



**The Medical University of South Carolina**  
**Charleston, South Carolina**

**Comprehensive Annual Financial Report**

**For the Year Ended June 30, 2009**

**Included in the Enterprise Funds of the State of South Carolina**

This Comprehensive Annual Financial Report is also available by linking to  
The Medical University of South Carolina website:

<http://academicdepartments.musc.edu/vpfa/financialreports>  
[Adobe Acrobat required to read the pdf file.]

Prepared by:  
MUSC Controller's Office  
19 Hagood Avenue MSC 817  
505 Harborview  
Charleston, SC 29425-8170  
843-792-5400



# Comprehensive Annual Financial Report

Included in the Enterprise Funds of the State of South Carolina

**For the Year Ended June 30, 2009**

Prepared by the Controller's Office

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# Introductory Section

## PRESIDENT'S LETTER

Office of the President  
Colcock Hall  
179 Ashley Ave.  
MSC 001  
Charleston, SC 29425



October 20, 2009

Dear Friends:

In presenting this annual financial report for MUSC, it is clear that the challenges of the past year have brought out the best in our university community. While we lost over a quarter of our state funding in a series of unprecedented budget reductions, we were able to finish the year with positive operating margins in both the University and the hospital. This is a tribute to the hard work, sacrifices, and dedication of the more than 11,000 people who work here. Words cannot possibly express the appreciation that I have for the extraordinary effort that all have made to assure that our educational, research and clinical programs have continued to advance.

And, the advances were everywhere! The Hollings Cancer Center won the highly competitive designation by the National Cancer Institute, winning the recognition on the very first attempt. The Clinical and Translational Science Award, another key grant from the National Institutes of Health, was also awarded to MUSC this year, as was a statewide collaborative grant in tissue engineering. The Medical University again set a record for the largest amount of research funding awarded to a university in our state at \$217 million.

In the clinical arena, MUSC was recognized by *U. S. News and World Report* as a leading center for care in seven different disciplines. This ranks our hospital among the very best in the country and was amplified by recognition from the American Heart Association that MUSC was one of only 27 hospitals in the country meeting benchmarks in the care of patients with heart attacks, congestive heart failure, and stroke. Within little more than a year, every one of the 156 beds in the new Ashley River Tower is open, and we are again experiencing greater demand than we can meet.

In spite of the economic downturn, private philanthropy at the Medical University remains strong, with a new record of \$71 million in gifts and pledges received this past year. The beautiful new James B. Edwards College of Dental Medicine Building is now open, providing an outstanding setting for patient care and education.

As we look to the future, we are mindful that challenges remain ahead, but we are confident that our dedicated faculty and staff will carry us forward into even greater accomplishment.

With best wishes,

A handwritten signature in black ink, reading "Raymond S. Greenberg". The signature is written in a cursive, flowing style.

Raymond S. Greenberg, MD, PhD  
President

## TRANSMITTAL LETTER

Office of the Vice President  
Finance and Administration  
Colcock Hall  
179 Ashley Avenue  
MSC 002  
Charleston, SC 29425  
Telephone (843) 792-5050

October 20, 2009

President Raymond S. Greenberg, MD, Ph.D.  
Members of the Board of Trustees  
Charleston, South Carolina

We are pleased to present the Comprehensive Annual Financial Report for The Medical University of South Carolina (the University) for the fiscal year ended June 30, 2009.

The Comprehensive Annual Financial Report includes the audited financial statements for the year ended June 30, 2009, and other information relating to the finances of the University. The financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants; however, responsibility for the accuracy of the information and for the completeness and reliability of its presentation rests with the management of the University. We believe this information is accurate in all material respects and fairly presents the University's financial position.

Generally accepted accounting principles (GAAP) require that management provide a narrative overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A, which provides an overview and analysis of currently known facts and activities.

### ***Profile of the Government***

The Medical University of South Carolina (the University) is a part of the primary government of the State of South Carolina and is included as a business-type activity in the State's Comprehensive Annual Financial Report.

The University, located in Charleston, South Carolina, was created by an act of the General Assembly in 1824 as the "Medical College of South Carolina". Historically, it is recognized as the first medical college in the South. The University is governed by a fourteen-member Board of Trustees consisting of the Governor or his designee (ex officio), twelve members elected by the General Assembly, and one member appointed by the Governor. As determined by the Board, the University's purpose is to preserve and optimize human life for the citizens of South Carolina and the nation through education of health care professionals and biomedical scientists, research in the health sciences, and provision of comprehensive health care.

The financial reporting entity consists of the University (the primary government), and six separate legal entities, which are considered component units of the University. The six component units consist of:

- ♦ Two blended major fund entities, the Medical University Hospital Authority (the Authority) and University Medical Associates of the Medical University of South Carolina (UMA);
- ♦ Two blended non-major fund entities, CHS Development Company (CHS) and the Medical University Facilities Corporation (MUFC); and
- ♦ Two discretely presented entities, the MUSC Foundation (MUSCF) and the MUSC Foundation for Research Development (MFRD).

Further information on the reporting entity is contained in Note 1 in the notes to the financial statements.

Management has established a comprehensive internal control framework designed to safeguard the assets of the University and its component units, to provide reliable accounting data and to ensure that organizational objectives are met. Policies and procedures have been established and made available throughout the organization to promote efficiency and compliance with established laws and regulations at University, State and Federal levels. As a recipient of federal financial awards, the University is responsible for ensuring compliance with all applicable laws and regulations related to these awards. Therefore, an annual single audit is performed in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. The University has designed into the process safeguards to reduce, though not eliminate, this risk.



The State Budget and Control Board requires the University to submit an annual balanced budget. The University and its component units also prepare annual budgets for presentation to the Board of Trustees. Budgetary controls are incorporated into both the University's accounting system and the State's financial management system. Periodic financial reports comparing actual results with budgeted amounts are provided at both the University and the State level.

The University contracted with KPMG LLP, a firm of licensed certified public accountants, to perform the annual audit of the Medical University of South Carolina's financial statements and the audit of the University's federal financial assistance programs. The goal of the independent financial audit is to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2009 are free of material misstatement. Based on the audit, the independent auditor has rendered an unqualified opinion that the Medical University of South Carolina's financial statements for the year ended June 30, 2009 are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report. Information on the Single Audit of federal financial assistance programs is included in a separately issued Single Audit Report.

Additionally, the University's Internal Audit department performs fiscal, compliance and performance audits throughout the year. The reports resulting from these audits are shared with the University's management and the Board of Trustees.

### ***Factors Affecting Financial Condition***

The University employs approximately 5,000 faculty and staff and, when combined with the Medical University Hospital Authority and University Medical Associates, the university system, with more than 12,000 employees, is one of the largest employers in the State system and a major employer in the Charleston Tri-County area. The size of the University's student body is relatively stable, with fiscal year 2009 fall enrollment of 2,500 full- and part-time students in six colleges.

### **The Economy**

Economic factors on both the national and state levels impact the environment in which the University operates. South Carolina, in common with most states, has been negatively impacted by the continuing nationwide recession. During fiscal year 2009, the University experienced severe budget reductions received in July (2.68%), August (3%), October (11.9%), December (7%), and March (2%) for a total of \$24 million. With leadership and planning, the University held down spending sufficiently to be able to absorb the cuts with minimal impact to jobs. Many faculty and staff took furloughs and the research community submitted more grant proposals than in any corresponding period of time. Despite the largest percentage cuts to higher education appropriations in the nation, the University finished the year with a positive operating margin.

At the close of the 2009 fiscal year, the State's revenue collections were \$848 million less than the 2008 fiscal year, a decline of 13%. Capital and general fund reserves were used to offset the shortfall. The 2010 fiscal year revenue collections-to-date have not shown significant improvement with revenue collections for July, 2009 being down from collections made for July, 2008. As a result, the State Budget and Control Board approved a 4.04% across-the-board general fund budget reduction from the University in September, 2009 for approximately \$3 million.

However, there are encouraging economic initiatives that promise future benefits, including the following:

- ◆ The University will receive approximately \$12.6 million in each of the next two years through the State Fiscal Stability Fund component of the American Recovery and Reinvestment Act (ARRA) to help offset increases in tuition, preserve jobs, prevent furloughs, and streamline operations.
- ◆ The University has been awarded \$28.7 million in economic stimulus funding through the ARRA, with numerous grant proposals still pending.
- ◆ The University set a new record high for extramural research funding at \$217 million in fiscal year 2009.
- ◆ Despite the slowing economy, private giving at the University reached a record \$71 million and the public phase of MUSC's \$300 million Capital Campaign was successfully launched and we have almost reached our goal a full two years in advance of the original schedule.

### **Cash Management**

State law requires that all University cash be on deposit with the State Treasurer, with the exception of petty cash funds approved by the State Auditor and certain trust funds associated with debt instruments. The State Treasurer performs all cash management activities for balances on deposit in state bank accounts and invests surplus cash balances. As a participant in the State's cash management pool, the University receives an investment income allocation for certain cash balances. State law requires full collateralization of all State Treasurer bank balances. Additional information on cash deposits and investments is provided in the notes to the financial statements.

### **Risk Management**

The University and its component units pay insurance premiums to certain other state agencies and/or commercial insurers to cover risk which may occur during normal operations. The University participates in a statewide risk management program under which the State assumes substantially all risks for unemployment and workers' compensation benefits and claims of covered employees for health, dental, and group-life insurance benefits. The University pays premiums to the State Insurance Reserve Fund and to commercial insurers to cover the University's risk of loss as described in more detail in the notes to the financial statements. The University believes that coverage is sufficient to preclude any significant uninsured losses.



### Major Initiatives

The University's pursuit of excellence in education, research, and patient care has played an integral part in the many achievements of its faculty and staff. The University recognizes its obligations to the citizens of South Carolina and is committed to responding to their need for the highest quality education, improved health care delivery, and increased research endeavors. To address these needs, the University is focused on the integration of its education, research, and patient care activities to prepare a healthcare workforce with emphasis on inter-professional education and teamwork.

The University continues to recruit outstanding faculty and to expand its educational and research facilities. Drawing on the varied skills, abilities and knowledge in an integrated team approach across all education, research and patient care activities has resulted in outstanding achievements.

### Education

- ◆ Celebrated the College of Nursing's 125<sup>th</sup> anniversary.
- ◆ College of Medicine received the AAMC Institutional Leadership Diversity Award.
- ◆ Completed the new Dental Medicine Clinical Education Building.
- ◆ Received approval of Ph.D. Program in Health and Rehabilitation Science and the Master of Research Administration (MRA) Program in the College of Health Professions.
- ◆ Received funding for four new and successfully renewed four existing Graduate Studies training grants.
- ◆ Gained approval for a Doctor of Nursing Practice program.
- ◆ Revised curriculum for first and second year medical students. Refocus on most capable and adept teachers as an antecedent step to the Teaching Academy.
- ◆ Renewed the Memorandum of Understanding (MOU) with the American University of Beirut for the MD/PhD program for an additional five years.
- ◆ Upgraded computer classrooms to expand education technology capabilities.
- ◆ Received an Express Library Technology Improvement Award from the National Library of Medicine to offer digital equipment check out to students, faculty, and staff.
- ◆ Held 4<sup>th</sup> Annual Interprofessional Day involving 1,156 students, and 89 faculty and student facilitators. Conducted team skills training with 34 faculty and staff.
- ◆ The College of Health Professions initiated discussions to partner with the Public Health at USC to offer a Masters of Public Health degree at the Low Country Graduate Center.
- ◆ Reorganized departments in College of Health Professions and College of Medicine to achieve efficiencies and enhance performance.

### Research

- ◆ Set a new record high for extramural research funding at \$217 million.
- ◆ National Cancer Institute Designation awarded to Hollings Cancer Center.
- ◆ Completed design and successfully bid the construction of the Drug Discovery Building and the Bioengineering Building.
- ◆ Received an NSF award of \$20 million to establish a Statewide alliance in the field of tissue biofabrication.
- ◆ *U.S. News & World Report* named MUSC researcher, Dr. Mark George, as one of fourteen leading biomedical innovators for work on brain imaging and stimulation.
- ◆ College of Health Professions ranked 9<sup>th</sup> out of 125 health professional institutions nationally with \$1.3 million in research, a 49.7% increase over the past year.
- ◆ Established three Centers of Economic Excellence (CoEE) and recruited three CoEE Endowed Chairs.
- ◆ Received a \$20 million award for the South Carolina Clinical and Translational Research Institute.
- ◆ Increased College of Medicine ranking to 47<sup>th</sup> from 51<sup>st</sup> in National Institute of Health funding.
- ◆ Completion of Phase 1 of accreditation process for Human Research Protection Program.
- ◆ Activated the South Carolina Light Rail (SCLR), enabling high speed network access and collaboration across the State.

### Patient Care

- ◆ Premier Healthcare Alliance selected MUSC as one of the top twenty-three hospitals in the country (and the only one in SC) for outstanding patient care and efficiency.
- ◆ One of only twenty-seven US hospitals and the only one in SC to receive a Gold Triple Performance Achievement Award from the American Heart Association.
- ◆ *U.S. News & World Report* ranked seven patient care areas in the top fifty specialty areas nationally.
- ◆ Exceeded Patient Satisfaction Service Goal of 80<sup>th</sup> percentile for all outpatient clinics and physician offices surveyed by Press-Ganey.
- ◆ *Modern Healthcare* conducted a national survey of healthcare IT case studies, and selected the MUSC submission for first place.
- ◆ Opened all clinical units at ART. Relocated Hem/Onc service to ART to allow for Med/Surg expansion at Main Hospital to accommodate faculty growth.
- ◆ Initiated six additional service lines – Women's Health, Mental Health, Neurosciences, Medical Acute and Critical Care, Surgical Acute and Critical Care, and Musculoskeletal.
- ◆ Closure of CMH was accomplished and the relocation of emergency services and TCU were completed.
- ◆ Continued implementation of computerized physician order entry.
- ◆ Recruited 41 physicians in University Medical Associates in strategic specialty areas.

#### General

- Successfully launched the public phase of MUSC's \$300 million Capital Campaign. Annual fund raising set a new record with gifts/pledges exceeding \$71 million.
- Achieved a 5% reduction in lost day injuries. Additionally, achieved a 9% reduction in Blood Borne Pathogen exposures.
- Implemented a single, enterprise-wide policy on Conflict of Interest.
- Instituted discussions to create the Charleston Higher Education Purchasing Alliance (CHEPA) with the College of Charleston, the Citadel, and Trident Technical College.
- Completed all required ISO 9001 requirements for Employee Health Services.
- Completed the migration to a single E-mail system campus-wide and implemented laptop and E-mail encryption.
- Renewed accreditation from the Commission on Accreditation for Law Enforcement Agencies (CALEA).
- Revised Faculty Appointment contracts.
- Implemented new federal race/ethnicity categories. Incorporated new data collection and reporting procedures for all required reports.
- Developed Web-based Space Allocation Management System (SAMS) software to gain improvements in data entry and floor plan accessibility.

#### Awards and Acknowledgements

##### Certificate of Achievement for Excellence in Financial Reporting

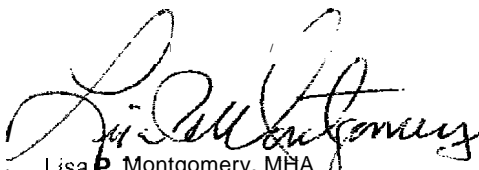
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Medical University of South Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the sixteenth consecutive year that the University has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our fiscal year 2009 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

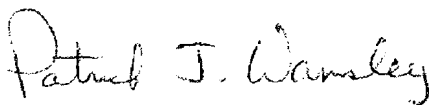
##### Acknowledgements

The preparation of the Comprehensive Annual Financial Report in a timely manner would not have been possible without the coordinated efforts of the Controller's Office and other University financial staff. We would like to thank each member for their contributions.

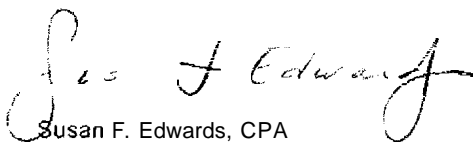
Sincerely,



Lisa P. Montgomery, MHA  
Vice President for Finance and Administration



Patrick J. Wamsley, CPA  
Chief Financial Officer



Susan F. Edwards, CPA  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## The Medical University of South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "K. L. R.", positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen", positioned above the title "Executive Director".

Executive Director

## **BOARD OF TRUSTEES AND PRINCIPAL UNIVERSITY OFFICIALS**

*July 1, 2008 – June 30, 2009*

### ***Board of Trustees***

The Hon. Mark Sanford  
*Governor*

Charles B. Thomas, Jr., M.D.  
*Chairman*  
*Greenville, SC*

Thomas L. Stephenson, J.D.  
*Vice Chairman*  
*Greenville, SC*

Stanley C. Baker, Jr., M.D.  
*Greenwood, SC*

Melvyn Berlinsky  
*Charleston, SC*

William H. Bingham, Sr.  
*Cayce-West Columbia, SC*

Cotesworth P. Fishburne, Jr., D.D.S.  
*Rock Hill, SC*

William B. Hewitt, MSEE (b)  
*Charleston, SC*

Donald R. Johnson, II, M. D.  
*Charleston, SC*

E. Conyers O'Bryan, Jr., M.D.  
*Florence, SC*

Paula E. Orr, M.D. (a)  
*Charleston, SC*

Thomas C. Rowland, Jr., M.D.  
*Columbia, SC*

Charles W. Schulze, CFE CPA  
*Greenwood, SC*

The Hon. Robin M. Tallon, Jr., B.A.  
*Florence, SC*

James E. Wiseman, DMD  
*Prosperity, SC*

Margaret M. Addison, M.Ed.  
*Emerita*  
*Holly Hill, SC*

Charles B. Hanna, M.D.  
*Emeritus*  
*Spartanburg, SC*

The Hon. Robert C. Lake, Jr., LLB  
*Emeritus*  
*Newberry, SC*

Claudia W. Peebles, B.A.  
*Emerita*  
*Barnwell, SC*

The Hon. Phillip D. Sasser, J.D.  
*Emeritus*  
*Conway, SC*

Allen E. Stalvey, MBA  
*Emeritus*

Hugh B. Faulkner, III, B.A.  
*Secretary*  
*Columbia, SC*

(a) Governor's designee  
(b) Governor's at-large appointee

### ***Officers of The Medical University of South Carolina***

Raymond S. Greenberg, M.D., Ph.D.  
*President*

John R. Raymond, Sr. M.D.  
*Vice President*  
*Academic Affairs and Provost*

Lisa P. Montgomery, MHA  
*Vice President*  
*Finance and Administration*

Joseph G. Reves, M.D.  
*Vice President*  
*Medical Affairs*

W. Stuart Smith, MBA, MHA  
*Vice President*  
*Operations and Executive Director*  
*MUSC Medical Center*

William J. Fisher, B.S.  
*Vice President*  
*Development*

Frank C. Clark, Ph.D.  
*Vice President*  
*Information Technology and Chief Information Officer*

### ***Deans***

Joseph G. Reves, M.D.  
*College of Medicine*

Joseph T. DiPiro, Pharm. D.  
*Executive Dean, South Carolina College of Pharmacy*

Arnold W. Karig, Ph.D.  
*MUSC Campus, SC College of Pharmacy*

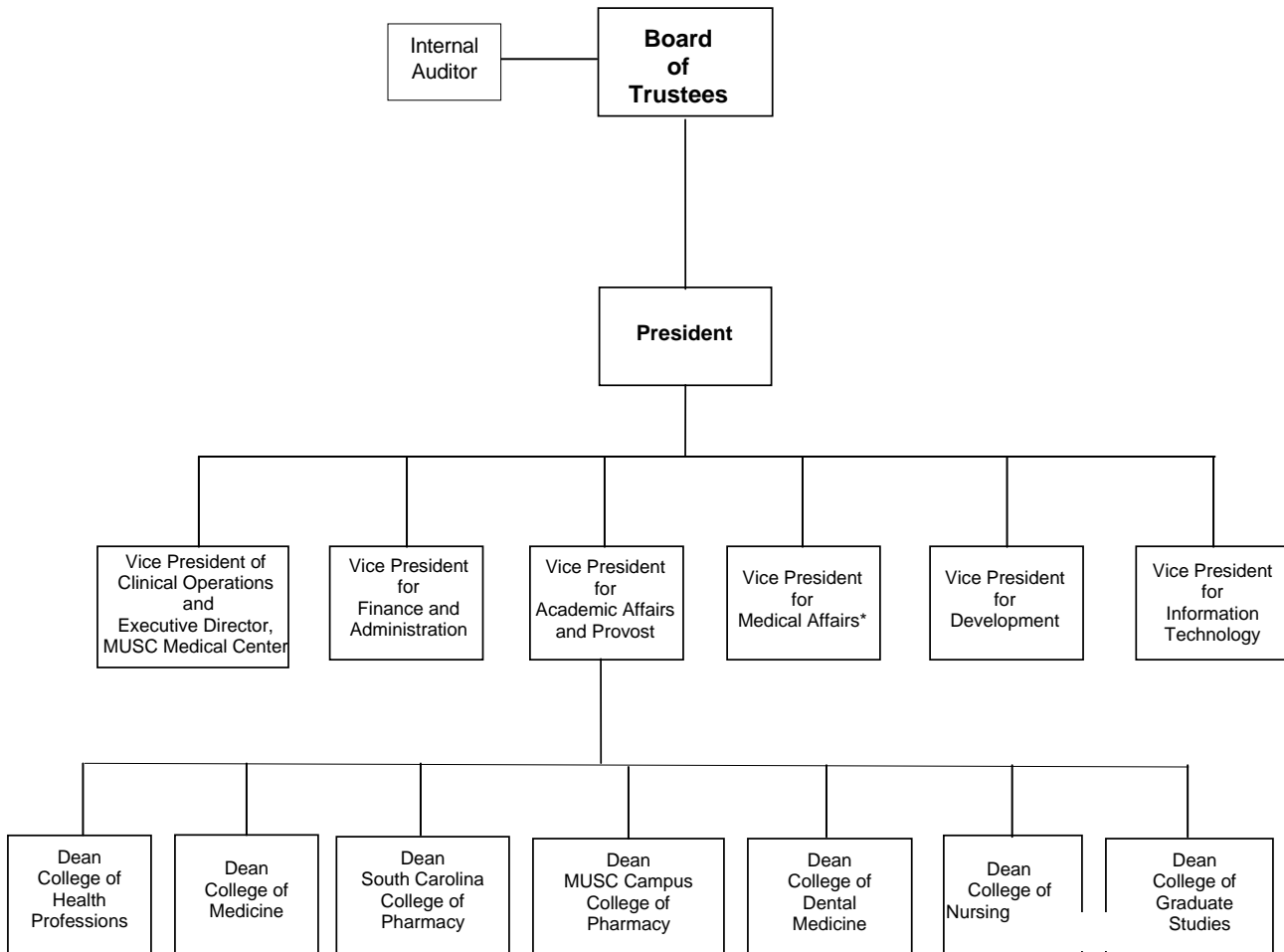
Gail W. Stuart, Ph.D., RN, FAAN, CS  
*College of Nursing*

