,733,167</b>	<b>\$ 1,782,976,790</b>



## (21) Recently Issued Pronouncements

The GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, in November 2003. GASB Statement No. 42 requires governments to evaluate and report any capital asset impairment loss in their financial statements on an annual basis offset by any related insurance recoveries. This statement is effective for fiscal year periods beginning after December 15, 2004. There was not a material impact on UAB's financial statements from the adoption of this statement.

GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Other Than Pensions*, was issued by the GASB in July 2004. This statement requires governmental entities to recognize and match other post retirement benefit costs, for example health and life insurance expense, with related services received and also to provide information regarding the actuarial accrued liability and funding level of the benefits associated with past services. GASB Statement No. 45 will be effective for financial statement periods beginning after December 15, 2006. The impact that GASB Statement No. 45 will have on the UAB's financial statements is currently being evaluated. However, most retirees elect to participate in the State-sponsored PEEHIP (Note 11) which is a multi-employer plan. GASB Statement No. 45 is not expected to effect UAB's accounting for the PEEHIP.

The GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation an amendment of GASB Statement No. 34*, in December 2004. GASB Statement No. 46 amends GASB Statement No. 34 to clarify the definition of a legally enforceable enabling legislation restriction and specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. GASB Statement No. 46 will be effective for financial statement periods beginning after June 15, 2005. UAB adopted this Statement effective October 1, 2005. There was not a material impact on UAB's financial statements from the adoption of this statement.

The GASB issued Statement No. 47, *Accounting for Termination Benefits*, in July 2005. GASB Statement No. 47 establishes recognition, measurement, and

disclosure requirements for both voluntary termination benefits (for example, early-retirement incentives) and involuntary termination benefits (for example, severance benefits). The requirements of GASB Statement No. 47 are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of GASB Statement No. 45. For all other termination benefits this statement is effective for financial statements for periods beginning after June 15, 2005. UAB adopted this Statement effective October 1, 2005. There was not a material impact on UAB's financial statement from the adoption of this statement.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues* effecting financial statement periods beginning after December 15, 2006. GASB Statement No. 48 details criteria used to determine whether certain revenue generating transactions should be classified as a sale or a collateralized borrowing. UAB is currently evaluating the impact that GASB Statement No. 48 will have on its financial statements.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, was issued by the GASB in December 2006. This statement will require that governments provide more detailed information regarding the effect of environmental cleanups and will be effective for financial periods beginning after December 15, 2007. UAB is currently evaluating the impact that GASB Statement No. 49 will have on its financial statements.

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As of September 30, 2006



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