

## **QUARTERLY FINANCIAL STATEMENTS AND OPERATING DATA**

**Dated: September 30, 2009**

### **Relating to:**

<b>2007 B</b>	<b>Cusip 414152RQ3</b>
<b>2007A-1</b>	<b>Cusip 414152SH2</b>
<b>2007A-2</b>	<b>Cusip 414152SJ8</b>
<b>2008A</b>	<b>Cusip 414152SA7</b>
<b>2008B</b>	<b>Cusip 414152SB5</b>
<b>2008C</b>	<b>Cusip 414152SC3</b>
<b>2008E</b>	<b>Cusip 414008AA0</b>
<b>2008D</b>	<b>Cusips 414008AC6</b>
	<b>414008AD4</b>
	<b>414008AE2</b>
	<b>414008AF9</b>
	<b>414008AG7</b>
	<b>414008AH5</b>
	<b>414008AJ1</b>
	<b>414008AK8</b>
	<b>414008AL6</b>
	<b>414008AM4</b>
	<b>414008AN2</b>
	<b>414008AP7</b>

The attached financial statements and operating data for the first quarter ended September 30, 2009, is provided solely to comply with the undersigned's contractual commitment (established by the Loan Agreements under which above-referenced Bonds are issued) to provide such data. This notice is not made by the undersigned in connection with a purchase or sale of Bonds and accordingly is not intended to contain all information material to a decision to purchase or sell Bonds.

The attached financial statements are prepared in accordance with generally accepted accounting principles, except for the omission of footnotes and adjustments customarily made at year-end during the audit process. They are preliminary, have not yet been audited, and therefore are subject to change. Readers are cautioned that adjustments to the attached statements could be required to reflect changes between temporarily restricted and unrestricted assets as required by Financial Accounting Statement No. 117 as well as possible adjustments to asset values that may result from previously reported breaches of covenants (other than payment obligations).

For further information, investors may contact Ms. Kimberly Cotner David, Chief Financial Officer for the undersigned, One Baylor Plaza, Houston, Texas 77030, tel. no. 713-798-1543, [kcotner@bcm.edu](mailto:kcotner@bcm.edu).

**BAYLOR COLLEGE OF MEDICINE**

# Baylor College of Medicine

## Unaudited Balance Sheets

as of September 30, 2009

With Comparative Totals at September 30, 2008

	<u>September 30, 2009</u>	<u>September 30, 2008</u>
<b>Assets</b>		
Cash & Short Term Investments	\$ 30,276,781	\$ 86,364,819
Cash Held by Bond Trustee	317,253,918	589,666,551
Bond Swap Collateral, net	1,950,563	
Accounts Receivable, net	97,577,714	104,687,646
Patient Receivables, net	36,469,648	34,579,723
Contributions Receivable, net	160,149,589	170,624,129
Notes Receivable	18,882,715	19,042,008
Investments	845,665,041	991,069,781
Security lending collateral	6,169,050	10,828,206
Property and Equipment	730,921,351	667,100,943
Other Assets	26,775,070	29,317,793
<b>Total Assets</b>	<u>\$ 2,272,091,439</u>	<u>\$ 2,703,281,599</u>
<b>Liabilities and Net Assets</b>		
Accounts Payable and other liabilities	\$ 234,985,530	\$ 292,322,404
Line of Credit	40,000,000	50,000,000
Bond Swap Liability, net	-	
Deferred Insurance Proceeds, Net	-	5,341,033
Unexpended current awards	72,530,576	75,987,603
Refundable government loan funds	6,796,207	6,899,418
Bonds Payable	897,456,043	965,505,812
Payable under security lending agreements	6,169,050	10,828,206
<b>Total Liabilities</b>	<u>\$ 1,257,937,405</u>	<u>\$ 1,406,884,476</u>
<b>Net Assets</b>		
Unrestricted	\$ 371,380,870	\$ 753,281,303
Temporarily Restricted	314,658,820	219,622,204
Permanently Restricted	328,114,344	323,493,616
<b>Total Net Assets</b>	<u>\$ 1,014,154,034</u>	<u>\$ 1,296,397,123</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 2,272,091,439</u>	<u>\$ 2,703,281,599</u>

**Baylor College of Medicine**  
**Unaudited Statements of Activities - Unrestricted Operating Funds**  
**For the Month Ended September 30, 2009**  
**With Comparative Totals at September 30, 2008**