Perry V. Halushka, M.D., Ph.D.  
*College of Graduate Studies*

John J. Sanders, DDS  
*College of Dental Medicine*

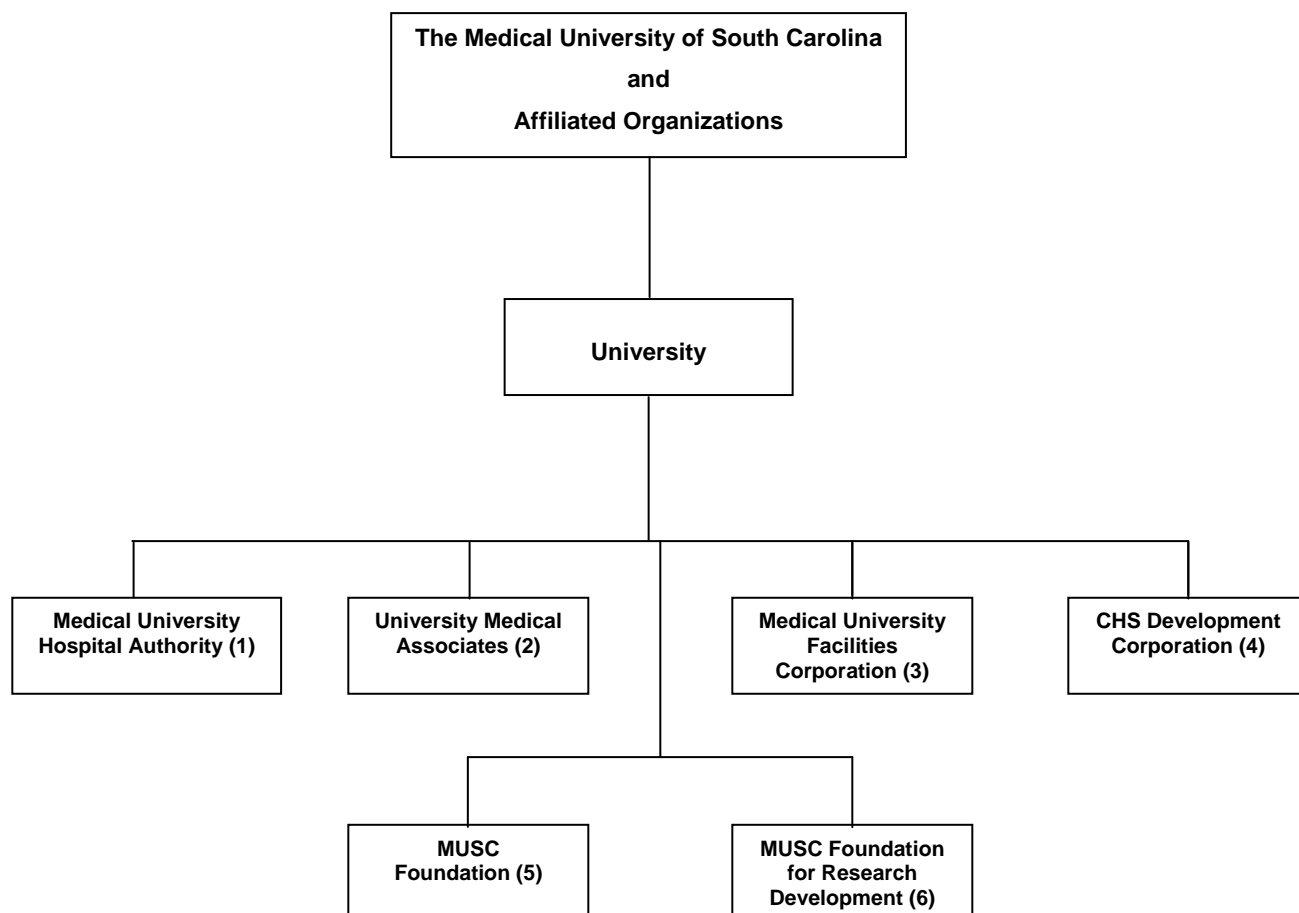
Mark S. Sothmann, Ph.D.  
*College of Health Professions*

## ORGANIZATION CHART



\* This Vice President also serves as Dean of the College of Medicine.

## THE MEDICAL UNIVERSITY AND AFFILIATED ORGANIZATIONS



### Notes:

1. The Medical University Hospital Authority (MUHA) was formed in June, 2000, to manage and operate the hospitals and clinics of the University.
2. University Medical Associates (UMA) is a non-profit corporation established to promote and support the educational, medical, scientific, and research purposes of the University.
3. Medical University Facilities Corporation (MUFC) is a non-profit corporation established in fiscal year 1992 to obtain financing for the University to acquire real property.
4. CHS Development Corporation (CHS) is a non-profit corporation established in fiscal year 2003 to obtain financing for the University to acquire and develop real property.
5. The MUSC Foundation (MUSCF) (formerly The Health Sciences Foundation) is a non-profit corporation established in 1966 as an educational, charitable, eleemosynary foundation.
6. The MUSC Foundation for Research Development (MFRD) is a non-profit corporation established in 1995 to manage the University's intellectual property and technology marketing and to foster cooperation between the University and business and industry.

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# Financial Section



KPMG LLP  
Suite 2000  
303 Peachtree Street, NE  
Atlanta, GA 30308

## Independent Auditors' Report

Board of Trustees  
Medical University of South Carolina  
Charleston, South Carolina

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Medical University of South Carolina (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, discretely presented component units, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As discussed in note 1, the financial statements of the University are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2009, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the University as of June 30, 2009, and the respective changes in financial



position and, where applicable, cash flows thereof for the year then ended in conformance with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2009 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 23 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The combining nonmajor enterprise fund financial statements, and the introductory and statistical sections listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor enterprise fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**KPMG LLP**

October 20, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Required Supplementary Information (unaudited)

### ***Introduction***

The management of The Medical University of South Carolina offers readers of the financial statements this narrative overview and analysis of the financial position and activities of The Medical University of South Carolina for the fiscal year ended June 30, 2009 with comparative information for the year ended June 30, 2008. Management's discussion and analysis (MD&A) will focus on the financial position and operations of the primary institution (the University) and the two component units that are reported as major funds, Medical University Hospital Authority (the Authority) and University Medical Associates (UMA). This discussion should be read in conjunction with our letter of transmittal in the introductory section of this report and with the accompanying financial statements and notes.

### ***Financial Highlights***

At June 30, 2009, total assets reported by the University were \$758.5 million and total liabilities were \$303.9 million. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased \$14.5 million in fiscal year 2009 from \$440.1 to \$454.6 million. Of the total net assets, \$58.6 million represents unrestricted net assets, which may be used to meet the University's ongoing obligations.

At June 30, 2009, the Authority's total assets of \$898.4 million exceeded its liabilities of \$657.0 million by \$241.4 million. Net assets, the residual interest in the assets after liabilities are deducted, increased \$3.5 million, as compared to a decrease of \$19.7 million in 2008. The Authority reported operating income in 2009 of \$26.4 million, as compared to an operating loss in 2008 of \$4.7 million in 2008, an improvement of \$31.1 million. Net non-operating expenses were \$23.1 million for 2009 as compared to \$14.4 million for 2008, an increase of \$8.7 million. Non-operating income (expenses) from (to) the University in support of academic programs were \$0.2 million in 2009 and (\$0.6 million) in 2008.

At June 30, 2009, UMA reported total assets of \$229.1 million and total liabilities of \$94.2 million. Net assets were \$134.9 million, an increase of \$10.0 million, or 8.0 percent, from the previous year. Of this amount, \$124.4 million represents unrestricted net assets that are available to meet UMA's ongoing obligations. UMA's operating revenues for the year ended June 30, 2009, increased \$42.2 million, or 16.6 percent, over the fiscal year ended June 30, 2008 to \$297.0 million. Operating expenses increased by \$21.4 million, or 10.3 percent, over fiscal year 2008 to \$228.3 million. Net non-operating expense of \$13.0 million increased \$5.5 million from fiscal year 2008 primarily due to a write-down in the carrying value of certain auction rate investment securities.

### ***Overview of the Financial Statements***

The financial report includes three financial statements:

- ◆ Statement of Net Assets
- ◆ Statement of Revenues, Expenses and Changes in Net Assets
- ◆ Statement of Cash Flows

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles as prescribed in GASB Statement No. 35, *Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and Universities*. This statement establishes standards for external financial reporting for public colleges and universities, and requires that financial statements be presented on an entity wide basis to focus on the university as a whole rather than on individual fund groups.

### ***Statement of Net Assets***

The Statement of Net Assets presents the financial position as of the end of the fiscal year and includes all assets and liabilities of the entity. Cash and investments are generally reported at fair values. Capital assets are reported at historical cost less an allowance for depreciation. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the current year. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the entity, and how much is owed to vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure.

Net assets are classified as follows:

- ◆ Invested in capital assets, net of related debt, represents the equity in property, plant, and equipment.
- ◆ Restricted nonexpendable net assets consist of the University's permanent endowment funds.
- ◆ Restricted expendable net assets are available for expenditure, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- ◆ Unrestricted net assets are available for any lawful purpose of the entity.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**Unaudited**

**Summary of Net Assets**

Amounts in thousands

	<u>The University</u>		<u>Medical University Hospital Authority</u>		<u>University Medical Associates</u>	
	2009	2008	2009	2008	2009	2008
<b><u>Assets</u></b>						
Current assets	\$ 158,234	\$ 158,569	\$ 237,172	\$ 236,574	\$ 157,940	\$ 115,586
Noncurrent assets						
Capital assets, net	516,646	439,435	562,153	586,317	45,296	44,768
Other noncurrent assets	83,577	92,476	99,063	86,282	25,894	70,593
Total assets	<u>758,457</u>	<u>690,480</u>	<u>898,388</u>	<u>909,173</u>	<u>229,130</u>	<u>230,947</u>
<b><u>Liabilities</u></b>						
Current liabilities	110,692	109,553	151,365	153,322	23,295	22,224
Noncurrent liabilities	193,179	140,799	505,672	517,999	70,904	83,771
Total liabilities	<u>303,871</u>	<u>250,352</u>	<u>657,037</u>	<u>671,321</u>	<u>94,199</u>	<u>105,995</u>
<b><u>Net Assets (Deficit)</u></b>						
Invested in capital assets, net of related debt	327,486	320,983	70,482	80,805	10,563	2,290
Restricted						
Nonexpendable	42,430	31,712	-	-	-	-
Expendable	26,075	37,191	82,587	78,306	-	24,256
Unrestricted	58,595	50,242	88,282	78,741	124,368	98,406
Total net assets	<u>\$ 454,586</u>	<u>\$ 440,128</u>	<u>\$ 241,351</u>	<u>\$ 237,852</u>	<u>\$ 134,931</u>	<u>\$ 124,952</u>
	<u>Nonmajor Enterprise Funds</u>		<u>Total Primary Government</u>			
	2009	2008	2009	2008		
<b><u>Assets</u></b>						
Current assets	\$ 5,516	\$ 5,411	\$ 558,862	\$ 516,140		
Noncurrent assets						
Capital assets, net	-	-	1,124,095	1,070,520		
Other noncurrent assets	39,654	42,664	248,188	292,015		
Total assets	<u>45,170</u>	<u>48,075</u>	<u>1,931,145</u>	<u>1,878,675</u>		
<b><u>Liabilities</u></b>						
Current liabilities	4,068	3,967	289,420	289,066		
Noncurrent liabilities	39,606	42,833	809,361	785,402		
Total liabilities	<u>43,674</u>	<u>46,800</u>	<u>1,098,781</u>	<u>1,074,468</u>		
<b><u>Net Assets (Deficit)</u></b>						
Invested in capital assets, net of related debt	-	-	408,531	404,078		
Restricted						
Nonexpendable	-	-	42,430	31,712		
Expendable	1,496	1,344	110,158	141,097		
Unrestricted	-	(69)	271,245	227,320		
Total net assets	<u>\$ 1,496</u>	<u>\$ 1,275</u>	<u>\$ 832,364</u>	<u>\$ 804,207</u>		

The University's increase in total assets of \$68.0 million resulted primarily from additions to capital assets. Significant capital additions in fiscal year 2009 included expenditures related to the construction of the College of Dental Medicine Building and the capitalization of buildings leased from the Medical University of South Carolina Foundation (MUSCF). Total liabilities increased by \$53.5 million from 2009 to 2008, primarily due to entering into building-related capital leases with MUSCF (see **Capital Leases**) and a borrowing (see **Notes Payable**) to finance the costs of purchasing and implementing energy conservation measures.

The Authority's total assets decreased by 1.2 percent from 2008 to 2009. Patient accounts receivable, net of estimated uncollectible amounts, increased from \$130.4 million to \$141.7 million, primarily as a result of increases in patient activity and a price increase. Net capital assets decreased during the fiscal year by \$24.2 million primarily due to the net effect of depreciation and capital additions related to renovation and remodeling of existing facilities. Total liabilities decreased by \$14.3 million, or 2.1% from 2008 to 2009. Long-term liabilities, including current installments, decreased by \$18.7 million due to debt service payments.

UMA's total assets decreased \$1.8 million in 2009 while liabilities decreased \$11.8 million. Unrestricted net assets increased \$26.0 million from \$98.4 million in 2008 to \$124.4 million in 2009.

Unaudited

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the entity. Non-operating revenues are revenues received for which goods and services are generally not provided. A public University's dependence on state aid and gifts usually results in operating deficits because state appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life.

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues earned, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains and losses received or incurred by the entity.

**Summary of Revenues, Expenses and Changes in Net Assets**

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2009	2008	2009	2008	2009	2008
Operating revenues	\$ 363,266	\$ 341,526	\$ 902,491	\$ 821,882	\$ 296,970	\$ 254,768
Operating expenses	(534,217)	(510,173)	(876,131)	(826,541)	(228,264)	(206,881)
Operating income (loss)	(170,951)	(168,647)	26,360	(4,659)	68,706	47,887
Nonoperating revenues	127,257	151,772	2,644	3,440	(860)	4,922
Nonoperating expenses	(6,352)	(6,032)	(25,753)	(17,881)	(12,109)	(12,358)
Net nonoperating revenues (expenses)	120,905	145,740	(23,109)	(14,441)	(12,969)	(7,436)
Income (loss) before other revenues, expenses, gains, losses, and transfers	(50,046)	(22,907)	3,251	(19,100)	55,737	40,451
Capital appropriations	2,523	11,382	-	-	-	-
Capital grants and gifts	6,357	14,863	-	-	-	-
Additions to permanent endowments	10,698	8,080	-	-	-	-
Transfers	44,926	31,155	248	(553)	(45,758)	(30,750)
Change in net assets	14,458	42,573	3,499	(19,653)	9,979	9,701
Net assets at beginning of year	440,128	397,555	237,852	257,505	124,952	115,251
Net assets at end of year	\$ 454,586	\$ 440,128	\$ 241,351	\$ 237,852	\$ 134,931	\$ 124,952

	Nonmajor Enterprise Funds		Total Primary Government	
	2009	2008	2009	2008
Operating revenues	\$ 2,091	\$ 2,357	\$ 1,564,818	\$ 1,420,533
Operating expenses	(2,454)	(2,575)	(1,641,066)	(1,546,170)
Operating income (loss)	(363)	(218)	(76,248)	(125,637)
Nonoperating revenues	-	-	129,041	160,134
Nonoperating expenses	-	-	(44,214)	(36,271)
Net nonoperating revenues (expenses)	-	-	84,827	123,863
Income (loss) before other revenues, expenses, gains, losses, and transfers	(363)	(218)	8,579	(1,774)
Capital appropriations	-	-	2,523	11,382
Capital grants and gifts	-	-	6,357	14,863
Additions to permanent endowments	-	-	10,698	8,080
Transfers	584	148	-	-
Change in net assets	221	(70)	28,157	32,551
Net assets at beginning of year	1,275	1,345	804,207	771,656
Net assets at end of year	\$ 1,496	\$ 1,275	\$ 832,364	\$ 804,207

**Revenues**

The University's daily operations are funded primarily from grants and contracts, sales and services, and State and capital appropriations. These three sources account for 75 percent of the total fiscal year 2009 revenues of \$555.0 million and 77 percent of the total fiscal year 2008 revenues of \$558.8 million. The following table and chart illustrate the University's revenues by source.

# MEDICAL UNIVERSITY OF SOUTH CAROLINA

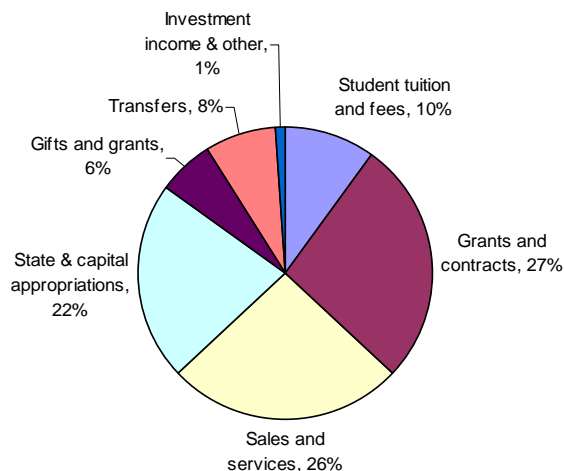
## Unaudited

### Revenues by Source – The University

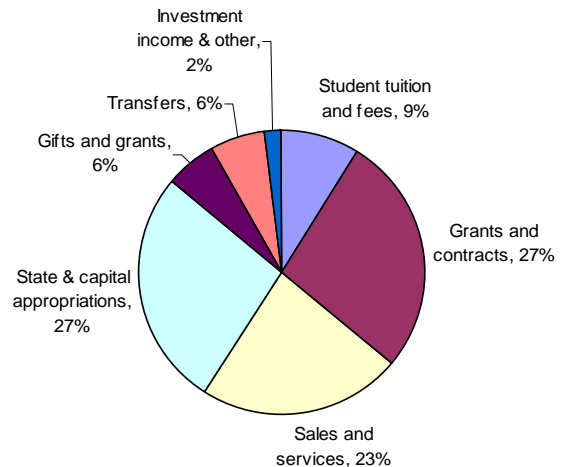
Amounts in thousands

	2009	Percent Of Total	2008	Percent Of Total
<b>Operating revenues</b>				
Student tuition and fees	\$ 55,377	10%	\$ 49,199	9%
Grants and contracts	151,119	27%	153,945	27%
Sales and services	146,236	26%	128,481	23%
Other operating revenues	10,534	2%	9,901	2%
Total operating revenues	363,266	65%	341,526	61%
<b>Nonoperating and other revenues</b>				
State & capital appropriations	118,941	22%	149,539	27%
Gifts and grants	31,006	6%	33,929	6%
Investment income (losses)	(3,112)	-1%	2,472	0%
Transfers	44,926	8%	31,154	6%
Other nonoperating revenues	-	0%	158	0%
Total nonoperating and other revenues	191,761	35%	217,252	39%
<b>Total revenues</b>	<b>\$ 555,027</b>	<b>100%</b>	<b>\$ 558,778</b>	<b>100%</b>

2009



2008



In fiscal year 2009, the University's total revenues decreased by \$3.8 million from the previous fiscal year. Tuition revenues increased \$6.2 million as a result of tuition rate increases. State appropriations, capital and non capital, decreased \$30.6 million due to state budget cuts in fiscal year 2009 and a \$7.5 million one-time capital appropriation received in fiscal year 2008. State appropriations included \$28.3 million in fiscal year 2009 and \$21.3 million in fiscal year 2008 which was subsequently paid to the Authority as part of the Disproportionate Share Program administered by the South Carolina Department of Health and Human Services. Sales and services revenues increased \$17.8 million primarily due to an increase in the supplemental Medicaid payments received for inherent inefficiencies of providing care to Medicaid patients while instructing medical students.



# MEDICAL UNIVERSITY OF SOUTH CAROLINA

## Unaudited

### Operating Revenue by Source for the Component Units

Amounts in thousands

	Medical University Hospital Authority		University Medical Associates	
	2009	2008	2009	2008
Net patient service revenue	\$ 885,163	\$ 802,380	\$ 276,251	\$ 234,901
Educational agreements	-	-	7,277	8,354
Other operating revenue	17,328	19,502	13,442	11,513
Total operating revenue	<u>\$ 902,491</u>	<u>\$ 821,882</u>	<u>\$ 296,970</u>	<u>\$ 254,768</u>

Compared to fiscal year 2008, the Authority's net patient service revenue increased by approximately \$82.8 million, or 10.3 percent. Gross patient charges increased by \$235.6 million, or 14.4 percent, from 2008 to 2009 due to increases in patient activity and comprehensive rate increases. Net revenue received from the Disproportionate Share (DSH) Program administered by the South Carolina Department of Health and Human Services decreased in 2009 to \$43.7 million from \$76.8 million in 2008. This significant decrease is primarily due to the net settlement of the Medicaid cost reports for years 2005 and 2006 recorded by the Authority in fiscal year 2009 in the amount of \$21.1 million. The DSH Program is an important source of patient care financing for the Authority, and any material reduction in such funding would have a correspondingly material adverse effect on the Authority's operations. There can be no assurance that the Authority will continue to qualify for future participation in the DSH program or that the DSH program will not ultimately be discontinued or materially modified.

