

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF NET POSITION

(in thousands)	June 30,	
	2018	2017
Asset and Deferred Outflows		
Current Assets:		
Cash and cash equivalents	\$ 133,365	\$ 105,127
Investments for operating activities	1,117,063	1,265,208
Investments for capital activities	533,855	378,931
Investments for student loan activities	57,135	58,836
Accounts receivable, net	666,811	639,384
Current portion of notes and pledges receivable, net	79,765	76,148
Current portion of prepaid expenses and other assets	125,159	127,799
Cash collateral held by agent	29,727	44,130
Total Current Assets	2,742,880	2,695,563
Noncurrent Assets:		
Unexpended bond proceeds	82,797	98,455
Endowment, life income and other investments	12,305,228	11,322,610
Notes and pledges receivable, net	336,870	312,478
Prepaid expenses and other assets	90,618	28,740
Capital assets, net	6,120,997	6,045,442
Total Noncurrent Assets	18,936,510	17,807,725
Total Assets	21,679,390	20,503,288
Deferred Outflows	383,589	348,691
Total Assets and Deferred Outflows	\$ 22,062,979	\$ 20,851,979

Liabilities, Deferred Inflows and Net Position

Current Liabilities:		
Accounts payable	\$ 290,563	\$ 328,672
Accrued compensation and other	451,458	442,749
Unearned revenue	306,803	283,551
Current portion of insurance and benefits reserves	98,159	97,799
Current portion of obligations for postemployment benefits	87,638	77,374
Commercial paper and current portion of bonds payable	237,371	237,243
Long-term bonds payable subject to remarketing, net	195,552	202,718
Collateral held for securities lending	29,727	44,130
Deposits of affiliates and others	77,422	87,811
Total Current Liabilities	1,774,693	1,802,047
Noncurrent Liabilities:		
Accrued compensation	40,682	43,904
Insurance and benefits reserves	137,003	116,236
Obligations for defined benefit pension plan, net	(3,823)	3,436
Obligations for postemployment benefits	3,216,102	3,120,953
Obligations under life income agreements	74,180	65,897
Government loan advances	81,510	88,401
Bonds payable	1,961,085	1,877,554
Deposits of affiliates and other	307,210	289,213
Total Noncurrent Liabilities	5,813,949	5,605,594
Total Liabilities	7,588,642	7,407,641
Deferred Inflows	193,292	83,683
Net Position:		
Net investment in capital assets	3,722,086	3,735,130
Restricted:		
Nonexpendable	2,146,358	1,966,541
Expendable	5,007,324	4,587,581
Unrestricted	3,405,277	3,071,403
Total Net Position	14,281,045	13,360,655
Total Liabilities, Deferred Inflows and Net Position	\$ 22,062,979	\$ 20,851,979

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,	
	2018	2017
Operating Revenues		
Student tuition and fees	\$ 1,726,033	\$ 1,616,575
Less scholarship allowances	415,092	375,991
Net student tuition and fees	1,310,941	1,240,584
Federal grants and contracts	982,143	942,287
State and local grants and contracts	13,304	11,405
Nongovernmental sponsored programs	233,919	226,556
Sales and services of educational departments	140,139	135,212
Auxiliary enterprises:		
Patient care revenues (net of provision for bad debts of \$101,109 in 2018 and \$95,214 in 2017)	4,438,744	4,200,081
Student residence fees (net of scholarship allowances of \$23,814 in 2018 and \$22,678 in 2017)	117,866	112,478
Other revenues	227,288	208,628
Student loan interest income and fees	2,537	2,448
Total Operating Revenues	7,466,881	7,079,679
Operating Expenses		
Compensation and benefits	5,431,392	5,064,422
Supplies and services	2,402,592	2,164,018
Depreciation	568,707	537,670
Scholarships and fellowships	156,738	143,932
Total Operating Expenses	8,559,429	7,910,042
Operating loss	(1,092,548)	(830,363)
Nonoperating Revenues (Expenses)		
State educational appropriations	363,074	355,992
Federal Pell grants	49,190	43,819
Private gifts for other than capital and endowment purposes	196,639	159,148
Net investment income	1,261,443	1,400,671
Interest expense, net	(72,905)	(73,150)
Federal subsidies for interest on Build America Bonds	7,451	7,506
Total Nonoperating Revenues, Net	1,804,892	1,893,986
Income before other revenues (expenses)	712,344	1,063,623
Other Revenues (Expenses)		
State capital appropriations	4,978	17,965
Capital gifts and grants	39,835	43,828
Private gifts for permanent endowment purposes	169,337	143,174
Other	(6,104)	(6,855)
Total Other Revenues, Net	208,046	198,112
Increase in net position	920,390	1,261,735
Net Position, Beginning of Year	13,360,655	13,001,255
Affiliation with Metro Health and Adoption of GASB 75 and GASB 81		(902,335)
Net Position, Beginning of Year, as Restated	13,360,655	12,098,920
Net Position, End of Year	\$ 14,281,045	\$ 13,360,655

