

# Financial Statements

## CONSOLIDATED STATEMENT OF NET ASSETS

(in thousands)	2008	June 30, 2007
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 495,137	\$ 481,488
Operating investments	686,218	693,851
Investments for capital activities	697,269	720,143
Investments for student loan activities	29,869	27,873
Investment trade settlements receivable	56,289	4,498
Accounts receivable, net	443,375	367,715
Current portion of notes and pledges receivable, net	73,832	62,385
Current portion of prepaid expenses and other assets	54,037	59,678
Total Current Assets	2,536,026	2,417,631
Noncurrent Assets:		
Endowment, life income and other investments	7,854,562	7,379,836
Notes and pledges receivable, net	233,572	247,148
Prepaid expenses and other assets	17,153	15,783
Capital assets, net	4,129,830	3,755,398
Total Noncurrent Assets	12,235,117	11,398,165
<b>Total Assets</b>	<b>\$ 14,771,143</b>	<b>\$ 13,815,796</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 191,694	\$ 204,649
Investment trade settlements payable	64,442	7,244
Accrued compensation and other	297,725	268,584
Deferred revenue	178,638	165,295
Current portion of insurance and benefits reserves	64,117	53,549
Current portion of obligations for postemployment benefits	60,792	8,493
Commercial paper and current portion of bonds payable	172,939	145,148
Deposits of affiliates and others	27,933	26,211
Total Current Liabilities	1,058,280	879,173
Noncurrent Liabilities:		
Accrued compensation	78,578	81,174
Insurance and benefits reserves	78,448	87,653
Obligations for postemployment benefits	1,431,021	79,194
Obligations under life income agreements	60,437	59,739
Government loan advances	86,567	85,940
Bonds payable	1,069,278	897,618
Deposits of affiliates and other	153,860	148,164
Total Noncurrent Liabilities	2,958,189	1,439,482
Total Liabilities	4,016,469	2,318,655
Net Assets:		
Invested in capital assets, net of related debt	3,030,110	2,864,340
Restricted:		
Nonexpendable	1,070,958	959,614
Expendable	3,733,022	3,605,213
Unrestricted	2,920,584	4,067,974
Total Net Assets	10,754,674	11,497,141
<b>Total Liabilities and Net Assets</b>	<b>\$ 14,771,143</b>	<b>\$ 13,815,796</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,	
	2008	2007
<b>Operating Revenues</b>		
Student tuition and fees	\$ 975,316	\$ 891,634
Less scholarship allowances	184,095	172,952
Net student tuition and fees	791,221	718,682
Federal grants and contracts	712,963	695,289
State and local grants and contracts	9,649	12,937
Nongovernmental sponsored programs	130,634	115,498
Sales and services of educational departments	138,484	114,020
Auxiliary enterprises:		
Patient care revenues and managed care premiums	2,105,439	1,983,636
Student residence fees (net of scholarship allowances of \$16,701,000 in 2008 and \$15,690,000 in 2007)	74,759	70,255
Other revenues	139,410	123,151
Student loan interest income and fees	2,049	1,903
<b>Total Operating Revenues</b>	<b>4,104,608</b>	<b>3,835,371</b>
<b>Operating Expenses</b>		
Compensation and benefits	3,234,232	2,961,914
Supplies and services	1,167,616	1,103,928
Depreciation	319,351	284,048
Scholarships and fellowships	98,847	83,712
<b>Total Operating Expenses</b>	<b>4,820,046</b>	<b>4,433,602</b>
Operating loss	(715,438)	(598,231)
<b>Nonoperating Revenues (Expenses)</b>		
State educational appropriations	404,003	332,446
Private gifts for other than capital and endowment purposes	136,713	132,804
Net investment income	621,878	1,572,591
Interest expense	(33,644)	(30,606)
<b>Total Nonoperating Revenues, Net</b>	<b>1,128,950</b>	<b>2,007,235</b>
Income before other revenues (expenses)	413,512	1,409,004
<b>Other Revenues (Expenses)</b>		
State capital appropriations	11,796	6,413
Capital gifts and grants	66,372	64,870
Private gifts for permanent endowment purposes	93,777	72,686
Implementation of GASB Statement No. 45, postemployment benefits obligations as of July 1, 2007	(1,306,859)	
Other	(21,065)	60,023
<b>Total Other (Expenses) Revenues, Net</b>	<b>(1,155,979)</b>	<b>203,992</b>
(Decrease) increase in net assets	(742,467)	1,612,996
Net Assets, Beginning of Year	11,497,141	9,884,145
<b>Net Assets, End of Year</b>	<b>\$ 10,754,674</b>	<b>\$ 11,497,141</b>