UMA's net patient service revenue increased \$41.4 million primarily due to an increase in patient volume. This was due in part to a strategic hiring initiative to increase the number of University faculty involved in clinical operations, which in fiscal year 2009 resulted in 65 new physicians being added. Approximately \$16.2 million of this increase is due to additional reimbursements under the Supplemental Medicaid Program over the prior year. Educational agreement revenue in support from the Authority for the ambulatory care and primary care programs decreased \$1.1 million in 2009 primarily due to the termination of the primary support agreement. Other operating revenue increased \$1.9 million primarily due an increase in pediatric clinical care, chest pain, and trauma services performed for the Authority. Nonoperating revenues decreased \$5.8 million primarily due to a write-down in the carrying value of certain auction rate investment securities resulting from various factors which negatively impacted the market for those securities.

### Expenses

The University's total expenses were \$540.6 million in fiscal year 2009, up 24.4 million from \$516.2 million in fiscal year 2008. Non-operating expenses of \$6.4 million and \$6.0 million in fiscal year 2009 and 2008, respectively, account for approximately 1% of the total expenses in each year.

The University's operating expenses were \$534.2 million for the fiscal year ended June 30, 2009, an increase of \$24.0 million from fiscal year 2008. The increase of 4.7 percent resulted primarily from increases in compensation and benefits of \$13.2 million (4.6 percent), services and supplies of \$5.6 million (3.1 percent), and depreciation of \$3.9 million (16.9%). These increases are the result of a combination of growth in programs, inflation, and additional depreciable buildings.

The operating expenses are reported by natural classification (object) in the financial statement and by functional classification in the notes. The following tables and charts illustrate the University's operating expenses by the two classifications.

### Operating Expenses by Object – The University

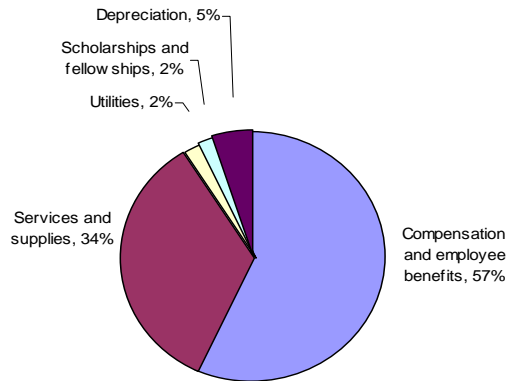
Amounts in thousands

	2009		2008	
		Percent Of Total		Percent Of Total
Compensation and employee benefits	\$ 302,542	57%	\$ 289,327	57%
Services and supplies	184,695	34%	179,097	35%
Utilities	10,962	2%	9,358	2%
Scholarships and fellowships	8,795	2%	9,104	2%
Depreciation	27,223	5%	23,287	4%
Total operating expenses	<u>\$ 534,217</u>	<u>100%</u>	<u>\$ 510,173</u>	<u>100%</u>

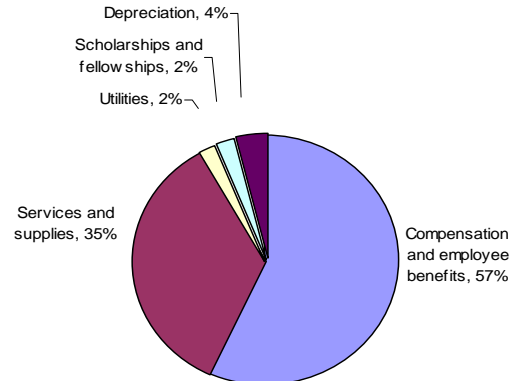
# MEDICAL UNIVERSITY OF SOUTH CAROLINA

## Unaudited

**2009**



**2008**

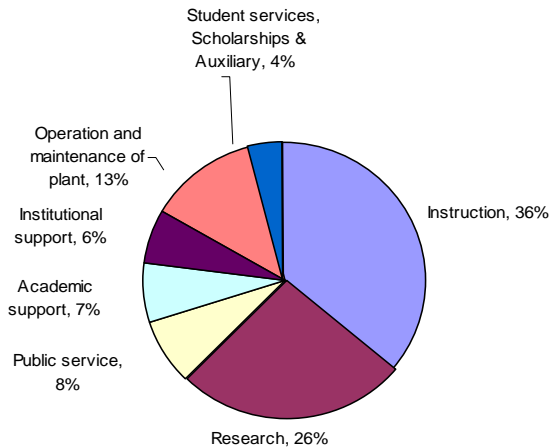


### Operating Expenses by Function – The University

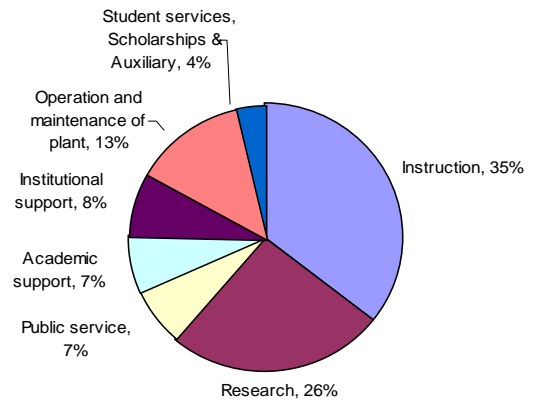
Amounts in thousands

	2009	Percent Of Total	2008	Percent Of Total
Instruction	\$ 192,271	36%	\$ 180,898	35%
Research	140,638	26%	130,597	26%
Public service	40,452	8%	37,434	7%
Academic support	38,332	7%	35,235	7%
Student services	9,881	2%	9,605	2%
Institutional support	34,203	6%	40,052	8%
Operation and maintenance of plant	67,919	13%	66,775	13%
Scholarships and fellowships	3,653	1%	3,747	1%
Auxiliary enterprises	6,868	1%	5,830	1%
Total operating expenses	<u>\$ 534,217</u>	<u>100%</u>	<u>\$ 510,173</u>	<u>100%</u>

**2009**



**2008**



## MEDICAL UNIVERSITY OF SOUTH CAROLINA

### Unaudited

The Authority's operating expenses increased by \$49.6 million, from \$826.5 million in 2008 to \$876.1 million in 2009. This 6.0 percent increase is primarily the result of increases in service and supplies, utilities, and interfund services used of \$26.7 million, or 6.6 percent, and depreciation and amortization expense of \$19.7 million, or 60.9 percent. Supply costs and pharmaceutical costs continue to increase at rates exceeding those of general inflation. The increase in depreciation and amortization expense was primarily due to the opening of the new hospital facility in February 2008.

UMA's operating expenses increased by \$21.4 million primarily due to an increase in departmental expenses of \$20.6 million for additional physician and staff compensation for new providers, fringe benefit costs, and rent paid to the Authority for space in the new hospital facility. Net nonoperating expense decreased \$0.5 million primarily due to the net effect of a decrease in gifts to the Medical University of South Carolina Foundation, and an increase in interest expense.

### **Statement of Cash Flows**

The Statement of Cash Flows presents detailed information about the cash activity during the year. This statement aids in the assessment of the entity's ability to generate future net cash flows and to meet obligations and commitments as they come due. The University's primary sources of operating and noncapital related cash in fiscal 2009 were state appropriations, grants and contracts, sales and services of educational and other activities, and tuition and fees. Primary uses of these cash sources were salaries and benefits for faculty, staff, and student employees, and payments to suppliers of goods and services.

The statement is divided into five sections.

- ◆ The University's cash flows from operating activities include cash received for tuition and research grants and salaries paid to employees or payments to vendors. Since State appropriations and gifts are not considered operating revenues, operating activities of the University produced a net cash outflow of \$122.7 million.
- ◆ The University's non-capital financing activities, which include State appropriations received for operations and noncapital gifts and transfers, generated a net cash inflow of \$188.4 million.
- ◆ The University's capital and related financing activities include the proceeds received from the issuance of long-term debt obligations, capital grants and gifts received, repayment of debt, and acquisition of capital assets. Debt proceeds, capital appropriations, grants and gifts received in the current year were more than offset by capital expenditures and payments on debt, resulting in a net cash outflow of \$53.7 million.
- ◆ The University's investing activities consisted of \$4.0 million of earnings on investments and \$13.9 million of endowment corpus deposited with the Medical University of South Carolina Foundation.
- ◆ The last section of the statement reconciles the net cash provided or used by operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

### **Capital Asset and Debt Activities**

The following is a summary of capital asset and long-term debt activity for fiscal year 2009. More detailed information can be found in Note 5 (Capital Assets), Note 12 (Bonds and Notes Payable) and Note 13 (Lease Obligations) of the Notes to the Financial Statements.

#### **Capital Assets, Net of Depreciation**

*Amounts in thousands*

	The University		Medical University Hospital Authority		University Medical Associates	
	2009	2008	2009	2008	2009	2008
Land	\$ 11,646	\$ 11,646	\$ 6,093	\$ 6,093	\$ 3,185	\$ -
Construction in progress	85,879	99,058	11,128	32,682	9	39
Land improvements	2,651	1,848	-	-	-	-
Buildings and improvements	343,848	250,704	422,080	413,623	38,833	41,147
Machinery and equipment	71,897	75,486	122,455	133,605	3,094	3,182
Vehicles	725	693	397	314	175	-
Intangible assets	-	-	-	-	-	400
	<u>\$ 516,646</u>	<u>\$ 439,435</u>	<u>\$ 562,153</u>	<u>\$ 586,317</u>	<u>\$ 45,296</u>	<u>\$ 44,768</u>

#### **The University**

Capital additions, other than construction in progress, totaled \$118.4 million in fiscal year 2009. During fiscal year 2009, the Bee Street Parking Garage was completed (cost of \$43.1 million), the Strom Thurmond Building chillers replacement project was completed (cost of \$13.0 million), and three building-related capital leases totaling \$47.2 million were entered into with the Medical University of South Carolina Foundation. In addition, there were major renovations to administrative and laboratory space and significant investments in medical, scientific and laboratory equipment.

Significant items included in construction in progress are the College of Dental Medicine Building, the Drug Discovery Building, and the Bioengineering Building. The University had outstanding commitments under construction contracts related to these and other projects of approximately \$92.3 million at June 30, 2009. These projects are being funded by bond proceeds, federal grants, state appropriations, restricted gifts, and unrestricted university funds.

## MEDICAL UNIVERSITY OF SOUTH CAROLINA

### Unaudited

#### **Construction in Progress – The University**

Amounts in thousands

Hollings Cancer Center expansion	\$ 4,181
Pharmacology renovations	5,886
College of Dental Medicine Building construction	46,968
Drug Discovery Building construction	4,351
Bioengineering Building construction	2,614
Energy performance contract	5,215
Other	16,664
	<u>\$ 85,879</u>

#### **Medical University Hospital Authority**

At the end of fiscal year 2009 the Authority had \$562.2 million invested in capital assets, net of accumulated depreciation. Total capital additions of \$32.6 million in fiscal year 2009 decreased by \$124.4 million from fiscal year 2008 capital additions of \$157.0 million.

#### **University Medical Associates**

UMA's investment in capital assets, net of accumulated depreciation as of June 30, 2009 was \$45.3 million. This \$0.5 million increase from 2008 was due to UMA's 2009 capital additions slightly exceeding depreciation. Significant capital additions in fiscal year 2009 included additional medical equipment and furnishings, and land purchased with intent of consolidating several clinics to improve patient services and reduce costs.

The following table shows the amounts and types of bonds, notes, and capital leases outstanding as of June 30, 2009.

#### **Bonds, Notes, Capital Lease Obligations, and Interfund Payables**

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2009	2008	2009	2008	2009	2008
State institution bonds, net	\$ 39,826	\$ 43,016	\$ -	\$ -	\$ -	\$ -
State bond anticipation notes	30,000	30,000	-	-	-	-
Revenue bonds, net	36,975	38,000	465,963	470,791	-	-
Notes	15,387	-	51,134	63,415	-	-
Variable rate debt	-	-	-	-	72,637	-
Direct note obligations, net	-	-	-	-	-	85,524
Capital lease obligations	3,354	4,569	1,640	3,441	90	151
Due to component unit	46,736	-	-	-	-	-
Interfund payables	34,920	37,641	-	-	-	-
	<u>\$ 207,198</u>	<u>\$ 153,226</u>	<u>\$ 518,737</u>	<u>\$ 537,647</u>	<u>\$ 72,727</u>	<u>\$ 85,675</u>

#### **The University**

Following is a brief explanation of each type of long-term debt with examples of the assets acquired and the funding source the University expects to use to service the debt.

##### **State Institution Bonds (SIB)**

These bonds require the University to pledge revenue from student tuition for the repayment of this debt. If the University fails to repay this debt, the State would repay the debt because these bonds are backed by the State's full faith, credit and taxing power. The proceeds from SIBs provided a portion of the funding for the Harper Student Center, the site for the Strom Thurmond Biomedical Research Facility, the Storm Eye Institute addition, the Children's Research Institute, and a number of major renovation projects. The University's SIBs are general obligation bonds of the State of South Carolina. Moody's Investors Services rates them as "Aaa". At June 30, 2009, the net SIB payable totaled \$69.8 million and included a \$30 million State Bond Anticipation Note issued to help fund the construction of the School of Dental Medicine Building.

##### **Revenue Bonds**

University parking and other revenues are pledged toward the repayment of a \$38 million revenue bond issued in fiscal year 2007. The proceeds from this revenue bond were used to finance a new parking garage which opened in the Fall of 2008.

##### **Notes Payable**

On October 3, 2008, the Board of Trustees approved a resolution authorizing the University to use the South Carolina Master Lease Program for the purpose of financing the costs of purchasing and implementing energy conservation measures that will benefit both the University and the Authority with the understanding that debt service payments will be generated from the associated energy savings. Pursuant to this resolution, the University borrowed \$15,387,340 from Bank of America during fiscal year 2009.

Unaudited

**Capital Leases**

The University has outstanding capital leases with Medical University Facilities Corporation (MUFC), a blended component unit, for Harborview Office Tower and a portion of the Strom Thurmond Biomedical Research Center. Monthly payments are made to a financial institution as trustee under the leases. At June 30, 2009, the lease liability payable to MUFC totaled \$13.6 million. The University also has an outstanding capital lease with CHS Development Company (CHS), a blended component unit, for the College of Health Professions complex and a parking garage. Monthly payments are made to a financial institution as trustee under this lease. At June 30, 2009, the lease liability payable to CHS was \$21.3 million. The leases with these blended component units are considered Interfund Payables.

In fiscal year 2009, the University entered into capital leases with the Medical University of South Carolina Foundation, a discretely presented component unit, for a garage and two office buildings. As of June 30, 2009, the lease liability, which is reflected as Due to Component Unit, totaled \$46.7 million.

In addition, the University has \$3.4 million in capital leases payable at June 30, 2009 for various pieces of equipment.

**Sources Other Than Debt**

The University also acquires some of its capital assets from other sources such as:

- ◆ *Federal grants.* Grants were received from the federal government for some of the construction costs of the Hollings Cancer Center, the Drug Discovery and Biosciences Building, and the Bee Street Parking Garage. The University is not obligated to repay these monies.
- ◆ *State Capital Improvement Bonds.* The State issues these bonds and makes the proceeds available for the University to spend on approved projects. The University is using capital improvement bond proceeds to partially fund the construction of the new College of Dental Medicine Building. The University is not obligated to repay these funds to the State; therefore, the debt is not recorded on the University's financial statements.
- ◆ *Research Infrastructure Bond.* The State issues these bonds and makes the proceeds available for the University to spend on approved projects. The University is using research infrastructure bond proceeds to fund the construction of a new Drug Discovery Building and a Bioengineering Building. The University is not obligated to repay these funds to the State; therefore, the debt is not recorded in the University's financial statements.
- ◆ *Private Gifts and Grants.* Cash and other resources donated to the MUSC Foundation are periodically transferred to the University for capital projects.

**Medical University Hospital Authority**

During fiscal year 2008, the Authority completed the first phase of a phased approach replacement of much of its principal patient care facilities, a project planned for completion in stages over the next 20 years. Phase 1 of the project involved building a facility comprised of a four-story diagnostic and treatment facility, a seven-story hospitality (bed) tower, and a garden atrium uniting the two sections of the building. The new 641,000 square-foot facility was opened on February 4, 2008. No new clinical health services were added as a result of this phase of the project. There are 156 replacement beds involved. As a result of the opening of the new hospital facility, the Authority closed Charleston Memorial Hospital (CMH) in November 2008. The majority of the operations of CMH were relocated to the new hospital facility.

**University Medical Associates**

At year-end, UMA had \$72.7 million in outstanding bonds, notes and capital lease obligations compared to \$85.7 million outstanding in the prior year. This reduction resulted primarily from the refunding of the Select Auction Variable Rate Securities on December 18, 2008 via the issuance of tax-exempt variable rate demand bonds and a taxable term loan.

**Requests for Information**

These financial statements are designed to provide a general overview of The Medical University of South Carolina and its component units' financial activities and to demonstrate the University's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Controller's Office, Medical University of South Carolina, 19 Hagood Avenue, Suite 505, MSC 817, Charleston, South Carolina, 29425. These financial statements may also be obtained from our website:

<http://academicdepartments.musc.edu/vpfa/financialreports>

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**STATEMENT OF NET ASSETS**

June 30, 2009

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Total Primary Government
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 92,136,986	\$ 25,598,624	\$ 106,771,254	\$ -	\$ 224,506,864
Investments	-	-	5,005,300	-	5,005,300
Receivables, net	38,168,360	165,466,379	32,944,022	7,536	236,586,297
Student loans receivable	100,912	-	-	-	100,912
Due from other funds	12,430,216	375,667	11,319,703	-	24,125,586
Due from component units	2,386,535	9,886	63,533	-	2,459,954
Inventories	-	18,002,894	-	-	18,002,894
Prepaid items	7,441,715	6,102,005	631,355	156,349	14,331,424
Restricted assets					
Cash and cash equivalents	4,613,759	10,932,391	-	1,408,402	16,954,552
Investments	-	-	-	944,811	944,811
Interfund receivables	-	-	-	2,873,982	2,873,982
Student loans receivable	920,035	-	-	-	920,035
Other current assets	35,768	10,683,388	1,205,227	124,610	12,048,993
Total current assets	158,234,286	237,171,234	157,940,394	5,515,690	558,861,604
<b>Noncurrent Assets</b>					
Investments	-	-	13,167,900	-	13,167,900
Student loans receivable	772,803	-	-	-	772,803
Restricted assets					
Cash and cash equivalents	32,356,615	38,802,420	-	4,239,553	75,398,588
Investments	-	41,731,949	-	213,000	41,944,949
Due from component units	36,859,609	-	-	-	36,859,609
Interfund receivables	-	-	-	32,045,544	32,045,544
Student loans receivable	12,792,103	-	-	-	12,792,103
Prepaid items	-	-	9,383,312	2,115,246	11,498,558
Investment in partnerships	-	-	2,313,504	-	2,313,504
Capital assets, net of accumulated depreciation	516,645,641	562,153,671	45,295,864	-	1,124,095,176
Other noncurrent assets	796,146	18,528,603	1,028,359	1,040,752	21,393,860
Total noncurrent assets	600,222,917	661,216,643	71,188,939	39,654,095	1,372,282,594
Total assets	758,457,203	898,387,877	229,129,333	45,169,785	1,931,144,198
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables and accrued liabilities	21,601,095	114,606,816	17,622,054	821,557	154,651,522
Due to other funds	11,319,703	12,430,216	375,667	-	24,125,586
Due to component unit	417,366	-	-	-	417,366
Deferred revenues	18,082,772	-	-	19,796	18,102,568
Interfund payables	2,873,982	-	-	-	2,873,982
Long-term liabilities	49,884,177	24,327,438	5,297,122	3,226,326	82,735,063
Other current liabilities	6,512,500	-	-	-	6,512,500
Total current liabilities	110,691,595	151,364,470	23,294,843	4,067,679	289,418,587
<b>Noncurrent liabilities</b>					
Interfund payables	32,045,544	-	-	-	32,045,544
Due to component unit	46,318,575	-	-	-	46,318,575
Due to third party payors	-	11,262,093	-	-	11,262,093
Federal loan program liability	13,579,102	-	-	-	13,579,102
Long-term liabilities	101,236,366	494,410,008	70,903,911	39,606,055	706,156,340
Total noncurrent liabilities	193,179,587	505,672,101	70,903,911	39,606,055	809,361,654
Total liabilities	303,871,182	657,036,571	94,198,754	43,673,734	1,098,780,241
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	327,486,089	70,482,278	10,562,401	-	408,530,768
Restricted					
Nonexpendable	42,430,079	-	-	-	42,430,079
Expendable for					
Education	2,000,414	-	-	-	2,000,414
Loans	3,700,619	-	-	-	3,700,619
Capital projects	10,748,750	-	-	-	10,748,750
Debt service	9,624,766	82,587,020	-	1,496,051	93,707,837
Unrestricted	58,595,304	88,282,008	124,368,178	-	271,245,490
Total net assets	\$ 454,586,021	\$ 241,351,306	\$ 134,930,579	\$ 1,496,051	\$ 832,363,957

The accompanying notes are an integral part of this financial statement.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
For the year ended June 30, 2009

