

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF NET POSITION

(in thousands)	June 30,	
	2016	2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 285,838	\$ 105,465
Investments for operating activities	919,270	957,915
Investments for capital activities	320,934	294,013
Investments for student loan activities	57,273	55,751
Accounts receivable, net	615,969	580,291
Current portion of notes and pledges receivable, net	73,958	79,445
Current portion of prepaid expenses and other assets	108,834	86,581
Cash collateral held by agent	63,292	83,203
Total Current Assets	2,445,368	2,242,664
Noncurrent Assets:		
Endowment, life income and other investments	10,045,608	10,264,326
Notes and pledges receivable, net	318,278	321,639
Prepaid expenses and other assets	32,685	27,101
Capital assets, net	5,708,576	5,622,386
Total Noncurrent Assets	16,105,147	16,235,452
Total Assets	\$ 18,550,515	\$ 18,478,116
Liabilities and Net Position		
Current Liabilities:		
Accounts payable	\$ 292,817	\$ 232,110
Accrued compensation and other	416,099	365,789
Unearned revenue	265,563	228,144
Current portion of insurance and benefits reserves	90,791	84,634
Current portion of obligations for postemployment benefits	74,885	65,172
Commercial paper and current portion of bonds payable	292,021	201,146
Long-term bonds payable subject to remarketing, net	217,637	336,374
Collateral held for securities lending	63,292	83,203
Deposits of affiliates and others	58,258	43,890
Total Current Liabilities	1,771,363	1,640,462
Noncurrent Liabilities:		
Accrued compensation	50,411	53,606
Insurance and benefits reserves	112,412	108,271
Obligations for postemployment benefits	1,765,698	1,687,691
Obligations under life income agreements	58,272	46,570
Government loan advances	87,630	87,483
Bonds payable	1,476,712	1,330,897
Deposits of affiliates and other	226,762	227,329
Total Noncurrent Liabilities	3,777,897	3,541,847
Total Liabilities	5,549,260	5,182,309
Net Position:		
Net investment in capital assets	3,820,905	3,782,130
Restricted:		
Nonexpendable	1,815,575	1,673,996
Expendable	4,119,019	4,371,607
Unrestricted	3,245,756	3,468,074
Total Net Position	13,001,255	13,295,807
Total Liabilities and Net Position	\$ 18,550,515	\$ 18,478,116

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(in thousands)	Year Ended June 30,	
	2016	2015
Operating Revenues		
Student tuition and fees	\$ 1,502,202	\$ 1,458,576
Less scholarship allowances	340,459	312,659
Net student tuition and fees	1,161,743	1,145,917
Federal grants and contracts	900,778	845,263
State and local grants and contracts	10,861	7,925
Nongovernmental sponsored programs	195,443	194,219
Sales and services of educational departments	131,081	193,487
Auxiliary enterprises:		
Patient care revenues (net of provision for bad debts of \$101,799 in 2016 and \$124,783 in 2015)	3,587,347	3,264,832
Student residence fees (net of scholarship allowances of \$21,640 in 2016 and \$19,825 in 2015)	107,028	98,221
Other revenues	180,682	170,631
Student loan interest income and fees	3,065	2,879
Total Operating Revenues	6,278,028	5,923,374
Operating Expenses		
Compensation and benefits	4,627,415	4,330,909
Supplies and services	1,891,519	1,735,922
Depreciation	501,631	493,629
Scholarships and fellowships	132,228	132,758
Total Operating Expenses	7,152,793	6,693,218
Operating loss	(874,765)	(769,844)
Nonoperating Revenues (Expenses)		
State educational appropriations	345,824	340,201
Federal Pell grants	43,265	44,061
Private gifts for other than capital and endowment purposes	167,154	171,952
Net investment (loss) income	(129,669)	357,780
Interest expense, net	(55,564)	(49,288)
Federal subsidies for interest on Build America Bonds	7,565	7,443
Total Nonoperating Revenues, Net	378,575	872,149
(Loss) income before other revenues (expenses)	(496,190)	102,305
Other Revenues (Expenses)		
State capital appropriations	47,566	3,847
Capital gifts and grants	36,439	22,975
Private gifts for permanent endowment purposes	126,630	115,203
Other	(8,997)	(6,597)
Total Other Revenues, Net	201,638	135,428
(Decrease) increase in net position	(294,552)	237,733
Net Position, Beginning of Year	13,295,807	13,058,074
Net Position, End of Year	\$ 13,001,255	\$ 13,295,807

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Year Ended June 30,	
	2016	2015
Cash Flows From Operating Activities		
Student tuition and fees	\$ 1,166,315	\$ 1,141,704
Federal, state and local grants and contracts	902,253	840,144
Nongovernmental sponsored programs	201,683	201,852
Sales and services of educational departments and other	340,514	354,555
Patient care revenues	3,588,770	3,284,591
Student residence fees	108,481	98,801
Payments to employees	(3,511,163)	(3,374,825)
Payments for benefits	(1,006,801)	(936,342)
Payments to suppliers	(1,826,563)	(1,771,937)
Payments for scholarships and fellowships	(132,228)	(132,758)
Student loans issued	(19,730)	(22,942)
Student loans collected	19,656	19,206
Student loan interest and fees collected	3,065	2,879
Net Cash Used in Operating Activities	(165,748)	(295,072)
Cash Flows From Investing Activities		
Interest and dividends on investments, net	77,309	50,605
Proceeds from sales and maturities of investments	4,809,747	5,763,848
Purchases of investments	(4,670,131)	(5,530,132)
Net (increase) decrease in cash equivalents from noncurrent investments	(109,039)	5,701
Net increase in deposits of affiliates and other	8,532	968
Net Cash Provided by Investing Activities	116,418	290,990
Cash Flows From Capital and Related Financing Activities		
State capital appropriations	27,494	
Private gifts and other receipts	43,397	44,154
Proceeds from issuance of capital debt	558,249	136,915
Principal payments on capital debt	(437,000)	(100,640)
Interest payments on capital debt	(57,652)	(54,801)
Federal subsidies for Build America Bonds interest	7,545	7,603
Payments for bond refunding and related costs	(911)	
Purchases of capital assets	(591,336)	(652,241)
Proceeds from sales of capital assets	898	1,995
Net Cash Used in Capital and Related Financing Activities	(449,316)	(617,015)
Cash Flows From Noncapital Financing Activities		
State educational appropriations	344,802	336,834
Federal Pell grants	43,265	44,061
Private gifts and other receipts	298,926	277,284
Student direct lending receipts	281,898	304,656
Student direct lending disbursements	(292,106)	(303,638)
Amounts received for annuity and life income funds	9,743	9,136
Amounts paid to annuitants and life beneficiaries and related expenses	(7,509)	(7,533)
Net Cash Provided by Noncapital Financing Activities	679,019	660,800
Net increase in cash and cash equivalents	180,373	39,703
Cash and Cash Equivalents, Beginning of Year	105,465	65,762
Cash and Cash Equivalents, End of Year	\$ 285,838	\$ 105,465

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT CASH FLOWS, CONTINUED

(in thousands)	Year Ended June 30,	
	2016	2015
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (874,765)	\$ (769,844)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	501,631	493,629
Changes in assets and liabilities:		
Accounts receivable, net	(4,440)	(13,716)
Prepaid expenses and other assets	(9,425)	(19,257)
Accounts payable	65,143	(16,927)
Accrued compensation and other	20,671	261
Unearned revenue	37,419	11,132
Insurance and benefits reserves	10,298	(1,759)
Obligations for postemployment benefits	87,720	21,409
Net cash used in operating activities	\$ (165,748)	\$ (295,072)

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