<b>Operating Activities</b>	<b>September 30, 2009</b>	<b>September 30, 2008</b>
<b>Revenues</b>		
State appropriation and Net Tuition	\$ 14,592,040	\$ 13,052,803
Government and private grants and contracts		
Direct recoveries	79,899,298	74,480,206
Facilities and administrative recoveries	16,855,793	15,027,348
Affiliated hospital contracts	88,559,936	57,652,424
Medical services	57,488,164	72,551,100
Other academic activities	11,450,756	10,792,834
Investment income	13,907,146	15,882,787
Contributions	2,680,061	3,588,426
Equipment acquired through grants and contracts	2,289,843	1,934,051
Temp Restricted Releases	10,931,205	9,028,944
<b>Total revenues</b>	<b>\$ 298,654,242</b>	<b>\$ 273,990,923</b>
<b>Expenses</b>		
Salaries and Wages	\$ 173,977,281	\$ 167,078,435
Benefits	29,710,683	28,107,055
Services, Supplies and Other	83,915,648	79,235,333
Depreciation	15,472,974	15,547,575
Interest	4,984,514	3,060,615
<b>Total expenses</b>	<b>308,061,100</b>	<b>293,029,012</b>
<b>Revenues Over / (Under) Expenses</b>	<b>\$ (9,406,858)</b>	<b>\$ (19,038,089)</b>
<b>Non-operating Activities</b>		
Contributions non equipment capital	\$ 396,713	\$ 738,766
Net realized gains(losses) on investment, net of distribution	-	4,373,897
Interest income	-	34,442
Change in net unrealized gains(losses) on investment	-	(123,410,177)
Investment (loss) income, net of distribution	68,752,524	
Change in net unrealized gains(losses) on swap	(16,751,694)	
Non equip assets acquired by grants and contracts	1,440	213
Loss on disposal & write-down of property and equipment	(667,134)	(388,132)
Storm Litigation & application costs	-	-
Gain on Storm Insurance proceeds	(30,039)	(126,001)
Net assets released from restrictions, transfers and other	320,939	696,165
Retirement of bond original issue cost	-	(2,888,526)
Change in net assets from non-operating activities	52,022,749	(120,969,352)
<b>Total increase(decrease) in Net Assets</b>	<b>\$ 42,615,892</b>	<b>\$ (140,007,441)</b>
<b>Net Assets - Fiscal Year End</b>	<b>385,764,978</b>	<b>893,288,745</b>
<b>Net Assets - September Month End</b>	<b>\$ 428,380,870</b>	<b>\$ 753,281,303</b>

**Baylor College of Medicine**  
**Unaudited Statement of Cash Flows**  
**as of September 30, 2009**  
**With Comparative Totals as of September 30, 2008**

	<u>September 30, 2009</u>	<u>September 30, 2008</u>
<b>Cash Flow from Operating Activities</b>		
Change in net assets	49,294,122	(144,271,007)
Adjustments to reconcile increase/(decrease) in net assets to net cash provided by/(used in) operating activities		
Depreciation	15,472,974	15,547,575
Loss on disposal & write down of P&E	667,134	388,132
Equipment acquired through grants, contracts, and gifts	(2,289,843)	(1,934,264)
Investment income reinvested	(7,499,150)	19,127,956
Change in net unrealized (gains)/losses on investments	(77,242,577)	106,822,542
Change in net unrealized (gains)/losses on swap	16,751,694	18,927,622
(Increase)/Decrease in patient receivables	(1,289,146)	2,208,162
(Increase)/Decrease in contributions receivable	4,517,062	5,574,523
(Increase)/Decrease in accounts receivable	1,066,579	(12,094,722)
(Increase)/Decrease in contributions restricted for long-term investment	(69,908)	(2,161,385)
Net realized (gains)/losses on sale of investments	(18,256,157)	(14,611,047)
(Increase)/Decrease in other assets	981,118	3,082,654
Increase/(Decrease) in accounts payable & other liabilities	569,063	24,885,994
Net cash provided by (used in) operating activities	<u>(17,327,036)</u>	<u>21,492,735</u>
<b>Cash Flow from Investing Activities</b>		
Change in investments (net) (1)	7,062,858	30,589,159
Purchases of property and equipment	(31,855,073)	(39,967,095)
Investment income reinvested	7,499,150	(19,127,956)
Disbursement & repayment of loans (net)	(289,894)	(334,286)
Net Cash provided by (used in) investing activities	<u>(17,582,959)</u>	<u>(28,840,178)</u>
<b>Cash Flow from Financing Activities</b>		
Change in line of credit payable	15,000,000	0
(Increase)/Decrease in bond swap collateral	(32,801,487)	0
Repayment of bonds payable	0	(175,000,000)
Purchase 2005 B bonds	0	36,425,000
Proceeds from Issuance of 2008 D & E Bonds	0	255,000,000
Contributions restricted for long-term investment	69,908	2,161,385
Net Cash provided by (used in) financing activities	<u>(17,731,579)</u>	<u>118,586,385</u>
Net Change in cash and cash equivalents	(52,641,574)	111,238,941
Cash & short-term investments	<u>400,172,272</u>	<u>564,792,428</u>
Cash & short-term investments(2)	<u><u>347,530,699</u></u>	<u><u>676,031,369</u></u>

(1) Represents fiscal year change in balance sheet investments adjusted for net realized gains/losses in operating activities and net unrealized gains/losses on investments in nonoperating activities

(2) Includes "Cash held by Bond Trustee" on Balance Sheet