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Total Primary Government
<b>Operating revenues</b>					
Student tuition and fees (net of scholarship allowances of \$ 3,405,469)	\$ 55,377,075	\$ -	\$ -	\$ -	\$ 55,377,075
Federal operating grants and contracts	119,782,720	-	-	-	119,782,720
State operating grants and contracts	5,277,965	-	-	-	5,277,965
Local government operating grants and contracts	206,141	-	-	-	206,141
Nongovernmental operating grants and contracts	25,852,650	-	-	-	25,852,650
Interfund services provided	83,025,399	-	-	-	83,025,399
Sales and services of educational and other activities	53,428,718	-	-	-	53,428,718
Net patient service revenue	-	885,162,629	276,251,035	-	1,161,413,664
Ambulatory care and primary care agreements	-	-	7,277,387	-	7,277,387
Auxiliary enterprises	9,782,020	-	-	-	9,782,020
Interest income (used as security for revenue bonds and notes)	-	-	-	2,051,883	2,051,883
Other operating revenues	10,533,726	17,327,916	13,441,904	39,063	41,342,609
<b>Total operating revenues</b>	<b>363,266,414</b>	<b>902,490,545</b>	<b>296,970,326</b>	<b>2,090,946</b>	<b>1,564,818,231</b>
<b>Operating expenses</b>					
Compensation and employee benefits	302,542,204	392,148,342	169,439,382	-	864,129,928
Services and supplies	184,695,173	336,187,618	55,121,325	-	576,004,116
Utilities	10,962,054	12,676,331	389,427	-	24,027,812
Interfund services used	-	83,025,399	-	-	83,025,399
Scholarships and fellowships	8,795,185	-	-	-	8,795,185
Interest expense	-	-	-	2,173,333	2,173,333
Depreciation and amortization	27,222,497	52,092,849	3,314,133	280,959	82,910,438
<b>Total operating expenses</b>	<b>534,217,113</b>	<b>876,130,539</b>	<b>228,264,267</b>	<b>2,454,292</b>	<b>1,641,066,211</b>
<b>Operating income (loss)</b>	<b>(170,950,699)</b>	<b>26,360,006</b>	<b>68,706,059</b>	<b>(363,346)</b>	<b>(76,247,980)</b>
<b>Nonoperating revenues (expenses)</b>					
State appropriations	116,417,914	-	-	-	116,417,914
Gifts and grants	13,951,084	-	-	-	13,951,084
Gifts made	-	-	(5,524,995)	-	(5,524,995)
Refunds to grantors	(136,594)	-	-	-	(136,594)
Investment income (losses)	(3,111,859)	2,643,709	(4,698,864)	-	(5,167,014)
Interest expense	(5,217,402)	(25,752,577)	(6,362,644)	-	(37,332,623)
Loss on sale of capital assets	(712,579)	-	(221,128)	-	(933,707)
Transfers to other state funds	(249,864)	-	-	-	(249,864)
Other nonoperating revenues (expenses)	(35,768)	-	3,838,741	-	3,802,973
<b>Net nonoperating revenues (expenses)</b>	<b>120,904,932</b>	<b>(23,108,868)</b>	<b>(12,968,890)</b>	<b>-</b>	<b>84,827,174</b>
Income (loss) before other revenues, expenses, gains, losses, and transfers	(50,045,767)	3,251,138	55,737,169	(363,346)	8,579,194
Capital appropriations	2,522,456	-	-	-	2,522,456
Capital grants and gifts	6,357,170	-	-	-	6,357,170
Additions to permanent endowments	10,697,948	-	-	-	10,697,948
Interfund transfers	44,926,367	247,759	(45,758,467)	584,341	-
<b>Change in net assets</b>	<b>14,458,174</b>	<b>3,498,897</b>	<b>9,978,702</b>	<b>220,995</b>	<b>28,156,768</b>
<b>Net assets at beginning of year</b>	<b>440,127,847</b>	<b>237,852,409</b>	<b>124,951,877</b>	<b>1,275,056</b>	<b>804,207,189</b>
<b>Net assets at end of year</b>	<b>\$ 454,586,021</b>	<b>\$ 241,351,306</b>	<b>\$ 134,930,579</b>	<b>\$ 1,496,051</b>	<b>\$ 832,363,957</b>

The accompanying notes are an integral part of this financial statement.



**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2009

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Total Primary Government
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Student tuition and fees	\$ 56,845,914	\$ -	\$ -	\$ -	\$ 56,845,914
Grants and contracts	156,971,296	-	-	-	156,971,296
Auxiliary enterprise charges	9,784,456	-	-	-	9,784,456
Receipts from interfund services provided	90,708,732	-	-	-	90,708,732
Receipts from services of educational activities	58,760,108	-	-	-	58,760,108
Receipts from patients and third-party payors	-	904,976,376	278,876,884	-	1,183,853,260
Payments to employees	(300,663,777)	(389,406,370)	(139,906,431)	-	(829,976,578)
Payments to suppliers	(196,619,283)	(340,117,251)	(82,146,507)	-	(618,883,041)
Payments for scholarships and fellowships	(8,795,185)	-	-	-	(8,795,185)
Payments for interfund services provided	-	(90,708,732)	-	-	(90,708,732)
Loans issued to students	(1,739,343)	-	-	-	(1,739,343)
Collection of loans to students	1,764,709	-	-	-	1,764,709
Student loan program receipts	28,650,881	-	-	-	28,650,881
Student loan program disbursements	(28,650,881)	-	-	-	(28,650,881)
Other receipts	11,546,182	17,507,000	25,879,453	-	54,932,635
Other payments	(1,236,819)	-	-	-	(1,236,819)
Net cash provided (used) by operating activities	(122,673,010)	102,251,023	82,703,399	-	62,281,412
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
State appropriations	116,417,914	-	-	-	116,417,914
Interfund transfers received	45,862,710	247,759	-	688,584	46,799,053
Interfund transfers paid	(936,343)	-	(45,758,467)	(104,243)	(46,799,053)
Transfers to other state funds	(265,710)	-	-	-	(265,710)
Gifts made	-	-	(5,524,995)	-	(5,524,995)
Gifts and grants received	27,616,665	-	-	-	27,616,665
Refunds to grantors	(136,594)	-	-	-	(136,594)
Interest paid on noncapital debt	(129,263)	-	-	-	(129,263)
Proceeds of revolving line of credit note payable	-	-	22,200,000	-	22,200,000
Repayment of revolving line of credit note payable	-	-	(22,200,000)	-	(22,200,000)
Swap termination payment	-	-	(11,452,062)	-	(11,452,062)
Proceeds from noncapital debt	-	-	48,117,065	-	48,117,065
Principal paid on bonds and notes payable	-	-	(41,608,647)	-	(41,608,647)
Interest paid on bonds and notes payable	-	-	(2,755,302)	-	(2,755,302)
Payment of agent fees and bond issuance costs	-	-	(532,676)	-	(532,676)
Net cash provided (used) by noncapital financing activities	188,429,379	247,759	(59,515,084)	584,341	129,746,395
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from capital debt	45,387,340	-	51,882,935	-	97,270,275
Capital appropriations	3,313,251	-	-	-	3,313,251
Capital grants and gifts received	6,357,170	-	-	-	6,357,170
Proceeds from sale of capital assets	25,111	6,726	6,707	-	38,544
Purchases of capital assets	(64,542,274)	(40,576,753)	(4,841,181)	-	(109,960,208)
Swap termination payment	-	-	(12,029,713)	-	(12,029,713)
Principal paid on capital debt and leases	(39,374,522)	(19,296,461)	(45,132,731)	(3,084,000)	(106,887,714)
Interest paid on capital debt and leases	(4,879,757)	(30,732,304)	(2,883,450)	(2,211,987)	(40,707,498)
Payment of fees and issuance cost	-	(3,060,890)	(558,196)	-	(3,619,086)
Net cash provided (used) by capital and related financing activities	(53,713,681)	(93,659,682)	(13,555,629)	(5,295,987)	(166,224,979)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Collection of interfund receivables	-	-	-	2,721,576	2,721,576
Interest received on interfund receivables	-	-	-	1,879,424	1,879,424
Purchases of investments	-	(7,131,319)	(39,379)	(4,480,544)	(11,651,242)
Proceeds from sales and maturities of investments	-	1,200,631	26,883,625	4,465,067	32,549,323
Distributions from investments	-	-	152,533	-	152,533
Deposits of endowment corpus with MUSC Foundation	(13,944,247)	-	-	-	(13,944,247)
Interest on investments	4,015,892	2,579,597	2,375,561	202,056	9,173,106
Net cash provided (used) by investing activities	(9,928,355)	(3,351,091)	29,372,340	4,787,579	20,880,473
Net increase (decrease) in cash and cash equivalents	2,114,333	5,488,009	39,005,026	75,933	46,683,301
Cash and cash equivalents at beginning of year	126,993,027	69,845,426	67,766,228	5,572,022	270,176,703
Cash and cash equivalents at end of year	\$ 129,107,360	\$ 75,333,435	\$ 106,771,254	\$ 5,647,955	\$ 316,860,004

The accompanying notes are an integral part of this financial statement.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS (CONTINUED)**

For the year ended June 30, 2009

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Total Primary Government
Cash and cash equivalents as reported in the following Statement of Net Assets sections					
Current assets	\$ 92,136,986	\$ 25,598,624	\$ 106,771,254	\$ -	\$ 224,506,864
Current restricted assets	4,613,759	10,932,391	-	1,408,402	16,954,552
Noncurrent restricted assets	32,356,615	38,802,420	-	4,239,553	75,398,588
Total cash and cash equivalents	<u>\$ 129,107,360</u>	<u>\$ 75,333,435</u>	<u>\$ 106,771,254</u>	<u>\$ 5,647,955</u>	<u>\$ 316,860,004</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ (170,950,699)	\$ 26,360,006	\$ 68,706,059	\$ (363,346)	\$ (76,247,980)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	27,222,497	52,092,849	3,314,133	280,959	82,910,438
Provision for bad debts	-	73,010,218	30,529,862	-	103,540,080
Rental income, net	-	-	4,816,875	-	4,816,875
Other	-	-	32,189	-	32,189
Interest income	-	-	-	(2,090,946)	(2,090,946)
Interest expense	-	-	-	2,173,333	2,173,333
Loss on sale of equipment	-	340,522	-	-	340,522
Changes in assets and liabilities					
Receivables	12,794,249	(64,103,586)	(31,608,066)	-	(82,917,403)
Student loans receivable	169,146	-	-	-	169,146
Due from other funds	5,736,183	-	5,394,765	-	11,130,948
Due from component unit	140,753	(9,886)	(32,338)	-	98,529
Inventories	-	2,411,263	-	-	2,411,263
Prepaid items	(231,938)	5,608,942	631,356	-	6,008,360
Other assets	-	(10,683,388)	(2,301)	-	(10,685,689)
Payables and accrued liabilities	(1,127,449)	25,302,742	529,210	-	24,704,503
Accrued compensated absences	795,014	-	391,655	-	1,186,669
Deferred revenues	1,832,820	-	-	-	1,832,820
Due to other funds	(3,052,289)	(8,078,659)	-	-	(11,130,948)
Federal loan program liability	55,941	-	-	-	55,941
Other liabilities	3,942,762	-	-	-	3,942,762
Net cash provided (used) by operating activities	<u>\$ (122,673,010)</u>	<u>\$ 102,251,023</u>	<u>\$ 82,703,399</u>	<u>\$ -</u>	<u>\$ 62,281,412</u>
<b>Noncash transactions</b>					
Buildings and equipment acquired via capital leases	\$ 47,878,976	\$ -	\$ -	\$ -	\$ 47,878,976
Donated equipment	1,106,555	-	-	-	1,106,555
Increase (decrease) in fair market value of investments	-	842,174	(6,944,714)	-	(6,102,540)
Total noncash transactions	<u>\$ 48,985,531</u>	<u>\$ 842,174</u>	<u>\$ (6,944,714)</u>	<u>\$ -</u>	<u>\$ 42,882,991</u>

The accompanying notes are an integral part of this financial statement.

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MEDICAL UNIVERSITY OF SOUTH CAROLINA

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*STATEMENT OF FINANCIAL POSITION*  
*MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION*  
Nongovernmental Discretely Presented Component Unit  
June 30, 2009

**ASSETS**

Cash and cash equivalents	\$ 7,509,158
Receivables:	
Accounts and other receivables	55,949
Contributions receivable, net	15,326,391
Investments	186,749,356
Funds held in trust by the Foundation	2,904,057
Funds held in trust by others	1,984,733
Income producing property	83,688,746
Property and equipment, net	486,002
Other assets	15,663
Total assets	<u>\$ 298,720,055</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable and accrued expenses	\$ 3,299,548
Annuities payable	3,714,218
Note payable to primary government	36,859,609
Long-term debt	53,376,587
Unearned income	11,685,938
Contributions payable to primary government	17,852,400
Total liabilities	<u>126,788,300</u>
Net Assets:	
Unrestricted:	
Undesignated:	19,701,737
Designated for primary government programs	13,113,629
Total unrestricted	<u>32,815,366</u>
Temporarily restricted	54,794,519
Permanently restricted	84,321,870
Total net assets	<u>171,931,755</u>
Total liabilities and net assets	<u>\$ 298,720,055</u>

*The accompanying notes are an integral part of this financial statement.*

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
**MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION**  
Nongovernmental Discretely Presented Component Unit  
For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, gains, and other support</b>				
Contributions	\$ 1,741,705	\$ 20,568,145	\$ 6,590,237	\$ 28,900,087
Interest and dividends	1,231,826	2,722,890	-	3,954,716
Net unrealized and realized gain (loss)	407,045	(35,816,746)	-	(35,409,701)
Special events revenue	4,744	417,177	-	421,921
Rental income	5,966,994	-	32,851	5,999,845
Other income	55,571	2,293,394	2,490,351	4,839,316
	9,407,885	(9,815,140)	9,113,439	8,706,184
Net assets released from restrictions:				
Program restrictions satisfied	25,877,671	(25,877,671)	-	-
Total revenues, gains, and other support	35,285,556	(35,692,811)	9,113,439	8,706,184
<b>Expenses and losses</b>				
Program expenses	25,596,993	-	-	25,596,993
Supporting services				
General and administrative	1,623,714	-	-	1,623,714
Fundraising and promotion	1,785,816	-	-	1,785,816
Total expenses	29,006,523	-	-	29,006,523
Changes in net assets	6,279,033	(35,692,811)	9,113,439	(20,300,339)
Net assets at beginning of year	26,536,333	90,487,330	75,208,431	192,232,094
Net assets at end of year	\$ 32,815,366	\$ 54,794,519	\$ 84,321,870	\$ 171,931,755

*The accompanying notes are an integral part of this financial statement.*

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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*STATEMENT OF FINANCIAL POSITION*  
*MUSC FOUNDATION FOR RESEARCH DEVELOPMENT*  
Nongovernmental Discretely Presented Component Unit  
June 30, 2009

**ASSETS**

Cash and cash equivalents	\$	33,031
Interest receivable		3,358
Accounts receivable		257,485
Prepaid expense		29,290
Investments		267,515
Property and equipment (at cost less accumulated depreciation)		17,993
Total assets	\$	<u>608,672</u>

**LIABILITIES AND NET ASSETS**

Liabilities

Accounts payable	\$	100,382
Capital lease payable		4,314
Accrued expenses		38,155
Due to primary government		176,627
Unearned revenue and deposits		19,908
Total liabilities		<u>339,386</u>

Net Assets

Unrestricted		<u>269,286</u>
Total liabilities and net assets	\$	<u>608,672</u>

*The accompanying notes are an integral part of this financial statement.*

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
**MUSC FOUNDATION FOR RESEARCH DEVELOPMENT**  
Nongovernmental Discretely Presented Component Unit  
For the Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, gains, and other support</b>			
State grants and contracts	\$ 1,267,481	\$ -	\$ 1,267,481
Corporate contracts and awards	16,877	27,241	44,118
Program contributions	140,950	53,493	194,443
License fees and royalties	450,878	-	450,878
Interest and dividend income	14,298	-	14,298
Net unrealized and realized loss on investments	(585)	-	(585)
Registration and seminar fees	67,785	-	67,785
Miscellaneous income	11,845	-	11,845
Subtotal	1,969,529	80,734	2,050,263
Net assets released from restrictions			
Program restrictions satisfied	80,734	(80,734)	-
Total revenues, gains, and other support	2,050,263	-	2,050,263
<b>Expenses</b>			
Program services			
Research	20,452	-	20,452
Training	242,837	-	242,837
Public service	3,782	-	3,782
Technology transfer activity	940,438	-	940,438
Residuals	97,291	-	97,291
Total program expenses	1,304,800	-	1,304,800
Supporting services			
Management and general:			
Supporting operations	548,655	-	548,655
Total expenses	1,853,455	-	1,853,455
Changes in net assets	196,808	-	196,808
Net assets at beginning of year	72,478	-	72,478
Net assets at end of year	\$ 269,286	\$ -	\$ 269,286

*The accompanying notes are an integral part of this financial statement.*

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Medical University of South Carolina (the University), established in 1824, is a public institution of higher learning, the purpose of which is to preserve and optimize human life in South Carolina and beyond. The University provides an environment for learning and discovery through education of health care professionals and biomedical scientists, research in the health sciences, and provision of comprehensive health care.

The University is a part of the primary government of the State of South Carolina. The University and its blended component units are reported in the State's higher education fund and other enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally, all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoints board members and budgets a significant portion of the University's funds.

#### **Financial Statement Presentation**

The financial statements of the University have been prepared in accordance with U.S. generally accepted accounting principles, as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, and Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, where applicable.

#### **Reporting Entity**

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Based on the criteria provided by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the financial statements include the accounts of the University, as the primary government, and the accounts of the following entities as component units.

#### **Blended Component Units**

The University's blended component units, although legally separate from the University, are so intertwined with it that they are, in substance, the same as the primary entity. The Medical University Hospital Authority (the Authority), University Medical Associates (UMA), Medical University Facilities Corporation (MUFC), and CHS Development Company (CHS) are considered to be governmental entities that conduct business-type activities. Their balances and transactions are blended with those of the University and reported as if they were balances and transactions of the primary entity. The Authority and UMA are reported as major funds and MUFC and CHS are considered nonmajor funds.

#### **Major Funds**

The Medical University Hospital Authority (the Authority) was created on June 16, 2000, for the purpose of managing and operating the Medical University Hospitals and Clinics. The Authority is a component unit of the University as defined by the provisions of GASB Statement No. 14. The Authority's component unit relationship to the University arises principally from the Authority's financial accountability to the University. In particular, the legislation establishing the Authority as a stand-alone healthcare system requires that the members of the University's Board of Trustees also constitute the Board of Trustees of the Authority. As required by GASB Statement No. 14, the Authority's financial activity is blended with the University's activity. Copies of the separately issued financial statements of the Authority can be obtained by sending a request to the following address: Medical University Hospital Authority, Chief Financial Officer, P.O. Box 250332, Charleston, SC 29425.

The MUFC Central Energy Plant, LLC (CEP), a single member LLC disregarded for tax purposes, is a conduit debt issuer established for the benefit of the Authority. As such, CEP is fiscally dependent on the Authority and, as required by applicable GASB principles, is considered a blended component unit of the Authority. The financial activities of CEP are blended into the financial statements of the Authority. CEP does not issue separate financial statements.

University Medical Associates (UMA) was organized as a nonprofit corporation under the laws of South Carolina on June 3, 1991 and has received tax-exempt status recognition from the Internal Revenue Service. UMA was established by the Board of Trustees of the Medical University of South Carolina to benefit the programs and further the mission of the University. UMA bills, collects, and administers all clinical income generated by its participating physicians and provides the full-time professional clinical faculty of the University and other health professionals with group practice arrangements. UMA also operates as a multi-specialty group practice of medicine and related services in the furtherance of medicine, medical research, and education. UMA is considered a component unit



because the University is financially accountable for UMA, has appointment authority over a majority of the UMA board, and is able to affect UMA's operations. UMA is a blended component unit because it almost exclusively benefits the University even though UMA does not provide all of its services directly to the University. The bylaws of UMA provide for all of its assets to be transferred to the University upon its dissolution.

UMA has formed for-profit and nonprofit subsidiaries for the purpose of creating a primary care network by establishing satellite and affiliate offices and contracting with area physicians to provide primary care and other services. Carolina Family Care, Inc. (CFC) and Carolina Primary Care Physicians, P.A. (CPCP) are organized as for-profit corporations under South Carolina law, whereas Carolina Health Management Services (CHMS) is organized as a nonprofit public benefit corporation. Since these companies serve an essentially identical purpose, all financial activities of these companies are blended into the financial statements of UMA. Some of UMA's component units are income taxable under state and federal law. UMA's component units do not issue separate financial statements.

UMA is financially accountable for its component units because UMA is able to impose its will on the organizations, there is a potential for the organizations to provide specific financial benefits to or impose specific financial burdens on UMA, and there is a fiscal dependency by the organizations on UMA. As required by U.S. generally accepted accounting principles, the University's financial statements include UMA and its component units. Copies of the separately issued financial statements of UMA can be obtained by sending a request to the following address: University Medical Associates, 1180 Sam Rittenberg Blvd., Suite 355, Charleston, SC 29407.

### **Nonmajor Funds**

Medical University Facilities Corporation (MUFC) is a nonprofit corporation established in 1992 to obtain the financing for the University to purchase land, an office building, and a parking garage. A majority of the members of the Board of Directors of MUFC are employees of the University or members of the University's Board of Trustees. The agreement between the University and MUFC requires the University to pay all costs incurred by MUFC. MUFC is considered to be a component unit because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. MUFC is a blended component unit since its only purpose is to provide financing services to the University. MUFC does not issue separate financial statements.

CHS Development Company (CHS) is a nonprofit corporation organized under the laws of South Carolina on August 27, 2002 to develop and lease property for the University. The development of the property furthers the public educational goals of the University by providing necessary classroom, office, and parking space. CHS is considered to be a component unit because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. CHS is a blended component unit since its only purpose is to provide financing services to the University. CHS does not issue separate financial statements.

