

FINANCIAL STATEMENTS

Consolidated Statement of Net Assets

(in thousands)	2010	June 30, 2009 (As Adjusted)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 194,645	\$ 358,373
Operating investments	572,374	345,207
Investments for capital activities	305,386	541,577
Investments for student loan activities	41,033	31,483
Accounts receivable, net	461,622	434,798
Current portion of notes and pledges receivable, net	57,960	64,055
Current portion of prepaid expenses and other assets	52,468	49,529
Total Current Assets	1,685,488	1,825,022
Noncurrent Assets:		
Endowment, life income and other investments	6,807,012	6,215,286
Notes and pledges receivable, net	211,642	219,823
Prepaid expenses and other assets	55,158	44,724
Capital assets, net	4,956,457	4,627,498
Total Noncurrent Assets	12,030,269	11,107,331
Total Assets	\$ 13,715,757	\$ 12,932,353
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 173,923	\$ 184,595
Accrued compensation and other	330,042	311,221
Deferred revenue	184,422	187,519
Current portion of insurance and benefits reserves	66,103	67,133
Current portion of obligations for postemployment benefits	51,629	58,401
Commercial paper and current portion of bonds payable	122,581	178,690
Long-term bonds payable subject to remarketing, net	384,550	652,285
Deposits of affiliates and others	32,656	29,705
Total Current Liabilities	1,345,906	1,669,549
Noncurrent Liabilities:		
Accrued compensation	71,610	76,924
Insurance and benefits reserves	89,169	85,912
Obligations for postemployment benefits	1,556,479	1,504,569
Obligations under life income agreements	49,245	47,843
Government loan advances	88,555	87,548
Bonds payable	996,771	656,341
Deposits of affiliates and other	155,034	139,030
Total Noncurrent Liabilities	3,006,863	2,598,167
Total Liabilities	4,352,769	4,267,716
Net Assets:		
Invested in capital assets, net of related debt	3,502,716	3,275,855
Restricted:		
Nonexpendable	1,213,962	1,143,668
Expendable	2,810,016	2,705,369
Unrestricted	1,836,294	1,539,745
Total Net Assets	9,362,988	8,664,637
Total Liabilities and Net Assets	\$ 13,715,757	\$ 12,932,353

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

FINANCIAL STATEMENTS

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

(in thousands)	Year Ended June 30,	
	2010	2009 (As Adjusted)
Operating Revenues		
Student tuition and fees	\$ 1,097,450	\$ 1,029,240
Less scholarship allowances	233,598	202,946
Net student tuition and fees	863,852	826,294
Federal grants and contracts	844,026	741,487
State and local grants and contracts	6,199	7,240
Nongovernmental sponsored programs	140,087	148,578
Sales and services of educational departments	139,992	117,690
Auxiliary enterprises:		
Patient care revenues	2,372,017	2,220,551
Student residence fees (net of scholarship allowances of \$17,441,000 in 2010 and \$16,542,000 in 2009)	85,725	81,391
Other revenues	143,666	142,988
Student loan interest income and fees	2,758	2,334
Total Operating Revenues	4,598,322	4,288,553
Operating Expenses		
Compensation and benefits	3,529,271	3,390,470
Supplies and services	1,276,931	1,255,078
Depreciation	360,089	341,462
Scholarships and fellowships	113,753	107,127
Total Operating Expenses	5,280,044	5,094,137
Operating loss	(681,722)	(805,584)
Nonoperating Revenues (Expenses)		
State educational appropriations	362,147	373,816
State fiscal stabilization funds	10,136	
Federal Pell grants	39,905	24,929
Private gifts for other than capital and endowment purposes	105,167	96,529
Net investment income (loss)	796,399	(1,851,937)
Interest expense, net	(30,018)	(25,136)
Federal subsidies for Build America Bonds interest	3,303	
Total Nonoperating Revenues (Expenses), Net	1,287,039	(1,381,799)
Income (loss) before other revenues (expenses)	605,317	(2,187,383)
Other Revenues (Expenses)		
State capital appropriations	2,002	12,244
Capital gifts and grants	29,143	27,791
Private gifts for permanent endowment purposes	59,595	60,602
Other	2,294	(1,656)
Total Other Revenues, Net	93,034	98,981
Increase (decrease) in net assets	698,351	(2,088,402)
Net Assets, Beginning of Year	8,664,637	10,753,039
Net Assets, End of Year	\$ 9,362,988	\$ 8,664,637