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

# Financial Statements

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Year Ended June 30,	
	2008	2007
<b>Cash Flows From Operating Activities</b>		
Student tuition and fees	\$ 798,616	\$ 721,973
Federal, state and local grants and contracts	735,478	704,243
Nongovernmental sponsored programs	134,387	120,835
Sales and services of educational departments	275,134	243,343
Patient care revenues and managed care premiums	2,073,439	1,953,441
Student residence fees	75,412	71,082
Payments to employees	(2,413,442)	(2,188,845)
Payments for benefits	(681,369)	(652,446)
Payments to suppliers	(1,182,195)	(1,164,678)
Payments for scholarships and fellowships	(98,783)	(83,712)
Student loans issued	(15,866)	(24,346)
Student loans collected	14,700	19,040
Student loan interest and fees collected	2,049	1,903
<b>Net Cash Used in Operating Activities</b>	<b>(282,440)</b>	<b>(278,167)</b>
<b>Cash Flows From Investing Activities</b>		
Interest and dividends on investments, net	294,545	147,405
Proceeds from sales and maturities of investments	5,039,730	5,122,737
Purchases of investments	(5,252,622)	(5,165,786)
Net decrease (increase) in cash equivalents from noncurrent investments	100,741	(114,667)
Increase in deposits of affiliates and others, net	7,288	27,167
<b>Net Cash Provided by Investing Activities</b>	<b>189,682</b>	<b>16,856</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
State capital appropriations	1,773	8,419
Private gifts and other receipts	65,013	60,126
Proceeds from issuance of capital debt	393,770	202,370
Principal payments on capital debt	(193,644)	(77,304)
Interest payments on capital debt	(35,072)	(31,685)
Payments for bond refunding and related costs	(251)	(355)
Purchases of capital assets	(710,638)	(570,594)
Proceeds from sales of capital assets	483	1,424
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(478,566)</b>	<b>(407,599)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
State educational appropriations	364,159	371,622
Private gifts and other receipts	217,599	102,700
Student direct lending receipts	253,462	219,787
Student direct lending disbursements	(255,765)	(220,480)
Amounts received for annuity and life income funds	15,029	12,340
Amounts paid to annuitants and life beneficiaries and related expenses	(6,992)	(6,699)
Proceeds, net of expenses, from sale of M-CARE	(2,519)	257,523
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>584,973</b>	<b>736,793</b>
Net increase in cash and cash equivalents	13,649	67,883
Cash and Cash Equivalents, Beginning of Year	481,488	413,605
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 495,137</b>	<b>\$ 481,488</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,	
	2008	2007
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (715,438)	\$ (598,231)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	319,351	284,048
Changes in assets and liabilities:		
Accounts receivable, net	(24,602)	(23,126)
Prepaid expenses and other assets	2,841	2,742
Accounts payable	(6,403)	(64,249)
Accrued compensation and other	26,991	99,703
Deferred revenue	13,343	(731)
Insurance and benefits reserves	4,210	(66,010)
Obligations for postemployment benefits	97,267	87,687
Net cash used in operating activities	\$ (282,440)	\$ (278,167)

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