### **Discretely Presented Component Units**

Based on the criteria in GASB Statement No. 39, the University reports the Medical University of South Carolina Foundation (MUSCF) and the MUSC Foundation for Research Development (MFRD) as discretely presented component units in its financial statements.

The Medical University of South Carolina Foundation (MUSCF) was incorporated in July 1966 under the laws of South Carolina as an educational, charitable, eleemosynary foundation to promote educational, research, clinical and other facilities and programs of the University. In 2005, MUSCF expanded its purpose by amending its bylaws to promote the same types of programs through the Authority. MUSCF acts primarily as a fund-raising organization to supplement the resources that are available to the University and the Authority in support of its programs. Although the University does not control the timing or amount of receipts from MUSCF, the majority of resources or income thereon that MUSCF holds and invests is restricted by the donors for support of the activities of the University.

The MUSCF reporting entity includes the Parking Garage Associates, LLC, (PGA), 135 Cannon Street, LLC, and 55 Bee Street, LLC, all of which are single member limited liability companies and wholly-owned subsidiaries of MUSCF. PGA owns and leases a parking garage to the University. 135 Cannon Street, LLC owns and leases an office building and parking lot to the University. 55 Bee Street, LLC owns and leases an office building to the University.

Because the restricted resources held by MUSCF can only be used by, or for the benefit of the University or the Authority, and because if MUSCF is dissolved, its assets shall be transferred to the University, MUSCF is considered a component unit of the University and is discretely presented in the University's financial statements. Copies of the separately issued financial statements of the MUSCF can be obtained by sending a request to the following address: MUSC Foundation, 18 Bee Street, P.O. Box 250450, Charleston, SC 29425-4500.

MUSC Foundation for Research Development (MFRD) was incorporated in March 1995 as a direct support organization for the University. The mission of MFRD is to support the educational, research, and health care mission of the University by fostering creativity and innovation. Additionally, MFRD is charged with providing the mechanisms by which the University's scientific discoveries, inventions and processes may be developed, applied, or patented, and the means by which funds generated by such discoveries or patents can be used to stimulate and promote further investigation and research at the University.

Based on its close relationship with the University, MFRD is deemed to be financially integrated with the University; therefore, MFRD is reported as a discretely presented component unit of the University. Copies of the separately issued financial statements of MFRD can be obtained by sending a request to the following address: MUSC Foundation for Research Development, MSC 828, 19 Hagood Avenue, Suite 909, Charleston, SC 29425.

### ***Basis of Accounting***

For financial reporting purposes, the University, along with its governmental component units, is considered a special purpose government engaged only in business-type activities. Accordingly, the financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Student tuition is presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to recipients are presented as scholarship and fellowship expenses. All significant intrafund transactions and balances have been eliminated.

The University and its governmental component units apply all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, have elected to apply only those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 which do not conflict with GASB standards.

The Medical University of South Carolina Foundation and MUSC Foundation for Research Development are private nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications for these differences have been made to the financial information for MUSCF and MFRD in the University's financial reporting entity.

### ***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the University and its governmental component units generally consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. However, guaranteed investment contracts held by the nonmajor funds are classified as short-term investments. Funds invested through the State's internal cash management pool administered by the State Treasurer's Office are considered cash equivalents because the pool operates as a demand deposit account.

### ***Investments and Investment Income***

Investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investment income or loss from investment (including realized and unrealized gains and losses on investments and interest) is reported as nonoperating revenue.

### ***Receivables***

The University's receivables consist primarily of tuition and fee charges to students and amounts due from government and private sources in connection with reimbursement of allowable expenses under grants and contracts.

Pursuant to an amendment to the South Carolina Medicaid Plan, approved by the US Department of Health and Human Services on September 20, 2002 to be effective retroactive to October 1, 2001, the University receives certain supplemental Medicaid payments for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. As of June 30, 2009, the University has recorded a receivable from Medicaid of \$11,001,753.

The Authority and UMA grant credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements.

Bad debt and contractual allowances for loans receivable and various accounts receivable, including patient accounts receivable, for the University, the Authority, and UMA are established based upon losses and adjustments experienced in prior years and evaluations of the current account portfolios.

### ***Inventories***

The Authority values supply inventories at the lower of cost, using the first-in first-out method, or replacement value.

### ***Prepaid Items***

Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, prepaid items consist primarily of insurance premiums, subscriptions, maintenance contracts, and deposits on equipment not yet received. The Authority's prepaid items consist primarily of insurance premiums, health insurance premiums, equipment maintenance contracts, and deposits on equipment not yet received. UMA's prepaid items consist of prepaid rent.

### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition or, if received as a gift, at fair market value at the date of donation. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years, and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. The University and the Authority capitalize, as a component of construction in progress, interest cost in excess of earnings on debt associated with the capital projects. Interest amounts capitalized in fiscal year 2009 were approximately \$1.9 million for the University and approximately \$910,000 for the Authority. Financing costs and a deferred accounting loss on refunding are amortized by the Authority over the terms of the related indebtedness using the interest method. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 50 years for buildings, building services, and land improvements, and 3 to 20 years for machinery, equipment, vehicles, and software.

### **Compensated Absences**

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability is recorded as accrued compensated absences in the statement of net assets (see notes 10 and 11) and the related expense is a component of compensation and employee benefits expense in the statement of revenues, expenses, and changes in net assets.

### **Deferred Revenues**

Deferred revenues include net tuition and fees received prior to the end of the fiscal year which relate to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

### **Net Assets**

The net assets of the University and the governmental component units are classified as follows:

*Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt incurred to acquire or construct the assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Restricted net assets – nonexpendable* - Nonexpendable restricted net assets consist of endowment funds which donors or other outside sources have stipulated, as a condition of the gift instrument, must be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net assets – expendable* - Restricted expendable net assets include resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

*Unrestricted net assets* - Unrestricted net assets represent resources that are not subject to externally imposed restrictions and may be used to meet current expenses for any purpose. These resources also include those of auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred for a purpose for which both restricted and unrestricted resources are available, the University policy is to first apply the restricted resources then the unrestricted resources.

### **Classification of Revenues and Expenses**

The University and the governmental component units have classified revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues of the University include: (1) tuition and fees received in exchange for providing educational services to students; (2) grants and contracts that are essentially the same as contracts for services and that finance programs the University would not otherwise undertake; and (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University. Operating expenses primarily consist of payments of compensation and employee benefits and purchases of services and supplies.

For purposes of presentation, transactions deemed by the Authority to be ongoing, major or central to the provision of health care services are reported as operating revenues and operating expenses. Peripheral or incidental transactions are reported as nonoperating revenues and expenses. The principal operating revenues of both the Authority and UMA are patient services revenues.

MUFC and CHS report interest income and interest expense as operating revenue and expense because investing and financing constitute their principal ongoing operations.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts, contributions and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes, State appropriations, investment income (except for MUFC and CHS), and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34. The principal nonoperating expenses are interest (except for MUFC and CHS), refunds to grantors, transfers to other State funds and gifts made.

### ***Scholarship Allowances***

Student tuition and fee revenues are recorded net of scholarship allowances in the statement of revenues, expenses, and changes in net assets. A scholarship allowance is defined as the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student and/or third parties making payments on behalf of the student.

### ***Net Patient Service Revenue***

The Authority and UMA have agreements with third party payors including Medicare and Medicaid that provide for reimbursement at amounts different from established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. UMA is reimbursed by its major insurers (Medicare, Medicaid, and Blue Cross/Blue Shield) based upon a fee schedule it has developed for physician services. These insurers audit UMA's claims at various times during the year.

### ***Sales and Services of Educational and Other Activities***

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from seminar fees, clinic services, pharmacy sales, and sales of other services. This category includes supplemental Medicaid payments received as reimbursement to providers associated with teaching hospitals and clinics.

### ***Interfund Transfers and Balances***

Transfers of funds between blended component units are accounted for as Interfund Transfers. The principal purpose of Interfund Transfers is to support the academic department activities of the University.

Transfers of funds to entities external to the Primary Government are presented as Transfers to Other State Funds.

Amounts owed to (by) the Primary Government by (to) discretely presented component units are presented as Due From (To) Component Unit(s). Activities between blended component units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are presented as Interfund Receivables and Interfund Payables. All other outstanding balances between blended component units, which are primarily related to services provided or used, are presented as Due to/from Other Funds.

### ***Charity Care***

The Authority and UMA provide care to patients who meet certain criteria under charity care policies without charge or at amounts less than established rates. Since management does not expect payment for charity care, the estimated charges are excluded from revenue.

### ***Income Taxes***

The University and the Authority, as political subdivisions of the State of South Carolina, are exempt from federal income taxes. The income of the University is exempt under Section 115(1) of the Internal Revenue Code, as amended. The Authority is also recognized as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income tax under Section 501(a) of the Internal Revenue Code.

UMA, MUFC, CHS, MUSCF, and MFRD are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income under Code Section 501(a). However, UMA does have two for-profit subsidiaries which are subject to federal income tax.

### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates. In particular, laws and regulations governing the

Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

### **New Accounting Pronouncements**

In June 2007, the Government Accounting Standards Board (GASB) issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. GASB Statement No. 51 requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, GASB Statement No. 51 establishes a specified-conditions approach to recognizing intangible assets that are internally generated. The requirements of GASB Statement No. 51 are effective for the University's fiscal year 2010 financial statements. Management does not anticipate that the adoption of GASB Statement No. 51 will have a significant impact on the financial statements of the University.

In June 2008, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in GASB Statement No. 53 requires that derivative instruments covered in its scope are reported at fair value. The changes in fair value of derivative instruments that are used for investment purposes or that are reported as investment derivative instruments because of ineffectiveness are reported within the investment revenue classification. Alternatively, the changes in fair value of derivative instruments that are classified as hedging derivative instruments are reported in the statement of net assets as deferrals. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item. In these instances, hedge accounting should be applied. Under hedge accounting, the changes in fair values of the hedging derivative instrument are reported as either deferred inflows or deferred outflows in a government's statement of net assets. The requirements of GASB Statement No. 53 are effective for the University's fiscal year 2010 financial statements. Management does not anticipate that the adoption of GASB Statement No. 53 will have a significant impact on the financial statements of the University.

In February 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of GASB Statement No. 54 are effective for the University's fiscal year 2011 financial statements. Management does not anticipate that the adoption of GASB Statement No. 54 will have a significant impact on the financial statements of the University.

In March 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB Statement No. 55 is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The requirements of GASB Statement No. 55 are effective for the University's fiscal year 2009 financial statements and, its adoption did not have a significant impact on the financial statements of the University.

In March 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of GASB Statement No. 56 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. The requirements of GASB Statement No. 56 are effective for the University's fiscal year 2009 financial statements and, its adoption did not have a significant impact on the financial statements of the University.



## 2. DEPOSITS AND INVESTMENTS

The following schedule reconciles deposits and investments within the notes to the Statement of Net Assets amounts:

	The University	The Authority	UMA	---- Nonmajor Enterprise Funds ---- MUFC	CHS
Statement of Net Assets:					
Current assets					
Cash and cash equivalents	\$ 92,136,986	\$ 25,598,624	\$ 106,771,254	\$ -	\$ -
Investments	-	-	5,005,300	-	-
Restricted assets					
Cash and cash equivalents	4,613,759	10,932,391	-	1,397,756	10,646
Investments	-	-	-	316,168	628,643
Noncurrent assets					
Investments	-	-	13,167,900	-	-
Restricted assets					
Cash and cash equivalents	32,356,615	38,802,420	-	-	4,239,553
Investments	-	41,731,949	-	213,000	-
Total Statement of Net Assets	<u>\$ 129,107,360</u>	<u>\$ 117,065,384</u>	<u>\$ 124,944,454</u>	<u>\$ 1,926,924</u>	<u>\$ 4,878,842</u>
Disclosure, Deposits and Investments plus reconciling items:					
Carrying value of deposits					
Held by State Treasurer	\$ 129,056,355	\$ -	\$ -	\$ -	\$ -
Other	-	25,598,624	30,775,538	1,397,756	4,250,199
Investments, reported amount					
Unrestricted	-	-	94,132,594	-	-
Restricted	-	91,466,760	-	529,168	628,643
Cash on hand	51,005	-	36,322	-	-
Total Notes plus reconciling items	<u>\$ 129,107,360</u>	<u>\$ 117,065,384</u>	<u>\$ 124,944,454</u>	<u>\$ 1,926,924</u>	<u>\$ 4,878,842</u>

### Deposits Held by State Treasurer

All deposits of the University are under the control of the South Carolina State Treasurer, who by law, has sole authority for investing State funds. Information pertaining to the reported amounts, fair values, and various risks of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

### Other Deposits

The Authority's bank balances at June 30, 2009 follow:

Insured (FDIC / SIPC)	\$ 750,830
Uninsured, uncollateralized, or collateralized by securities held by the pledging institution or by its trust department or agent in other than the Authority's name	31,124,584
Total	<u>\$ 31,875,414</u>
Carrying amount (cash and cash equivalents)	<u>\$ 25,598,624</u>

UMA and its blended component units maintain their cash accounts in a commercial bank. Accounts are guaranteed by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 for both demand and time deposits per depositor. At June 30, 2009, the carrying amount of unrestricted deposits was \$30,775,538. Bank balances before reconciling items were \$34,653,626. Of these unrestricted bank balances, \$1,149,823 was insured by the FDIC, and the remainder was uninsured and uncollateralized.

On October 3, 2008, FDIC deposit insurance was temporarily increased from \$100,000 to \$250,000 per depositor. This temporary increase expires December 31, 2013.

## **Investments**

As of June 30, 2009, the investment balances were as follows:

<u>Investment</u>	<u>Carrying Value</u>	<u>Percentages</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Credit Rating</u>
<b>Medical University Hospital Authority</b>					
Cash	\$ 108,185	0.1%	N/A	N/A	N/A
US Treasury Note	6,698,883	7.3%	2/15/2011	5.00%	AAA
US Treasury Tri-party Repurchase Agreement	35,033,066	38.3%	N/A	N/A	N/A
Commercial Paper	33,120,187	36.2%	8/17/2009	N/A	A1
Money Market Funds	16,506,439	18.1%	N/A	N/A	AAA
Total Hospital Authority investments	<u>\$ 91,466,760</u>	<u>100.0%</u>			
<b>University Medical Associates, unrestricted</b>					
Certificate of deposit	\$ 200,000		6/11/2010	2.050%	N/A
US Treasury Notes	1,691,565		2/15/2010	6.500%	AAA/Aaa
Federal National Mortgage Association Preassigned Issues	872,021		6/15/2010	7.125%	AAA/Aaa
Auction rate debt securities - Merrill Lynch Bonds	6,147,900		12/1/2026	1.990%	A1/A-
Auction rate debt securities - J. P. Morgan	3,660,000		2/2/2087	2.092%	A/Aa3
Auction rate debt securities - J. P. Morgan	3,360,000		5/15/2077	1.259%	A/Aa3
<b>Money Market Funds:</b>					
Aim Stit-Liquid Assets	8,330,965		average 53 days	0.490%	AAA
Dreyfus Fund #100	16,267,652		average 30 days	0.226%	AAA
Fidelity Fund #692	16,272,263		average 56 days	0.378%	AAA
Federated Fund #854	16,280,428		average 38 days	0.211%	AAA
Wells Fargo Fund #946	16,269,467		average 37 days	0.340%	AAA
SSGA Institutional Liquid Reserves	2,538,619		average 47 days	0.100%	AAA
<b>Mutual Funds:</b>					
Fixed Income Funds	1,567,371		average 2.65 years	4.60%	AA
Equity Funds	674,343		N/A	0.30%	N/A
Total UMA investments, unrestricted	<u>94,132,594</u>				
<b>Nonmajor Enterprise Funds</b>					
<b>Medical University Facilities Corporation</b>					
Berkshire Hathaway Investment	\$ 316,168		open-ended	5.78%	NA
Berkshire Hathaway Investment	213,000		open-ended	6.20%	NA
Total MUFC investments	<u>\$ 529,168</u>				
<b>CHS Development Company</b>					
Federal National Mortgage Association Discount Notes	\$ 314,790		10/01/2009 - 12/10/2009	4.45%	AAA
Federal Home Loan Mortgage Corporation Discount Note	103,958		9/24/2009	4.43%	AAA
Federal Home Loan Bank Discount Notes	209,895		07/29/2009 - 11/18/2009	4.44% - 4.58%	AAA
Total CHS investments	<u>\$ 628,643</u>				

## **Custodial Credit Risk**

Custodial credit risk is the risk that the investor will not be able to recover the value of its investments that are in the possession of its safekeeping custodian. To minimize this risk, the Authority requires investments to be appropriately collateralized, insured or issued by investment grade financial institutions.

UMA's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. All investments are held in UMA's name by a safekeeping agent that is independent of all counterparties. UMA does not have a policy related to insurance or collateralization of deposits.

## **Credit Risk**

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations.

The Authority's investment strategy has been developed to ensure that the investment portfolio remains in compliance with the investments deemed permissible under its debt indenture agreements. The investment agreements, including guaranteed investment contracts, commercial paper, repurchase agreements and other securities are subject to credit rating minimums, acceptance by related insurers, and other provisions as described in the debt indenture agreements.

The investment policies adopted by the UMA board of directors allow investment in money market and mutual funds, US Treasury obligations, certificates of deposit and bankers acceptances of U.S. or foreign banks rated A1 or higher, repurchase agreements 100% collateralized by U.S. Treasury obligations, commercial paper rated A2 or higher, AAA rated money market auction rate securities, domestic equity and fixed rate debt securities (including those of state and local governments), and corporate obligations rated A+ or higher.

CHS Development Company has no investment policy that limits its investment choices other than the limitations imposed by the Indenture of Trust related to the SC Jobs-Economic Development Authority Economic Development Revenue Bonds which limits investments to "Investment Obligations" meeting certain requirements as defined in the indenture.

### Concentration of Credit Risk

An increased risk of loss occurs as more investments are acquired from one issuer.

Except for restrictions imposed by its debt indenture agreements, the Authority places no limit on the amount that may be invested in any one issuer. As of June 30, 2009, more than 5% of the Authority's investments are held in Autobahn Funding Co., LLC commercial paper and in money market funds managed by Fidelity Investments.

UMA's investment policy limits investment in any one equity issuer to five percent and investment in a particular market segment to 20% of the total portfolio balance. Limits on fixed income investments are no more than 10% of the total portfolio in any one issuer other than federal obligations and maintenance of an average quality rating of A or better with a minimum quality rating of BBB for individual issues. Both of these limits may be exceeded with the approval of the UMA Executive Committee. UMA has investments in the following securities that comprise more than 10% of its total unrestricted portfolio: money market funds with Dreyfus, Fidelity, Federated, and Wells Fargo (17.3%, each).

CHS places no limit on the amount it may invest in any one issuer.

### Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value.

UMA, in accordance with its investment policy, manages its exposure to declines in fair value by limiting the maturities of investments to no longer than 48 months for any individual security and no longer than 12 months average for the entire portfolio. The policy also limits the ratio of equities to fixed income securities to no greater than 70% to 30%, respectively.

CHS has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Investments in Partnerships

UMA accounts for investments in partnerships either by the cost or equity method. If UMA is a 20 percent or more owner and is able to exercise significant influence over the partnership, then UMA records the investment under the equity method, whereby UMA's percentage of the net profit or loss increases or decreases the carrying value of the investment and this gain or loss is reported in the Statement of Revenues, Expenses and Changes in Net Assets. If UMA owns less than 20 percent or does not possess the ability to exercise control over operations, then the investment is recorded at cost.

On May 8, 1998, Carolina Primary Care Physicians, P.A. (CPCP), a blended component unit of UMA, entered into a partnership with several physicians and medical practices by purchasing a 35 percent interest in Lowcountry Medical Group of Beaufort County, LLC (LCMG). During the fiscal year ended June 30, 2000, the members of LCMG invested in Lowcountry Real Property, LLC (LCRP), which reflected the same proportionate ownership as LCMG and holds title to all real estate occupied by LCMG. The operating agreements of LCMG and LCRP state that all powers to control normal operations are exercised exclusively by the managers except for veto authority over certain transactions affecting the acquisition and disposition of significant assets or changes to the members of each partnership. CPCP is prohibited from serving as a manager, but no other party has a controlling interest. These two joint ventures are accounted for using the equity method.

On February 10, 2004, University Medical Associates entered into a partnership agreement to be effective August 5, 2003, with Georgetown Hospital System to form Georgetown Radiation Therapy Center, LLC (GRTC) to provide radiation therapy for patients of Georgetown County, South Carolina. UMA received a one percent equity interest for a contribution of \$1,000. UMA will receive an additional one percent equity for each \$100,000 of cumulative net income the entity produces up to a maximum of ten percent equity for the use of its intellectual property pursuant to a licensing agreement. UMA appointed its CEO as its one representative to the three-member Executive Committee, which makes all management decisions regarding the operations of the entity. This investment is reported on the cost method with all distributions reported as investment income. On October 1, 2008, UMA received an additional four percent interest in GRTC as a result of accumulated earnings during the year, bringing the cumulative total to ten percent.