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statement of Cash Flows

(in thousands)	Year Ended June 30,	
	2010	2009
Cash Flows From Operating Activities		
Student tuition and fees	\$ 866,513	\$ 826,536
Federal, state and local grants and contracts	838,436	749,499
Nongovernmental sponsored programs	134,956	147,246
Sales and services of educational departments and other	280,930	260,275
Patient care revenues	2,359,444	2,228,907
Student residence fees	85,768	81,203
Payments to employees	(2,678,274)	(2,578,312)
Payments for benefits	(800,175)	(739,668)
Payments to suppliers	(1,277,777)	(1,258,755)
Payments for scholarships and fellowships	(113,721)	(107,081)
Student loans issued	(11,016)	(15,488)
Student loans collected	15,280	14,319
Student loan interest and fees collected	2,758	2,334
Net Cash Used in Operating Activities	(296,878)	(388,985)
Cash Flows From Investing Activities		
Interest and dividends on investments, net	74,579	84,634
Proceeds from sales and maturities of investments	2,508,663	4,635,466
Purchases of investments	(2,438,641)	(4,535,346)
Net decrease in cash equivalents from noncurrent investments	59,090	57,479
Net increase in deposits of affiliates and others	8,328	13,852
Net Cash Provided by Investing Activities	212,019	256,085
Cash Flows From Capital and Related Financing Activities		
State capital appropriations	2,870	22,379
Private gifts and other receipts	39,488	39,527
Proceeds from issuance of capital debt	372,936	336,440
Principal payments on capital debt	(355,272)	(90,893)
Interest payments on capital debt	(27,361)	(27,908)
Federal subsidies for Build America Bonds interest	2,062	
Payments for bond refunding and related costs	(402)	(277)
Purchases of capital assets	(694,600)	(855,834)
Proceeds from sales of capital assets	1,594	1,501
Net Cash Used in Capital and Related Financing Activities	(658,685)	(575,065)
Cash Flows From Noncapital Financing Activities		
State educational appropriations	364,269	373,143
State fiscal stabilization funds	5,416	
Federal Pell grants	39,705	24,877
Private gifts and other receipts	171,379	173,729
Student direct lending receipts	343,778	299,404
Student direct lending disbursements	(342,076)	(298,857)
Amounts received for annuity and life income funds	3,630	5,034
Amounts paid to annuitants and life beneficiaries and related expenses	(6,285)	(6,129)
Net Cash Provided by Noncapital Financing Activities	579,816	571,201
Net decrease in cash and cash equivalents	(163,728)	(136,764)
Cash and Cash Equivalents, Beginning of Year	358,373	495,137
Cash and Cash Equivalents, End of Year	\$ 194,645	\$ 358,373

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows, continued

<u>(in thousands)</u>	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (681,722)	\$ (805,584)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	360,089	341,462
Changes in assets and liabilities:		
Accounts receivable, net	(22,156)	(2,603)
Prepaid expenses and other assets	(1,882)	(4,920)
Accounts payable	(1,817)	(1,075)
Accrued compensation and other	6,342	(1,302)
Deferred revenue	(3,097)	8,881
Insurance and benefits reserves	2,227	4,999
Obligations for postemployment benefits	45,138	71,157
<u>Net cash used in operating activities</u>	<u>\$ (296,878)</u>	<u>\$ (388,985)</u>