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Year Ended June 30,	
	2018	2017
Cash Flows From Operating Activities		
Student tuition and fees	\$ 1,314,268	\$ 1,242,227
Federal, state and local grants and contracts	973,815	945,781
Nongovernmental sponsored programs	250,617	240,657
Sales and services of educational departments and other	394,892	338,496
Patient care revenues	4,431,064	4,200,681
Student residence fees	118,192	112,623
Payments to employees	(4,108,246)	(3,881,649)
Payments for benefits	(1,157,316)	(1,060,665)
Payments to suppliers	(2,478,042)	(2,171,333)
Payments for scholarships and fellowships	(156,738)	(143,932)
Student loans issued	(16,453)	(19,675)
Student loans collected	20,328	20,730
Student loan interest and fees collected	2,537	2,448
Net Cash Used in Operating Activities	(411,082)	(173,611)
Cash Flows From Noncapital Financing Activities		
State educational appropriations	361,787	354,143
Federal Pell grants	49,190	43,819
Private gifts and other receipts	317,215	299,984
Student direct lending receipts	298,011	297,406
Student direct lending disbursements	(301,194)	(291,964)
Amounts received for annuity and life income funds	16,878	21,243
Amounts paid to annuitants and life beneficiaries and related expenses	(9,186)	(9,142)
Net Cash Provided by Noncapital Financing Activities	732,701	715,489
Cash Flows From Capital and Related Financing Activities		
State capital appropriations	4,968	40,676
Private gifts and other receipts	47,655	45,674
Proceeds from issuance of capital debt	163,328	573,439
Principal payments on capital debt	(75,918)	(428,828)
Interest payments on capital debt	(82,096)	(88,383)
Federal subsidies for Build America Bonds interest	7,413	7,462
Payments for bond refunding and related costs	(526)	(1,447)
Purchases of capital assets	(658,839)	(648,245)
Proceeds from sales of capital assets	1,329	1,692
Net Cash Used in Capital and Related Financing Activities	(592,686)	(497,960)

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CONSOLIDATED STATEMENT OF CASH FLOWS, CONTINUED

Cash Flows From Investing Activities

Interest and dividends on investments, net	51,985	48,375
Proceeds from sales and maturities of investments	5,477,448	5,389,209
Purchases of investments	(5,119,195)	(5,718,627)
Net decrease (increase) in unexpended capital debt proceeds	15,658	(98,455)
Net (increase) decrease in cash equivalents from noncurrent investments	(126,745)	60,398
Net increase in deposits of affiliates and other	154	40,714
Net Cash Provided by (Used in) Investing Activities	299,305	(278,386)
Net increase (decrease) in cash and cash equivalents	28,238	(234,468)
Cash and Cash Equivalents, Beginning of Year	105,127	285,838
Affiliation with Metro Health		53,757
Cash and Cash Equivalents, Beginning of Year, as Restated	105,127	339,595
Cash and Cash Equivalents, End of Year	\$ 133,365	\$ 105,127

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (1,092,548)	\$ (830,363)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	568,707	537,670
Changes in assets and liabilities:		
Accounts receivable, net	(21,468)	(11,427)
Prepaid expenses and other assets	(65,680)	(10,662)
Accounts payable	(32,228)	(4,103)
Accrued compensation and other	6,106	21,952
Unearned revenue	23,502	15,716
Insurance and benefits reserves	21,127	10,832
Obligations for defined benefit pension plan, net	(7,259)	(25,742)
Obligations for postemployment benefits	105,413	427,401
Deposits of affiliates and other	20,345	
Changes in deferred outflows	(43,176)	(322,166)
Changes in deferred inflows	106,077	17,281
Net cash used in operating activities	\$ (411,082)	\$ (173,611)

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