	LCMG	LCRP	GRTC	Total
UMA's carrying value at June 30, 2008	\$ 2,040,407	\$ 504,528	\$ 1,000	\$ 2,545,935
UMA's share of partnership income (loss) for fiscal year 2009	(100,451)	20,553	-	(79,898)
Partnership distributions to UMA in fiscal year 2009	(117,533)	(35,000)	-	(152,533)
UMA's carrying value at June 30, 2009	<u>\$ 1,822,423</u>	<u>\$ 490,081</u>	<u>\$ 1,000</u>	<u>\$ 2,313,504</u>



### 3. RECEIVABLES

Receivables at June 30, 2009, including applicable allowances, were as follows:

	The University	The Authority	UMA	Nonmajor Enterprise Fund MUFC
Student accounts	\$ 233,340	\$ -	\$ -	\$ -
Patient accounts	-	196,394,753	120,478,606	-
Less allowances for:				
Contractual adjustments	-	-	(65,659,630)	-
Uncollectibles	-	(54,700,000)	(22,956,236)	-
Third party payors	-	8,966,000	-	-
Federal grants and contracts	12,750,752	-	-	-
State grants and contracts	117,071	-	-	-
Nongovernmental grants and contracts	5,050,732	-	-	-
Interest	764,866	-	-	7,536
Medicaid supplemental reimbursement	11,001,753	-	-	-
Medicaid Disproportionate Share Hospital program	-	14,805,626	-	-
State capital appropriation	5,433,511	-	-	-
Other	2,816,335	-	1,081,282	-
Receivables, net	<u>\$ 38,168,360</u>	<u>\$ 165,466,379</u>	<u>\$ 32,944,022</u>	<u>\$ 7,536</u>

### 4. RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2009 were as follows:

Asset/Restricted for	The University	The Authority	UMA	-- Nonmajor Enterprise Funds -- MUFC	CHS
<b>Current:</b>					
Cash and cash equivalents:					
Debt service	\$ 2,629,701	\$ -	\$ -	\$ 1,397,756	\$ 10,646
Research & education	1,984,058	-	-	-	-
Capital projects	-	10,932,391	-	-	-
Total cash and cash equivalents	<u>\$ 4,613,759</u>	<u>\$ 10,932,391</u>	<u>\$ -</u>	<u>\$ 1,397,756</u>	<u>\$ 10,646</u>
Investments:					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,168</u>	<u>\$ 628,643</u>
Interfund receivables:					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,905,877</u>	<u>\$ 968,105</u>
Student loans receivable:					
Student loan programs	<u>\$ 920,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Noncurrent:</b>					
Cash and cash equivalents:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 4,239,553
Capital projects	28,714,357	\$ 38,802,420	-	-	-
Student loan programs	2,378,427	-	-	-	-
Endowments	1,263,831	-	-	-	-
Total cash and cash equivalents	<u>\$ 32,356,615</u>	<u>\$ 38,802,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,239,553</u>
Investments					
Debt service	\$ -	\$ 41,731,949	\$ -	\$ 213,000	\$ -
Capital projects	-	-	-	-	-
Total investments	<u>\$ -</u>	<u>\$ 41,731,949</u>	<u>\$ -</u>	<u>\$ 213,000</u>	<u>\$ -</u>
Due from component units					
Endowments	<u>\$ 36,859,609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interfund receivables:					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,734,296</u>	<u>\$ 20,311,248</u>
Student loans receivable:					
Student loan programs	<u>\$ 12,792,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b><u>The University</u></b>				
Capital assets not being depreciated				
Land	\$ 11,646,316	\$ -	\$ -	\$ 11,646,316
Construction in progress	99,058,168	49,781,334	(62,960,746)	85,878,756
Total capital assets not being depreciated	110,704,484	49,781,334	(62,960,746)	97,525,072
Other capital assets				
Depreciable land improvements	6,754,501	1,018,520	-	7,773,021
Buildings and improvements	411,959,960	109,907,951	-	521,867,911
Machinery and equipment	129,503,583	7,145,979	(3,770,131)	132,879,431
Vehicles	4,491,581	278,004	(121,498)	4,648,087
Total other capital assets at historical cost	552,709,625	118,350,454	(3,891,629)	667,168,450
Less accumulated depreciation for				
Depreciable land improvements	(4,906,451)	(215,567)	-	(5,122,018)
Buildings and improvements	(161,256,159)	(16,763,824)	-	(178,019,983)
Machinery and equipment	(54,017,368)	(9,997,616)	3,032,441	(60,982,543)
Vehicles	(3,799,345)	(245,490)	121,498	(3,923,337)
Total accumulated depreciation	(223,979,323)	(27,222,497)	3,153,939	(248,047,881)
Other capital assets, net	328,730,302	91,127,957	(737,690)	419,120,569
University capital assets, net	439,434,786	140,909,291	(63,698,436)	516,645,641
<b><u>Medical University Hospital Authority</u></b>				
Capital assets not being depreciated				
Land and land improvements	6,092,725	-	-	6,092,725
Construction in progress	32,682,260	21,701,700	(43,255,432)	11,128,528
Total capital assets not being depreciated	38,774,985	21,701,700	(43,255,432)	17,221,253
Other capital assets				
Buildings and improvements	557,790,218	34,884,979	(2,333,473)	590,341,724
Machinery and equipment	245,414,068	14,927,023	(5,914,151)	254,426,940
Vehicles	2,322,237	221,869	(49,227)	2,494,879
Total other capital assets at historical cost	805,526,523	50,033,871	(8,296,851)	847,263,543
Less accumulated depreciation for				
Buildings and improvements	(144,166,974)	(26,129,831)	2,035,236	(168,261,569)
Machinery and equipment	(111,809,396)	(25,826,976)	5,664,518	(131,971,854)
Vehicles	(2,008,450)	(136,042)	46,790	(2,097,702)
Total accumulated depreciation	(257,984,820)	(52,092,849)	7,746,544	(302,331,125)
Other capital assets, net	547,541,703	(2,058,978)	(550,307)	544,932,418
Authority capital assets, net	586,316,688	19,642,722	(43,805,739)	562,153,671
<b><u>University Medical Associates</u></b>				
Capital assets not being depreciated				
Land	-	3,184,798	-	3,184,798
Construction in progress	39,242	9,075	(39,242)	9,075
Total capital assets not being depreciated	39,242	3,193,873	(39,242)	3,193,873
Other capital assets				
Buildings and improvements	62,372,603	655,045	(24,588)	63,003,060
Machinery and equipment	12,529,635	1,000,404	(864,752)	12,665,287
Intangible assets	3,310,743	108,998	(750,000)	2,669,741
Total other capital assets at historical cost	78,212,981	1,764,447	(1,639,340)	78,338,088
Less accumulated depreciation for				
Buildings and improvements	(21,225,876)	(2,969,085)	24,588	(24,170,373)
Machinery and equipment	(9,348,292)	(1,082,309)	859,834	(9,570,767)
Intangible assets	(2,910,375)	(111,665)	527,083	(2,494,957)
Total accumulated depreciation	(33,484,543)	(4,163,059)	1,411,505	(36,236,097)
Other capital assets, net	44,728,438	(2,398,612)	(227,835)	42,101,991
UMA capital assets, net	44,767,680	795,261	(267,077)	45,295,864
Grand Total	\$ 1,070,519,154	\$ 161,347,274	\$ (107,771,252)	\$ 1,124,095,176

## 6. PENSION PLANS

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina, 29223. The Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

### ***South Carolina Retirement System***

The majority of employees of the University and the Authority are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally, all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

The employee contribution rates for fiscal years ending June 30, 2009, 2008 and 2007 were 6.50 percent in each year. Including a surcharge to fund retiree health and dental insurance coverage, the employer contribution rates for fiscal years ending June 30, 2009, 2008, and 2007 were 12.74 percent, 12.48 percent, and 11.40 percent, respectively. The University's actual contributions to the SCRS for the fiscal years ending June 30, 2009, 2008, and 2007, were approximately \$10,027,000, \$9,721,000, and \$8,217,000, respectively, and equaled the required contributions (excluding the surcharge) of 9.24 percent for fiscal year 2009, 9.06 percent for fiscal year 2008, and 8.05 percent for fiscal year 2007. The surcharge equaled 3.50 percent for fiscal year 2009, 3.42 percent for fiscal year 2008, and 3.35 percent for fiscal year 2007.

The Authority's contributions to SCRS for the years ending June 30, 2009, 2008, and 2007 were approximately \$29,300,000, \$27,300,000, and \$22,300,000, respectively, which equaled the required contributions for each year.

The University paid employer group-life insurance contributions of approximately \$163,000 in the fiscal year 2009 at the rate of 0.15 percent of compensation.

### ***Police Officers Retirement System***

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firefighters killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. The employer contribution rates for fiscal years ending June 30, 2009, 2008, and 2007 were 14.15 percent, 13.72 percent, and 13.65 percent, respectively. The University's actual contributions to the PORS for the fiscal years ending June 30, 2009, 2008 and 2007, were approximately \$288,000, \$252,000, and \$232,000, respectively, and equaled the required contributions (excluding the surcharge) of 10.65 percent for fiscal year 2009 and 10.30 percent for fiscal years 2008 and 2007. The surcharge equaled 3.50 percent for fiscal year 2009, 3.42 percent for fiscal year 2008, and 3.35 percent for fiscal year 2007.

Also, the University paid employer group-life insurance contributions of \$5,415 and accidental death insurance contributions of \$5,415 in fiscal year 2009 for PORS participants. The rate for each of these insurance benefits is 0.20 percent of compensation.

### ***Optional Retirement Program***

Employees eligible to participate in the SCRS may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is available to all employees of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. Employees must select ORP participation within thirty days of employment or becoming retirement benefits eligible. Employees may irrevocably change to the SCRS traditional plan during the designated open enrollment period (January 1 -

March 1) if they hold between one and five years of State ORP service. Under State law, contributions to the ORP are required at the same rates as for the SCRS.

Some of the University's employees have elected to be covered under the ORP. For fiscal year 2009, total contribution requirements to the ORP were approximately \$9,757,000 (excluding the surcharge) from the University as employer and \$6,864,000 from its employees as plan members. In addition, the University paid employer group-life insurance contributions of approximately \$158,000 in the fiscal year 2009. Employee contributions of 6.5 percent and 5 percent of the employer contribution were remitted directly to the respective annuity policy providers. The balance of the employer portion was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefits resides with the annuity policy providers.

### ***Teacher and Employee Retention Incentive***

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows active members of the South Carolina Retirement System who are eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for a program period of up to five years. The length of the program period must be specified by the employee prior to retirement. At retirement, participants may receive service credit for up to 90 days of unused sick leave. Participants who entered the program prior to June 30, 2005 are entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon retirement and again at the end of the program period for annual vacation leave earned during the program period. Participants entering the program after June 30, 2005 maintain their current annual leave balance and are entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon ending participation in the TERI program. The University recorded expenses of \$407,617 for lump-sum vacation leave payments to its employees retiring under TERI in fiscal year 2009.

### ***Component Unit Pension Plans***

Effective July 1, 2002, the Authority established and began sponsoring a profit sharing plan and trust titled the Special Healthcare Alternative Retirement Plan (SHARP). The SHARP is qualified under Section 401(a) of the Internal Revenue Code. Certain employees, as defined in the SHARP, are eligible to participate at the commencement of employment. Contributions by the Authority to the SHARP are discretionary and vest ratably over four years after two years of service. Contributions by the Authority in fiscal year 2009 totaled approximately \$293,000.

University Medical Associates provides a defined contribution pension plan covering all employees. The plan provides for contributions by UMA in such amounts as the Board of Directors may annually determine. The plan prohibits participant contributions except for rollovers from other qualified retirement plans. Current year contributions are based upon a three-tier percentage determined by the participant's compensation as follows: (a) eleven percent of compensation up to \$40,000, (b) fourteen percent of compensation from \$40,001 to \$80,000, and (c) twenty-five percent of compensation from \$80,001 to \$220,000. The maximum annual contribution per participant is \$45,000. Participants become fully vested in their accounts after five years of credited service. Contributions to this plan totaled \$20,902,666 in fiscal year 2009. Copies of the separately issued financial statements of the plan are available from the management of UMA.

UMA employees may also participate in an IRC Section 403(b) plan sponsored by UMA for which no employer contributions are made. The participants are fully vested in their contributions to the 403(b) plan at all times.

## **7. POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

The State of South Carolina provides certain health care, dental, and life insurance benefits to certain active State employees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The University recorded expense of \$17,049,047 for the year ended June 30, 2009 for these insurance benefits for active employees.

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the Retiree Medical Plan (RMP) administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit, along with other eligibility requirements, such as age 60 and employment in a full-time benefits eligible position for at least five (5) consecutive years prior to retirement. Retired employees who were hired on or after May 2, 2008 who retire with between fifteen (15) and twenty-five (25) service years will pay 50% of the employer's share of the premium in addition to the retiree premium. Retired employees who were hired on or after May 2, 2008 who retire with between five (5) and fifteen (15) service years will pay the entire employer's share of the premium in addition to the retiree premium. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Sections 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, require these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB, except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget which equaled 3.50 percent, 3.42 percent, and 3.35 percent of annual covered payroll for fiscal years 2009, 2008, and 2007, respectively. The EIP sets the

employer contribution rate based on a pay-as-you-go basis. The University paid \$7,588,981, \$6,956,100, and \$6,142,718 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2009, 2008, and 2007, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2009, 2008 and 2007.

As the provider of postemployment benefits to State retirees, the State is responsible for implementing GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

Complete financial statements for the State benefit plans and the trust funds may be obtained from the Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

### **University Medical Associates**

UMA and its component units provide employee life and disability benefits through commercial insurance companies and have established an employee benefit plan to self-insure employees for health, accident, and dental expenses. UMA records an estimated liability for incurred but not reported claims based on estimates of the ultimate cost of reported claims using the gross method. The estimated claims liability at June 30, 2009 was \$801,371. This amount is included in "Payables and accrued liabilities" on the Statement of Net Assets.

UMA sponsors the Retiree Benefit Plan for Employees of University Medical Associates, a single-employer defined benefit healthcare plan. The plan provides provide continuation of medical, dental and prescription drug benefits for certain retirees and their dependents through an irrevocable trust agreement adopted by the UMA Board with an effective date of June 26, 2008. The trust meets the definition of a qualifying trust as defined in GASB Statement No. 45. Eligible employees are those reaching age 62 with 15 years of service. This coverage is considered primary until age 65 or until the employee is covered under Medicare, at which time it becomes the secondary payer. The plan may be amended by future actions of the UMA Board of Directors. The plan, which has a June 30 year-end, will issue a separate stand-alone financial report in the future.

The obligations of plan members and UMA are established each year by action of the UMA Board pursuant to changes in the healthcare environment to ensure its self-insured healthcare plan remains viable. Retirees are required to pay premiums as approved by the UMA Board depending on the selected level of coverage. UMA's required contribution for these other postemployment benefits (OPEB) is due to the implicit rate subsidy for retirees who pay the same premiums as active employees and is determined by an actuarial review of the plan provisions and participants. UMA decided to fully fund the actuarial accrued liability as of June 30, 2008 which will be amortized to expense over a 30 year period based on an annual charge of \$108 per covered employee. All costs of administering the plan are paid by UMA.

UMA's annual OPEB cost (expense) is calculated based on the *annual required contribution* (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of UMA's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in UMA's net OPEB obligation:

	<u>Annual OPEB Cost</u>	<u>Fiscal Year Ending June 30, 2009</u>
Normal cost		\$ 34,299
Amortization of unfunded accrued liability		43,595
Interest		-
Annual required contribution (ARC)		\$ 77,894
Interest on OPEB obligation		-
Adjustment to ARC		-
OPEB expense		\$ 77,894
Net OPEB contributions made during the year		(34,299)
Net (Prepaid) OPEB asset at beginning of year		(587,933)
Net (Prepaid) OPEB asset at end of year		<u>\$ (544,338)</u>



## MEDICAL UNIVERSITY OF SOUTH CAROLINA

UMA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB Obligation as of June 30, 2008 (the first year of implementation) and June 30, 2009 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Prepaid OPEB Asset</u>
June 30, 2009	\$ 77,894	100%	\$ 544,338
June 30, 2008	\$ 75,173	882%	\$ 587,933

The most recent actuarial valuation was dated July 1, 2006. As of the valuation date, the unfunded actuarial accrued liability (UAAL) amounted to \$630,000 which represents 1.78% of covered payroll. In June 2008, UMA made a contribution to the qualifying trust of \$663,106 to fund this actuarial accrued liability. Current year contributions to the trust were \$34,299. The covered payroll (annual payroll of active employees covered by the plan) was \$37.1 million. The actuarial value of the assets as of June 30, 2009 was \$775,979.

Actuarial valuations of an ongoing plan include estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2006 actuarial valuation, the *projected unit credit actuarial cost method* was used to determine plan liabilities. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of nine percent in 2006 decreasing to five percent by 2014 and thereafter. The UAAL is being amortized as a level cost per active employee over a thirty year closed amortization period. The next actuarial valuation date for this plan will be July 1, 2009.

## 8. DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to State employees and employees of its political subdivisions. Certain employees of the University and the Authority have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Certain employees have elected to participate in a Section 403(b) plan that was established by the University. The plan is administered by various unrelated financial institutions.

The Authority also independently sponsors a tax-advantaged defined contribution plan for its employees. Substantially all Authority employees are eligible to participate in this plan. Employees may contribute up to \$16,500 of eligible compensation. The Authority does not match employee contributions.

Employees of Carolina Primary Care Physicians and Carolina Health Management Services participate in a deferred compensation plan under Internal Revenue Code Section 401(k) which allows employees to defer up to \$20,500 of compensation annually. The employer makes safe-harbor contributions for all employees of three percent of compensation up to \$230,000. A separate employer contribution of five percent for all physicians and eight percent for all non-physician employees is made for all eligible compensation. All employee and employer safe-harbor contributions are 100% vested at the time of contribution. The five and eight percent employer contributions vest ratably over a 5-year period. Total employer contributions to this plan for the fiscal year ending June 30, 2009 were \$515,271.

## 9. COMMITMENTS, CONTINGENCIES AND LITIGATION

The various federal programs administered by the University for fiscal year 2009 and prior years are subject to examination by the federal grantor agencies. At the present time, amounts, if any, which may be due federal grantors have not been determined, but the University believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the University. Therefore, an estimated loss has not been recorded.

## MEDICAL UNIVERSITY OF SOUTH CAROLINA

The University, the Authority and UMA are involved in a number of legal proceedings and claims with various parties which arose in the normal course of business and cover a wide range of matters including medical malpractice. In the opinion of management, the outcome of the legal proceedings and claims is not expected to have a material adverse effect on the financial positions of the entities.

The University had outstanding commitments related to capital projects of \$92,322,705 at June 30, 2009. The University anticipates funding these projects out of current resources, proceeds from debt issuances, private gifts, federal capital grants, special appropriations, and state capital improvement bond proceeds.

Carolina Primary Care Physicians, PA (CPCP), a component unit of UMA, signed a corporate guarantee with a financial institution for 17.50 percent of the \$8,750,000 mortgage debt of Lowcountry Real Property, LLC. This corporate guarantee is based upon 50 percent of CPCP's equity in the partnership multiplied by the outstanding principal balance of the mortgage up to a maximum \$1,531,250. CPCP and the other guarantors are jointly and severally liable for this amount should LCRP default on its obligation.

### 10. PAYABLES AND ACCRUED LIABILITIES

	The University	The Authority	UMA	-- Nonmajor Enterprise Funds --	
				MUFC	CHS
Accounts payable	\$ 11,044,688	\$ 44,445,285	\$ 2,773,219	\$ -	\$ -
Retainages	1,446,650	3,420,193	-	-	-
Compensated absences payable	-	20,915,813	-	-	-
Accrued payroll & related liabilities	7,720,785	28,425,374	12,665,322	-	-
Medicaid cost reports' settlement liability:					
Closed years (Due to third party payors)	-	11,420,042	-	-	-
Open years	-	5,205,461	-	-	-
Accrued interest	1,388,972	375,831	228,159	156,357	665,200
Other	-	398,817	1,955,354	-	-
	<u>\$ 21,601,095</u>	<u>\$ 114,606,816</u>	<u>\$ 17,622,054</u>	<u>\$ 156,357</u>	<u>\$ 665,200</u>

Activity for the year ended June 30, 2009 associated with the Authority's compensated absences (all payable within one year) is as follows:

Beginning balance	\$ 19,813,189
Increases	29,367,326
Decreases	(28,264,702)
Ending balance	<u>\$ 20,915,813</u>

## 11. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b><u>The University</u></b>					
General obligation bonds payable	\$ 43,960,000	\$ -	\$ (3,270,000)	\$ 40,690,000	\$ 3,390,000
State bond anticipation notes	30,000,000	30,000,000	(30,000,000)	30,000,000	30,000,000
Revenue bond payable	38,000,000	-	(1,025,000)	36,975,000	1,075,000
Energy note payable	-	15,387,340	-	15,387,340	1,013,596
Capital leases payable	4,569,346	678,976	(1,893,887)	3,354,435	1,939,578
Compensated absences payable	24,782,490	13,341,365	(12,546,351)	25,577,504	12,546,351
Less deferred loss on early retirement of general obligation bonds	(944,084)	-	80,348	(863,736)	(80,348)
Total University long-term liabilities	140,367,752	59,407,681	(48,654,890)	151,120,543	49,884,177
Interfund payables	37,641,102	-	(2,721,576)	34,919,526	2,873,982
Due to component unit	-	47,200,000	(464,059)	46,735,941	417,366
Federal loan program liability	13,457,955	345,839	(224,692)	13,579,102	-
Total University noncurrent liabilities	191,466,809	106,953,520	(52,065,217)	246,355,112	53,175,525
<b><u>Medical University Hospital Authority</u></b>					
Bonds payable	478,475,000	-	(5,215,000)	473,260,000	9,970,000
GE notes payable	10,745,722	-	(1,980,802)	8,764,920	2,344,893
BA notes payable	52,668,892	-	(10,299,480)	42,369,412	10,533,931
Capital leases payable	3,441,260	-	(1,801,179)	1,640,081	1,478,614
Subtotal	545,330,874	-	(19,296,461)	526,034,413	24,327,438
Plus unamortized bond premium	8,981,520	-	(599,381)	8,382,139	-
Less deferred (loss) on refunding	(16,665,724)	-	986,618	(15,679,106)	-
Total Authority long-term liabilities	537,646,670	-	(18,909,224)	518,737,446	24,327,438
Due to third party payors	-	23,042,433	(360,298)	22,682,135	11,420,042
Total Authority noncurrent liabilities	537,646,670	23,042,433	(19,269,522)	541,419,581	35,747,480
<b><u>University Medical Associates</u></b>					
Direct note obligations	85,100,000	-	(85,100,000)	-	-
Interest rate swap liability	1,220,486	-	(1,220,486)	-	-
Capital leases payable	151,145	-	(61,586)	89,559	62,063
Variable rate demand bonds	-	62,085,000	-	62,085,000	-
Term loan payable	-	37,915,000	(1,579,792)	36,335,208	3,791,500
Compensated absences payable	3,082,505	4,167,279	(3,775,624)	3,474,160	2,084,496
Subtotal	89,554,136	104,167,279	(91,737,488)	101,983,927	5,938,059
Less deferred refunding costs:					
Direct note obligations	(796,804)	773,914	22,890	-	-
Variable rate demand bonds	-	(16,576,768)	591,374	(15,985,394)	-
Term loan payable	-	(10,159,954)	362,454	(9,797,500)	(640,937)
Total UMA noncurrent liabilities	88,757,332	78,204,471	(90,760,770)	76,201,033	5,297,122
<b><u>Nonmajor Enterprise Funds</u></b>					
<b><u>Medical University Facilities Corporation</u></b>					
Revenue bonds payable	8,039,000	-	(689,000)	7,350,000	741,000
Notes payable	8,210,000	-	(1,195,000)	7,015,000	1,245,000
Total MUFC noncurrent liabilities	16,249,000	-	(1,884,000)	14,365,000	1,986,000
<b><u>CHS Development Company</u></b>					
Notes payable	29,590,000	-	(1,200,000)	28,390,000	1,235,000
Unamortized premium	82,707	-	(5,326)	77,381	5,326
Total CHS noncurrent liabilities	29,672,707	-	(1,205,326)	28,467,381	1,240,326
Grand total	\$ 863,792,518	\$ 208,200,424	\$ (165,184,835)	\$ 906,808,107	\$ 97,446,453



## 12. BONDS AND NOTES PAYABLE

### ***Bonds Payable***

The University's bonds payable at June 30, 2009 consisted of the following:

	Interest Rates	Maturity Dates	Balance June 30, 2009
State Institution Bonds:			
1996A series dated 07/01/1996	5.40%	03/01/2011	\$ 615,000
2000A series dated 04/01/2000	4.90 - 5.50%	03/01/2010	1,555,000
2001 series dated 12/01/2001	4.25 - 5.00%	12/01/2016	4,485,000
2003D series dated 01/01/2003	3.50 - 4.40%	01/01/2018	5,485,000
2003J series dated 12/01/2003	3.00 - 5.00%	12/01/2023	9,915,000
2005A Refunding dated 04/01/2005	3.00 - 5.00%	03/01/2020	18,635,000
Total state institution bonds			<u>40,690,000</u>
State Institution Bond Anticipation Note:			
2008B series dated 12/19/2008	2.66%	12/19/2009	30,000,000
Higher Education Facilities Revenue Bond:			
2006 series dated 11/01/2006	4.00 - 5.00%	04/01/2031	36,975,000
			<u>\$ 107,665,000</u>

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt service requirement for the payment of principal and interest on State Institution Bonds. SC Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees designated for debt service for the preceding year were \$8,400,000, which resulted in a legal debt margin at June 30, 2009, of \$7,560,000.

