

# Financial Statements

## CONSOLIDATED STATEMENT OF NET ASSETS

(in thousands)	2007	June 30, 2006
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 481,488	\$ 413,605
Operating investments	693,851	707,101
Investments for capital activities	720,143	649,176
Investments for student loan activities	27,873	30,084
Investment trade settlements receivable	4,498	24,109
Accounts receivable, net	380,847	388,229
Current portion of notes and pledges receivable, net	62,385	64,516
Current portion of prepaid expenses and other assets	59,678	60,447
Total Current Assets	2,430,763	2,337,267
Noncurrent Assets:		
Endowment, life income and other investments	7,379,836	5,963,424
Notes and pledges receivable, net	247,148	226,879
Prepaid expenses and other assets	15,783	17,052
Capital assets, net	3,755,398	3,453,441
Total Noncurrent Assets	11,398,165	9,660,796
<b>Total Assets</b>	<b>\$ 13,828,928</b>	<b>\$ 11,998,063</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 217,781	\$ 236,904
Investment trade settlements payable	7,244	46,581
Accrued compensation and other	268,584	249,590
Deferred revenue	165,295	166,224
Current portion of insurance and benefits obligations	62,042	55,986
Commercial paper and current portion of bonds payable	145,148	136,851
Deposits of affiliates and others	26,211	21,288
Total Current Liabilities	892,305	913,424
Noncurrent Liabilities:		
Accrued compensation	81,174	
Insurance and benefits obligations	166,847	156,113
Obligations under life income agreements	59,739	51,399
Government loan advances	85,940	85,672
Bonds payable	897,618	781,521
Deposits of affiliates and other	148,164	125,789
Total Noncurrent Liabilities	1,439,482	1,200,494
Total Liabilities	2,331,787	2,113,918
Net Assets:		
Invested in capital assets, net of related debt	2,864,340	2,615,289
Restricted:		
Nonexpendable	959,614	884,209
Expendable	3,605,213	2,774,719
Unrestricted (see Note 8)	4,067,974	3,609,928
Total Net Assets	11,497,141	9,884,145
<b>Total Liabilities and Net Assets</b>	<b>\$ 13,828,928</b>	<b>\$ 11,998,063</b>

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

## CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(in thousands)	Year Ended June 30,	
	2007	2006
<b>Operating Revenues</b>		
Student tuition and fees	\$ 891,634	\$ 834,365
Less scholarship allowances	172,952	158,659
Net student tuition and fees	718,682	675,706
Federal grants and contracts	695,289	691,934
State and local grants and contracts	12,937	9,282
Nongovernmental sponsored programs	115,498	117,213
Sales and services of educational departments	114,020	107,025
Auxiliary enterprises:		
Patient care revenues and managed care premiums	1,983,636	1,990,453
Student residence fees (net of scholarship allowances of \$15,690,000 in 2007 and \$15,689,000 in 2006)	70,255	70,229
Other revenues	123,151	119,740
Student loan interest income and fees	1,903	1,368
<b>Total Operating Revenues</b>	<b>3,835,371</b>	<b>3,782,950</b>
<b>Operating Expenses</b>		
Compensation and benefits	2,961,914	2,757,920
Supplies and services	1,103,928	1,150,214
Depreciation	284,048	264,028
Scholarships and fellowships	83,712	83,839
<b>Total Operating Expenses</b>	<b>4,433,602</b>	<b>4,256,001</b>
Operating loss	(598,231)	(473,051)
<b>Nonoperating Revenues (Expenses)</b>		
State educational appropriations	332,446	364,908
Private gifts for other than capital and endowment purposes	110,692	90,042
Net investment income	1,572,591	959,841
Interest expense	(30,606)	(27,128)
<b>Total Nonoperating Revenues, Net</b>	<b>1,985,123</b>	<b>1,387,663</b>
Income before other revenues (expenses)	1,386,892	914,612
<b>Other Revenues (Expenses)</b>		
State capital appropriations	6,413	20,126
Capital gifts and grants	64,870	64,787
Private gifts for endowment purposes	94,798	86,228
Other	60,023	(11,957)
<b>Total Other Revenues, Net</b>	<b>226,104</b>	<b>159,184</b>
Increase in net assets	1,612,996	1,073,796
Net Assets, Beginning of Year	9,884,145	8,810,349
<b>Net Assets, End of Year</b>	<b>\$ 11,497,141</b>	<b>\$ 9,884,145</b>

# Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Year Ended June 30,	
	2007	2006
<b>Cash Flows From Operating Activities</b>		
Student tuition and fees	\$ 721,973	\$ 681,896
Federal, state and local grants and contracts	704,243	697,866
Nongovernmental sponsored programs	120,835	118,452
Sales and services of educational and other departmental activities	243,343	232,955
Patient care revenues and managed care premiums	1,940,309	1,954,602
Student residence fees	71,082	70,761
Payments to employees	(2,188,845)	(2,135,420)
Payments for benefits	(652,446)	(615,940)
Payments to suppliers	(1,151,546)	(1,160,187)
Payments for scholarships and fellowships	(83,712)	(83,839)
Student loans issued	(24,346)	(21,506)
Student loans collected	19,040	22,792
Student loan interest and fees collected	1,903	1,368
<b>Net Cash Used in Operating Activities</b>	<b>(278,167)</b>	<b>(236,200)</b>
<b>Cash Flows From Investing Activities</b>		
Interest and dividends on investments, net	147,405	157,624
Proceeds from sales and maturities of investments	5,122,737	4,922,366
Purchases of investments	(5,165,786)	(4,843,118)
Net increase in cash equivalents from noncurrent investments	(114,667)	(685)
Increase in deposits of affiliates and others, net	27,167	24,228
<b>Net Cash Provided by Investing Activities</b>	<b>16,856</b>	<b>260,415</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
State capital appropriations	8,419	21,712
Private gifts and other receipts	60,126	51,284
Proceeds from issuance of capital debt	202,370	98,835
Principal payments on capital debt	(77,304)	(55,787)
Interest payments on capital debt	(31,685)	(25,778)
Payments for bond issuance fees	(355)	
Purchases of capital assets	(570,594)	(607,333)
Proceeds from sales of capital assets	1,424	2,176
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(407,599)</b>	<b>(514,891)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
State educational appropriations	371,622	362,036
Private gifts and other receipts	115,040	176,406
Student direct lending receipts	219,787	204,390
Student direct lending disbursements	(220,480)	(202,117)
Amounts received for annuity and life income funds	8,340	12,990
Amounts paid to annuitants and life beneficiaries and related expenses	(15,039)	(18,650)
Proceeds, net of expenses, from sale of M-CARE	257,523	
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>736,793</b>	<b>535,055</b>
Net increase in cash and cash equivalents	67,883	44,379
Cash and Cash Equivalents, Beginning of Year	413,605	369,226
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 481,488</b>	<b>\$ 413,605</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS — CONTINUED

(in thousands)	Year Ended June 30,	
	2007	2006
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (598,231)	\$ (473,051)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	284,048	264,028
Changes in assets and liabilities:		
Accounts receivable, net	(36,258)	(24,377)
Prepaid expenses and other assets	2,742	(9,498)
Accounts payable	(51,117)	2,555
Accrued compensation and other	99,703	13,896
Deferred revenue	(731)	613
Insurance and benefits obligations	21,677	(10,366)
<u>Net cash used in operating activities</u>	<u>\$ (278,167)</u>	<u>\$ (236,200)</u>