The scheduled maturities of the State Institution Bonds are as follows:

Year Ending June 30,	State Institution Bonds		
	Principal	Interest	Total
2010	\$ 3,390,000	\$ 1,716,748	\$ 5,106,748
2011	3,505,000	1,568,249	5,073,249
2012	3,330,000	1,410,047	4,740,047
2013	3,450,000	1,260,543	4,710,543
2014	3,585,000	1,102,350	4,687,350
2015 - 2019	17,310,000	3,169,843	20,479,843
2020 - 2024	6,120,000	535,919	6,655,919
	<u>\$ 40,690,000</u>	<u>\$ 10,763,699</u>	<u>\$ 51,453,699</u>

For the year ended June 30, 2009, principal payments on the State Institution Bonds totaled \$3,270,000 and the related interest expense totaled \$1,857,874.

The scheduled maturities of the Higher Education Facilities Revenue bond are as follows:

Year Ending June 30,	Higher Education Revenue Bond		
	Principal	Interest	Total
2010	\$ 1,075,000	\$ 1,527,237	\$ 2,602,237
2011	1,115,000	1,484,237	2,599,237
2012	1,160,000	1,439,638	2,599,638
2013	1,210,000	1,393,237	2,603,237
2014	1,255,000	1,344,838	2,599,838
2015 - 2019	7,080,000	5,929,188	13,009,188
2020 - 2024	8,620,000	4,388,450	13,008,450
2025 - 2029	10,575,000	2,434,803	13,009,803
2030 - 2031	4,885,000	317,340	5,202,340
	<u>\$ 36,975,000</u>	<u>\$ 20,258,968</u>	<u>\$ 57,233,968</u>

## MEDICAL UNIVERSITY OF SOUTH CAROLINA

For the year ended June 30, 2009, principal payments on the Higher Education Facilities Revenue bond totaled \$1,025,000 and the related interest expense totaled \$1,578,488.

During fiscal year 2009, the University issued a State Bond Anticipation Note in the amount of \$30,000,000. The proceeds of this State Bond Anticipation Note were used to repay the two State Bond Anticipation Notes which were issued in fiscal year 2008 for the primary purpose of financing the construction of the College of Dental Medicine Building. Interest expense incurred in fiscal year 2009 related to the two State Bond Anticipation Notes issued in fiscal year 2008 and the State Bond Anticipation Note issued in fiscal year 2009 totaled \$581,000.

The State Bond Anticipation Note issued in fiscal year 2009 will mature during fiscal year 2010, at which time re-financing via an issuance of State Institution Bonds is anticipated. Interest payments related to this State Bond Anticipation Note during fiscal year 2010 are anticipated to be \$795,783.

The total amount of defeased debt outstanding at June 30, 2009, was \$17,845,000 for the University and \$150,080,000 for the Authority.

The Authority's hospital facilities and refunding revenue bonds payable at June 30, 2009 consisted of the following:

	Interest Rates	Balance June 30, 2009
2004 A Series	4.85 - 5.25%	\$ 303,965,000
2004 B Series	3.92 - 5.38%	113,935,000
		<u>417,900,000</u>
Unamortized bond premiums and deferred losses on bond refunding		<u>(7,296,967)</u>
		410,603,033
Less current installments		<u>(8,590,000)</u>
		<u>\$ 402,013,033</u>

The 2004 Series A and B bonds bear interest at fixed rates for tranches defined by the principal payments due each year. The average interest rates during fiscal year 2009 were 5.20% and 4.94% for the Series A and Series B bonds, respectively. The bond indenture contains certain terms and restrictive covenants typical of such agreements, including maintenance of certain debt service coverage levels and limitations on additional indebtedness.

The Authority entered into an Enhanced Total Return Contract (ETRC) with a bank to assist in minimizing the difference between the interest rate related to the Series A Tax Exempt Serial Bonds that mature February 15, 2027 through August 15, 2028 and the Series A Tax Exempt Term Bond that matures August 15, 2034, and reinvest earnings related to those respective bonds during the construction period of the replacement hospital facility. The ETRC essentially converts the Authority's borrowing costs for the related bonds during the construction period from a fixed rate to a variable rate instrument based on the Bond Market Association index, subject to a cap of 4.93%. The notional amount of the ETRC as of June 30, 2009 was \$127,650,000.

The ETRC also includes an option for the bank to obtain reimbursement from the Authority for the negative difference, if any, between the amortized purchase price of the bonds underlying the ETRC and the bonds' market value adjusted for the bank's cumulative net settlement receipts (if any) under the ETRC. Under the option terms, the Authority receives from the bank a premium of 0.85% of the notional amount of the underlying bonds. The Authority's liability related to the net settlement of the option is subject to a cap of \$8,750,000 and is secured with funds deposited by the Authority in an escrow account with a balance approximating \$9,850,000 at June 30, 2009.

The effective term of the ETRC extends from December 29, 2004 until December 1, 2009. The fair value of the ETRC at June 30, 2009 was approximately \$8,750,000 (unfavorable to the Authority), which is not recognized in the Authority's Statement of Net Assets under relevant GASB accounting standards. Settlement of the option described in the preceding paragraph will be required at the December 1, 2009 contract termination date, at which time the Authority anticipates it will be required to disburse funds to the counterparty at the capped amount of \$8,750,000.

The aggregate surplus of funds, if any, to be realized in connection with the ETRC will accumulate during the construction period (until the final cost certification of the new hospital construction) in a separate custodial account not associated with, or pledged as security for, any of the bonds. After completion of the project, the ETRC account will be directed to a redemption fund for the special mandatory redemption of the Series A Tax Exempt Bonds commencing with the term bond maturing August 15, 2031, followed by the term bond maturing August 15, 2034.

## MEDICAL UNIVERSITY OF SOUTH CAROLINA

The scheduled maturities of the Authority's Series 2004 bonds are as follows:

Fiscal Year Ending June 30,	Hospital Facilities & Refunding Revenue Bonds		
	Principal	Interest	Total
2010	\$ 8,590,000	\$ 20,653,082	\$ 29,243,082
2011	8,950,000	20,291,646	29,241,646
2012	9,355,000	19,895,207	29,250,207
2013	9,785,000	19,463,191	29,248,191
2014	10,260,000	18,996,196	29,256,196
2015 - 2019	59,735,000	86,613,985	146,348,985
2020 - 2024	77,600,000	68,884,248	146,484,248
2025 - 2029	100,525,000	46,134,044	146,659,044
2030- 2033	133,100,000	16,446,726	149,546,726
Total	<u>\$ 417,900,000</u>	<u>\$ 317,378,325</u>	<u>\$ 735,278,325</u>

In December, 2004, the South Carolina Jobs-Economic Development Authority (JEDA) issued \$61 million of Economic Development Revenue Bonds (MUFC Central Energy Plant Project), Series 2004. Proceeds of the bonds were loaned to MUFC Central Energy Plant, LLC, (CEP) a single member limited liability company organized under the laws of the State of South Carolina, whose sole member is Medical University Facilities Corporation. The net bond proceeds were used to build the central energy plant for the new hospital facility. Originally, the CEP Series 2004 bonds were subject to interest at a variable rate determined by a public auction conducted by the bond trustee. On February 1, 2008, CEP converted the then outstanding \$59.4 million bonds into indexed floating rate bonds to reduce the cost of capital and annual debt service payments. At the time of the conversion, CEP made a \$3.0 million prepayment which reduced the outstanding principal balance to \$56.4 million. The weighted average interest rate applicable to the bonds in fiscal year 2009 was 3.31%.

Concurrent with the refunding of the CEP Series 2004 Bonds, CEP entered into a variable-to-fixed interest rate swap (CEP swap). The intention of the CEP swap was to effectively convert the variable interest rate on the CEP Series 2004 Bonds into a synthetic fixed rate of 3.855%. The initial notional amount of the CEP swap was \$56,415,000. The notional value of the CEP swap will decline in conjunction with payments of principal on the CEP Series 2004 Bonds such that the outstanding balance of these bonds and the notional amount of the CEP swap shall remain equal at all times. Under the swap, CEP pays the counterparty interest at a fixed rate of 3.855% and receives interest payments at a variable rate equal to the SIFMA Municipal Swap Index. As of June 30, 2009, the CEP swap had a fair value of \$947,167 (favorable to CEP).

Applicable GASB principles indicate that CEP should be reported as a blended component unit of the Authority. Based on the GASB guidance, the audited financial statements include CEP using the blended method.

The scheduled maturities of the Authority's Economic Development Revenue Bonds are as follows.

Fiscal Year Ending June 30,	CEP Project Series 2004		
	Principal	Interest	Total
2010	\$ 1,380,000	\$ 3,185,968	\$ 4,565,968
2011	1,445,000	3,106,549	4,551,549
2012	1,515,000	3,023,389	4,538,389
2013	1,590,000	2,936,201	4,526,201
2014	1,670,000	2,844,696	4,514,696
2015 - 2019	9,650,000	12,685,459	22,335,459
2020 - 2024	12,275,000	9,620,923	21,895,923
2025 - 2029	15,580,000	5,726,225	21,306,225
2030 - 2032	10,255,000	1,140,641	11,395,641
Total	<u>\$ 55,360,000</u>	<u>\$ 44,270,051</u>	<u>\$ 99,630,051</u>

On December 18, 2008, UMA issued Series 2008 South Carolina Jobs-Economic Development Authority Variable Rate Demand Bonds (Series 2008 Bonds) in the amount of \$65,085,000 in conjunction with the refunding of its 1994, 1997, 1999A and 1999B Select Auction Variable Rate Securities (SAVRS). The proceeds of the Series 2008 Bonds were used to fully redeem the 1999 A&B SAVRS and pay certain costs of issuance. The Series 2008 Bonds mature in various installments ranging from \$1.7 million to \$3.925 million beginning on July 1, 2019 with final maturity on July 1, 2037.

In addition to issuing the Series 2008 Bonds in fiscal year 2009, UMA borrowed \$37,915,000 via a taxable term loan payable to Wachovia Bank (see Notes Payable section). UMA used the proceeds from the Series 2008 Bonds and the Wachovia term loan, along with \$9,643,570 of cash from the existing debt service reserve funds, to advance refund outstanding SAVRS direct note obligations of \$85,100,000, terminate previous swap agreements with a fair value of \$23,481,775, and pay issue costs of \$1,061,795. This refunding resulted in an economic gain of \$4,164,815 and an increase in cash flows of \$4,811,190 due to extending the term by ten years. The deferred refunding costs of 26,736,722, including the swap termination payment, are being amortized over the shorter life of the refunded debt (ending May 15, 2027) using the effective interest method.

The Series 2008 Bonds initially bear interest at a daily interest rate. The daily interest rate is the rate of interest per annum determined by the remarketing agent for the Series 2008 Bonds (based on examination of tax-exempt obligations comparable in the judgment of the remarketing agent and known by the remarketing agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by such Series 2008 Bonds, would enable the remarketing agent to sell the Series 2008 Bonds at a price equal to the principal amount thereof. In the event that a daily interest rate for the Series 2008 Bonds is not so established for any business day by the remarketing agent, the daily interest rate for such business day will be the same as the daily interest rate for the immediately preceding day and such rate will continue until the earlier of (a) the date on which the remarketing agent determines a new daily interest rate or (b) the seventh day succeeding the first such day on which such daily interest rate is not determined by the remarketing agent. In the event that the daily interest rate will be held invalid or unenforceable by a court of law, or the remarketing agent fails to determine a new daily interest rate for a period of seven days, as described above, the interest rate applicable to the Series 2008 Bonds, as determined by the remarketing agent, will be the interest rate per annum equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in the *Wall Street Journal* for each business day until such daily interest rate is again validly determined by the remarketing agent.

UMA may, under certain conditions, elect that the interest rate on the Series 2008 Bonds bearing interest at a daily interest rate be converted into a weekly interest rate, a long-term interest rate or a bond interest term rate, as these rates are described in the Series 2008 Bonds indenture. If the interest rate period for the Series 2008 Bonds is to be converted from the daily interest rate, then the Series 2008 Bonds will be subject to mandatory tender for purchase on the effective date of the conversion to another interest rate period.

As of June 30, 2009, the annual effective variable interest rate incurred on the Series 2008 Bonds was 0.25%, determined in accordance with the remarketing process described above. However UMA has synthetically converted the overall interest cost to a fixed rate using derivative financial instruments as described below.

As security for repayment of the Series 2008 Bonds and other obligations issued under the Master Trust Indenture, UMA has granted to the master trustee a security interest in its Pledged Assets, subject to permitted liens and subject to the right of the Members of the Obligated Group to transfer property, plant and equipment and cash and investments free of the security interest created in the Pledged Assets under certain specified circumstances as further set forth in the Master Indenture. Pledged Assets consist of the UMA Receipts of each Member of the Obligated Group. "UMA Receipts" means all accounts and assignable general intangibles of each Member of the Obligated Group, now owned or hereafter acquired, and all proceeds thereof and therefrom whether cash or noncash; excluding, however, (a) gifts, grants, bequests, donations, contributions, charitable pledges, or other contract or property rights to any Member of the Obligated Group heretofore or hereafter made, and the income and gains and other proceeds derived therefrom, to the extent any of the foregoing are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payments required under the Master Indenture or on any obligations; (b) mandatory transfers to MUSC and MUSCF; (c) transfers under the ambulatory care and primary care agreements; and (d) non-UMA revenues. All obligations issued under the Master Indenture are secured *pari passu* by the security interest in the Pledged Assets created by the Master Indenture. The Members of the Obligated Group are also subject to certain covenants under the Master Indenture restricting, among other things, incurrence of indebtedness, existence of liens, consolidation or merger and disposition of assets. UMA is currently the only Member of the Obligated Group.

The Series 2008 Bonds are secured by an irrevocable direct-pay letter of credit from Wells Fargo (Wachovia Bank) issued in the initial stated amount of \$62,799,402. This amount included initial principal and accrued interest components. UMA is obligated to repay amounts drawn under the letter of credit as set forth in the Reimbursement and Security Agreement, dated as of December 1, 2008.

The Series 2008 Bonds were issued pursuant to a resolution by the South Carolina Jobs-Economic Development Authority in order to obtain tax-exempt status for the interest payments to the bond holders and reduce the total interest costs. The Series 2008 Bonds are subject to compliance with the arbitrage regulations of the Internal Revenue Code.

UMA has entered into an interest rate swap agreement with Wachovia Bank, NA to modify interest rates on the Series 2008 Bonds in an effort to convert its variable rate debt to a synthetic fixed rate of 2.1028% on the bonds. The Series 2008 Bonds swap agreement was issued on December 5, 2008 with an effective date of December 18, 2008, and matures on July 1, 2037. The notional amount as of June 30, 2009 is \$62.085 million which equals the principal outstanding. Under the Series 2008 Bonds swap agreement, UMA pays Wachovia a fixed interest payment of 2.1028% and receives a variable payment equal to 67% of the one month LIBOR rate. The variable rate in effect at June 30, 2009 was .25%.

Interest rates have increased since execution of the swap agreement resulting in the Series 2008 Bonds' swap having a positive fair value of \$4,608,384 as of June 30, 2009. This would represent a receivable from Wachovia should the swap agreement be terminated at that date. Because the interest payments on UMA's variable rate debt reflect the changing interest rates, the Series 2008 Bonds do not have a corresponding fair value increase. The fair value was estimated by independent financial advisors using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

As of June 30, 2009, UMA is exposed to counterparty credit risk in the amount of the derivative's fair value. Wachovia Bank, NA is rated Aa2 by Moody's Investor Services, and AA by Standard & Poor's and Fitch Ratings as of June 30, 2009.

Interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined variable borrowing rate on the bonds is called "basis risk." UMA is subject to this basis risk on the bonds as of June 30, 2009 as the indexed variable rate is 67% of the one month LIBOR and the actual market-determined borrowing rate approximates the SIFMA Municipal Swap Index.

The Series 2008 Bonds swap derivative contract uses the International Swap Dealers Association Master Agreement ("Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. UMA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. UMA may also terminate the swap at its discretion upon two business days notice to the counterparty. If the swap were terminated, the variable rate debt would no longer carry a synthetic interest rate. In addition, if at the time of the termination the swap has a negative fair value, UMA would be liable to the counterparty for a payment equal to the swap's fair value. Conversely, if the fair value is positive at termination, UMA would be entitled to receive a payment from the counterparty.

Using rates as of June 30, 2009, debt service requirements of UMA's Series 2008 South Carolina Jobs-Economic Development Authority Variable Rate Demand Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Fiscal Year Ending June 30,	Series 2008 SC JEDA Variable Rate Demand Bonds			
	Principal	Interest	Swap Payment, Net	Total Debt Service
2010	\$ -	\$ 153,164	\$ 1,173,922	\$ 1,327,086
2011	-	153,164	1,173,922	1,327,086
2012	-	153,164	1,173,922	1,327,086
2013	-	153,164	1,173,922	1,327,086
2014	-	153,164	1,173,922	1,327,086
2015 - 2019	1,700,000	761,626	5,837,466	8,299,092
2020 - 2024	14,185,000	634,795	4,865,389	19,685,184
2025 - 2029	14,505,000	464,326	3,558,825	18,528,151
2030 - 2034	16,645,000	270,050	2,069,798	18,984,848
2035 - 2038	15,050,000	57,023	437,063	15,544,086
Totals	<u>\$ 62,085,000</u>	<u>\$ 2,953,640</u>	<u>\$ 22,638,151</u>	<u>\$ 87,676,791</u>

On September 20, 1995, the Medical University Facilities Corporation (MUFC) issued lease revenue bonds series 1995 A in the amount of \$12,729,000 and series 1995 B in the amount of \$472,000. Related bond issue costs totaling \$356,900 were capitalized as deferred charges to be amortized over the lives of the bonds. The bonds were issued for the purpose of providing a portion of the payment for the costs of completing the acquisition and construction of the Strom Thurmond Biomedical Research Center. Interest rates range from 7.45% to 7.5%. The final maturity is in 2016, and the bonds are secured by the rental payments received under the capital lease as detailed in Note 13. The bond covenants require that MUFC establish and maintain funds with a trustee for the payment of principal and interest on the lease revenue bonds. MUFC paid \$689,000 in principal and incurred \$586,457 in interest expense on these bonds for the year ended June 30, 2009.

The scheduled maturities of the MUFC lease revenue bonds are as follows:

Fiscal Year Ending June 30,	Lease Revenue Bonds		
	Principal	Interest	Total
2010	\$ 741,000	\$ 534,145	\$ 1,275,145
2011	797,000	477,921	1,274,921
2012	858,000	417,413	1,275,413
2013	923,000	352,284	1,275,284
2014	992,000	282,237	1,274,237
2015 - 2017	3,039,000	363,164	3,402,164
Total	<u>\$ 7,350,000</u>	<u>\$ 2,427,164</u>	<u>\$ 9,777,164</u>

## Notes Payable

On October 3, 2008, the Board of Trustees approved a resolution authorizing the University to use the South Carolina Master Lease Program for the purpose of financing the costs of purchasing and implementing energy conservation measures that will benefit both the University and the Authority with the understanding that debt service payments will be generated from the associated energy savings. Pursuant to this resolution, the University borrowed \$15,387,340 from Bank of America during fiscal year 2009. During fiscal year 2009, the University incurred \$395,455 in interest expense related to this note.

The scheduled maturities of the energy note payable are as follows:

Fiscal Year Ending June 30,	Energy Note Payable		
	Principal	Interest	Total
2010	\$ 1,013,596	\$ 1,217,115	\$ 2,230,711
2011	1,491,900	738,811	2,230,711
2012	1,568,584	662,127	2,230,711
2013	1,649,209	581,502	2,230,711
2014	1,733,978	496,732	2,230,710
2015 - 2018	7,930,073	992,769	8,922,842
Totals	<u>\$ 15,387,340</u>	<u>\$ 4,689,056</u>	<u>\$ 20,076,396</u>

On December 18, 2008, UMA borrowed \$37,915,000 via a taxable term loan payable to Wachovia Bank, NA to cover the taxable portion of the refunding of the aforementioned SAVRS. The proceeds of the loan were used to fully redeem the outstanding 1994 and 1997 SAVRS, terminate the previously outstanding swap agreements, and pay certain costs of issuance. The Wachovia note is payable in level monthly principal installments of \$315,958 through January 1, 2019 plus interest.

The Term Loan is governed by a conventional loan agreement and additional security documents entered into by UMA in favor of the bank. These security documents include a Leasehold Mortgage and Security Agreement under which, among other things, UMA grants to the bank a leasehold mortgage and security interest in its rights under and in respect of the Rutledge Tower lease and subleases.

UMA has entered into an interest rate swap agreement with Wachovia Bank, NA to modify interest rates on the Wachovia term loan in an effort to convert its variable rate to a synthetic fixed rate of 3.869%. The swap agreement related to the Wachovia term loan was issued on December 5, 2008 with an effective date of December 18, 2008 and matures January 1, 2019. The notional amount as of June 30, 2009 was \$36.335 million which equaled the principal outstanding. Under the swap agreement, UMA pays Wachovia a fixed interest payment of 3.869% on the term loan. UMA receives a variable payment equal to the one month LIBOR rate plus 1.30% on the swap associated with the taxable term loan. The variable rate for the 2008 Wachovia term loan in effect at June 30, 2009 was 1.62%.

Interest rates have increased since execution of the swap agreement resulting in the term loan swap having a positive fair value of \$673,268 as of June 30, 2009. This would represent a receivable from Wachovia should the swap agreement be terminated at that date. Because the interest payments on UMA's variable rate debt reflect the changing interest rates, the term loan does not have a corresponding fair value increase. The fair value was estimated by independent financial advisors using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

As of June 30, 2009, UMA is exposed to counterparty credit risk in the amount of the derivative's fair value. Wachovia Bank, NA is rated Aa2 by Moody's Investor Services, and AA by Standard & Poor's and Fitch Ratings as of June 30, 2009.

Interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined variable borrowing rate on the bonds is called "basis risk." Basis risk has been eliminated on the Wachovia term loan as both the payment received and the borrowing rate are determined based on the one month LIBOR plus a spread of 1.30%.

The term loan swap derivative contract uses the International Swap Dealers Association Master Agreement ("Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. UMA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. UMA may also terminate the swap at its discretion upon two business days notice to the counterparty. If the swap were terminated, the variable rate debt would no longer carry a synthetic interest rate. In addition, if at the time of the termination the swap has a negative fair value, UMA would be liable to the counterparty for a payment equal to the swap's fair value. Conversely, if the fair value is positive at termination, UMA would be entitled to receive a payment from the counterparty.



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Using rates as of June 30, 2009, debt service requirements of UMA's Wachovia term loan and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Fiscal Year Ending <u>June 30,</u>	Wachovia term loan			
	Principal	Interest	Swap Payment, Net	Total Debt Service
2010	\$ 3,791,500	\$ 557,919	\$ 785,443	\$ 5,134,862
2011	3,791,500	496,497	698,973	4,986,970
2012	3,791,500	435,075	612,502	4,839,077
2013	3,791,500	373,652	526,031	4,691,183
2014	3,791,500	312,230	439,560	4,543,290
2015 - 2019	17,377,708	652,612	918,753	18,949,073
Totals	<u>\$ 36,335,208</u>	<u>\$ 2,827,985</u>	<u>\$ 3,981,262</u>	<u>\$ 43,144,455</u>

UMA has a line of credit with Wachovia Bank (a subsidiary of Wells Fargo Bank) with a maximum borrowing limit of \$10 million, on which UMA could draw for working capital. The loan bears interest at the 30 day LIBOR rate plus 1.15% and is secured by all unrestricted accounts receivable. During fiscal year 2009, there were advances of \$6.5 million under this line of credit, all of which were repaid as of June 30, 2009. In July 2009, this line of credit expired and was renewed with basically the same terms. In addition to the revolving line of credit, Wachovia loaned UMA \$15.7 million secured by auction rate securities that were held pursuant to an agreement with Wachovia Securities to repurchase these investments at par. The loan was repaid from proceeds of the sale in June 2009. The note required interest equal to the earnings from the auction rate securities.

The Authority financed the acquisition of certain medical equipment in 2008 with promissory notes payable to GE Capital Public Finance payable in variable amounts. The interest rates on these promissory notes range from 4.10% to 6.15%.

The scheduled maturities of the Authority's GE Capital Public Finance notes are as follows.

Fiscal Year Ending <u>June 30,</u>	GE Capital Notes		
	Principal	Interest	Total
2010	\$ 2,344,893	\$ 336,913	\$ 2,681,806
2011	2,163,823	242,973	2,406,796
2012	2,261,758	144,667	2,406,425
2013	1,472,465	49,771	1,522,236
2014	521,981	9,539	531,520
Totals	<u>\$ 8,764,920</u>	<u>\$ 783,863</u>	<u>\$ 9,548,783</u>

In November 2004, the Authority entered into an agreement with Banc of America Leasing & Capital, LLC (predecessor to Banc of America Public Capital Corporation) for a funding commitment of \$36.8 million to purchase equipment for the new hospital facility. The Authority began to access the funding commitment in December 2006. During fiscal year 2007, the Authority drew \$6.2 million on the available line of credit for purchases of equipment for the new hospital facility. In September 2007, the Authority and Banc of America Public Capital Corporation amended the original agreement to increase the maximum amount of available financing to \$56.8 million. During fiscal year 2008, the Authority drew an additional \$48.8 million on the line of credit to finance the acquisition of equipment for the new hospital facility. Following completion of the equipment purchases, the entire outstanding indebtedness of approximately \$55.0 million was converted into three notes payable with individual principal amounts of \$24.4 million, \$4.0 million, and \$26.6 million and interest rates of 4.41%, 4.58%, and 4.58%, respectively. These notes are payable in varying amounts through May 2013.

The scheduled maturities of the Authority's Banc of America notes are as follows.

Fiscal Year Ending <u>June 30,</u>	Banc of America Notes		
	Principal	Interest	Total
2010	\$ 10,533,931	\$ 1,793,407	\$ 12,327,338
2011	11,013,663	1,313,675	12,327,338
2012	11,515,250	812,087	12,327,337
2013	9,306,568	287,648	9,594,216
Totals	<u>\$ 42,369,412</u>	<u>\$ 4,206,817</u>	<u>\$ 46,576,229</u>

In connection with the loan from JEDA, MUFC entered into an interest rate swap agreement with Wachovia Bank, NA to hedge its interest rate exposure and establish a fixed rate payment. The swap agreement provides that MUFC will pay the swap provider interest on a notional amount equal to the aggregate principal amount of the loan at a fixed rate of 3.37 percent per annum and the swap provider will pay MUFC a variable rate of interest on such notional amount in an amount sufficient to pay the variable rate of interest on the loan. The notional amount at June 30, 2009, was \$7,015,000 and the variable rate in effect at that date was 0.32 percent. The

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swap agreement provides that the notional amount will be reduced in the same amount and at the same time the principal of the note is scheduled to be paid upon redemption or at maturity. The MUFC loan and the related swap agreement mature on January 1, 2013.

As of June 30, 2009, the MUFC loan swap was in a liability position with a fair value of \$265,928. Because the interest payments on the variable rate loan adjust to changing interest rates, the loan does not have a corresponding fair value increase. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. MUFC or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. Termination of the agreement would subject MUFC to the risk of fluctuating interest rates, which management believes would not materially impact the financial position of either MUFC or the University.

Using rates as of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Fiscal Year Ending June 30,	SC JEDA Tax-Exempt Adjustable Mode Economic Development Revenue Bonds			
	Variable-Rate Notes		Interest Rate	
	Principal	Interest	Swaps, Net	Total
2010	\$ 1,245,000	\$ 20,788	\$ 198,104	\$ 1,463,892
2011	1,300,000	16,731	159,464	1,476,195
2012	1,360,000	12,491	119,062	1,491,553
2013	3,110,000	5,805	55,346	3,171,151
	<u>\$ 7,015,000</u>	<u>\$ 55,815</u>	<u>\$ 531,976</u>	<u>\$ 7,602,791</u>

MUFC paid \$1,195,000 in principal and incurred \$256,638 in interest expense on these notes for the year ended June 30, 2009.

On November 1, 2003, the South Carolina Jobs-Economic Development Authority issued Economic Development Revenue Bonds (CHS Development Company Project) Series 2003 in the amount of \$32,985,000 with final maturity on January 1, 2025. Interest rates range from 3 percent to 5 percent. The proceeds were loaned to CHS Development Company and used to finance the renovation and equipping of the old Charleston High School to accommodate approximately 40,000 square feet of classroom and office space, the construction and equipping of an adjacent building consisting of approximately 40,000 square feet of additional classroom and office space, the construction of an adjacent parking garage, and the construction of approximately 10,000 square feet of mixed use retail/services space. The renovated high school building, the new adjacent building, and the parking garage are leased to the University. Pursuant to the loan agreement, CHS is obligated to make payments in amounts sufficient to pay the principal and interest on the bonds and certain other fees and expenses. Payment of principal and interest on the bonds is insured under a financial guaranty insurance policy.

The scheduled maturities of the CHS bonds are as follows:

Fiscal Year Ending June 30,	SC JEDA Revenue Bonds (CHS Development Company Project)		
	Principal	Interest	Total
2010	\$ 1,235,000	\$ 1,330,400	\$ 2,565,400
2011	1,300,000	1,268,650	2,568,650
2012	1,365,000	1,203,650	2,568,650
2013	1,430,000	1,135,400	2,565,400
2014	1,490,000	1,078,200	2,568,200
2015 - 2019	8,490,000	4,347,850	12,837,850
2020 - 2024	10,630,000	2,207,766	12,837,766
2025	2,450,000	119,438	2,569,438
Total	<u>\$ 28,390,000</u>	<u>\$ 12,691,354</u>	<u>\$ 41,081,354</u>

For the year ended June 30, 2009, CHS Development Company paid \$1,200,000 in principal and incurred \$1,366,400 in interest expense on these notes.



### 13. LEASE OBLIGATIONS

The University's future commitments for capital leases and for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2009, are as follows.

On the statement of net assets, the University capital leases with blended component units are reported as interfund payables and the capital leases with the discretely presented component unit are reported as due to component unit.

Fiscal Year Ending June 30,	Capital Leases with			Operating Leases with		
	Blended Component Units	Discretely Presented Component Unit	External Entities	Blended Component Units	Discretely Presented Component Units	External Entities
2010	\$ 4,618,878	\$ 4,058,863	\$ 2,062,561	\$ 2,408,747	\$ 349,635	\$ 1,017,622
2011	4,631,181	4,058,863	818,412	2,067,646	346,264	500,869
2012	4,574,540	4,058,863	460,504	2,067,646	346,264	283,236
2013	6,326,139	4,058,853	219,030	2,067,646	58,667	185,729
2014	3,154,987	4,058,863	-	1,147,352	-	-
2015 - 2019	13,542,261	20,294,316	-	-	-	-
2020 - 2024	9,386,582	20,294,316	-	-	-	-
2025 - 2029	938,657	20,294,316	-	-	-	-
2030 - 2034	-	20,294,316	-	-	-	-
2035 - 2039	-	18,941,372	-	-	-	-
Total minimum lease payments	47,173,225	120,412,941	3,560,507	<u>\$ 9,759,037</u>	<u>\$ 1,100,830</u>	<u>\$ 1,987,456</u>
Less interest	(12,253,699)	(73,677,000)	(206,072)			
Present value of minimum lease payments	<u>\$ 34,919,526</u>	<u>\$ 46,735,941</u>	<u>\$ 3,354,435</u>			

The Authority's future commitments for capital leases and for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2009 are as follows:

Fiscal Year Ending June 30,	Capital Leases with		Operating Leases with	
	External Entities	Blended Component Unit	Discretely Presented Component Unit	External Entities
2010	\$ 1,518,610	\$ 10,600,930	\$ 84,840	\$ 7,378,726
2011	164,379	10,444,354	84,840	2,689,426
2012	-	3,510,553	84,840	6,344,901
2013	-	3,194,737	-	3,422,262
2014	-	1,708,927	-	780,936
2015 - 2019	-	1,254,000	-	3,407,534
Total minimum lease payments	1,682,989	<u>\$ 30,713,501</u>	<u>\$ 254,520</u>	<u>\$ 24,023,785</u>
Less interest	(42,908)			
Present value of minimum lease payments	<u>\$ 1,640,081</u>			

#### Operating Leases

The University's and the Authority's noncancelable operating leases provide for renewal options for periods from one to five years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Total operating lease expense in fiscal year 2009 was \$5,041,481 for the University and approximately \$20,436,000 for the Authority. In addition, during fiscal year 2009, pursuant to an operating lease agreement with each other that covers space each entity uses in real property owned by the other entity, the University paid the Authority \$1,105,340 and the Authority paid the University \$2,892,146. These amounts are not included in the aforementioned total operating lease expense for the University and the Authority. As discussed in Note 17 and Note 18, for the year ended June 30, 2009, the University and the Authority had certain other operating leases with related parties. In fiscal year 2009, in addition to the operating lease expense above, the University incurred expenses of \$626,138 for office copier contingent rentals on a cost-per-copy basis.

University Medical Associates leases facilities and equipment under operating leases expiring at various dates. Rent expense under these various agreements was \$9,366,099 in fiscal year 2009.

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The future minimum lease payments under UMA noncancelable operating leases with initial or remaining terms in excess of one year are as follows:

Fiscal Year Ending June 30,	
2010	\$ 8,756,086
2011	5,657,068
2012	5,263,898
2013	5,001,872
2014	3,016,927
2015 - 2019	6,033,233
2020 - 2021	464,353
Total	<u>\$ 34,193,437</u>

UMA subleases various properties to the University, the Authority, and external parties. Under these lease agreements for the fiscal year ended June 30, 2009, UMA received rent of \$5,156,549, composed of \$2,371,999 from the University, \$2,332,397 from the Authority, and \$452,153 from external parties. The rents received from the University and the Authority are included in the operating lease expense for the University and the Authority shown above. The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows:

Fiscal Year Ending June 30,	Operating Leases with		
	University & Authority	External Entities	Total
2010	\$ 4,801,405	\$ 440,469	\$ 5,241,874
2011	4,322,862	408,055	4,730,917
2012	4,313,529	384,968	4,698,497
2013	3,780,719	288,726	4,069,445
2014	3,766,710		3,766,710
2015 - 2019	18,736,605		18,736,605
2020 - 2023	14,989,284		14,989,284
Totals	<u>\$ 54,711,114</u>	<u>\$ 1,522,218</u>	<u>\$ 56,233,332</u>

### Capital Leases

Capital leases are generally payable in monthly installments from current resources. Certain University capital leases provide for renewal and/or purchase options. Generally, purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Monthly payments are made to a financial institution as trustee under two capital leases with MUFC for the Harborview Office Tower and the Strom Thurmond Biomedical Research Center. The payment amounts are based on the amount necessary to fund the payments due under the lease revenue bonds and the note payable (see Note 12). These payment requirements are reduced by interest earned on the cash held by the trustee. A portion of the Strom Thurmond Biomedical Research Center has been subleased to the Veterans Administration for a period of 20 years at an annual rent of \$1,264,670.

Monthly payments are made to a financial institution as trustee under a capital lease with CHS Development Company for the CHS building, an adjacent office building, and a parking garage.

In fiscal year 2009, the University entered into capital lease agreements with MUSCF for a parking garage and two office buildings. The amount recorded as buildings related to these properties is \$47.2 million. During fiscal year 2009, the University made principal payments of \$404,726 and interest payments of \$609,989 related to these capital lease agreements with MUSCF.

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The following is a summary of the carrying value of all assets held by the University under capital leases at June 30, 2009:

	Blended Component Units	Capital Leases with Discretely Presented Component Unit	External Entities
Equipment	\$ -	\$ -	\$ 9,342,770
Land	2,335,580	-	-
Buildings	72,720,046	47,200,000	-
Total cost	75,055,626	47,200,000	9,342,770
Less accumulated depreciation	(31,974,749)	(393,333)	(2,374,030)
Carrying value	<u>\$ 43,080,877</u>	<u>\$ 46,806,667</u>	<u>\$ 6,968,740</u>

Authority equipment with original cost totaling approximately \$9.2 million and related accumulated amortization of approximately \$1.8 million is held under the Authority capital leases.

UMA has entered into capital lease agreements as lessee for the use of facilities and equipment. These lease agreements have been recorded at the present value of future minimum lease payments as of the inception date in the accompanying financial statements.

The future UMA minimum lease obligations and the net present value of these obligations as of June 30, 2009, are as follows:

Year Ending	
<u>June 30,</u>	
2010	\$ 65,423
2011	<u>27,999</u>
Total minimum lease payments	93,422
Less interest	<u>( 3,863)</u>
Present value of minimum lease payments	89,559
Less current portion	<u>(62,063)</u>
Long term portion	<u>\$ 27,496</u>

Leased property held by UMA under capital leases at June 30, 2009 is as follows:

	Capitalized Costs	Accumulated Depreciation	Net Book Value
Computers and equipment	\$ 166,402	\$ (135,146)	\$ 31,256
Prepaid maintenance expense	96,221	(58,133)	38,088
Total	<u>\$ 262,623</u>	<u>\$ (193,279)</u>	<u>\$ 69,344</u>

Depreciation and amortization expense related to UMA's capital lease assets was \$56,699 for the year ended June 30, 2009.

On January 9, 1995, UMA prepaid MUSCF \$37 million in connection with the acquisition of Rutledge Tower from Bon Secours St. Francis Hospital. This facility is used to house ambulatory care clinics, administrative offices and space subleased to others and includes a parking garage. The lease term originally expired on June 30, 2027, but was extended to July 1, 2037 due to the refunding of certain acquisition indebtedness, and is renewable for successive five-year terms. This prepayment was allocated based upon appraised values as follows: (a) cost of land was recorded as prepaid rent, (b) cost of buildings and fixed equipment was recorded as building under capital lease, and (c) cost of other equipment was recorded as equipment under capital lease. In October 2003, MUSCF sold a portion of the property subject to this lease agreement and refunded \$1,000,000 of the prepaid rent attributable to the agreement. These amounts are being amortized on a straight-line basis over the useful lives of 10 years for the equipment and 29.5 years for the land and building. Rent expense of \$631,355 and depreciation expense of \$474,224 was recorded for the year ending 2009. The following schedule reflects the remaining basis of assets acquired under this capital lease as of June 30, 2009.

Description	Capitalized Cost	Accumulated Depreciation	Net Book Value
Prepaid rent – MUSCF	\$ 19,052,400	\$ (9,582,071)	\$ 9,470,329
Building under capital lease	13,989,600	(6,876,245)	7,113,355
Equipment under capital lease	<u>2,958,000</u>	<u>(2,958,000)</u>	<u>-</u>
Totals	<u>\$ 36,000,000</u>	<u>\$ (19,416,316)</u>	<u>\$ 16,583,684</u>

## 14. STATE APPROPRIATIONS

The Medical University of South Carolina is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 17A -17B of Part IA of the 2008-2009 Appropriation Act. The following schedule is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2009.

<b><u>Non-capital appropriations</u></b>	
Current year's appropriations:	
Original appropriations per Annual Appropriations Act (includes \$250,000 for Rural Dentist Initiative and \$512,741 for Hypertension Initiative)	\$ 110,736,312
SC LightRail (Proviso 90.13)	700,000
Rural Dentist Program (Proviso 21.36)	250,000
State Budget and Control Board Allocations:	
Employee Base Pay Increases and Related Employee Benefits (Proviso 80A.47)	781,415
For Employer Contributions (SC Code of Law Section 1-11-475)	160,481
Interagency transfers:	
From Commission on Higher Education:	
Academic Endowment	59,792
Nursing Salary Supplement	93,197
Appropriation Transfer from the Department of Health and Human Services:	
Disproportionate Share	21,292,776
Disproportionate Share (Proviso 90.12)	6,400,000
Disproportionate Share (Proviso 90.12)	600,000
Appropriation Transfer from Clemson University:	
Agromedicine Program	123,156
Reductions during fiscal year:	
3.0% in August 2008	(3,350,346)
11.9% in October 2008	(12,981,150)
7.0% in December 2008	(6,674,270)
2.0% in March 2009	(1,773,449)
Total non-capital appropriations recorded as current year revenue	<u>\$ 116,417,914</u>
<b><u>Capital appropriations</u></b>	
Research Infrastructure bond proceeds recorded as current year revenue	<u>2,522,456</u>

Capital Improvement and Research Infrastructure bonds are issued by the State to fund improvements and expansion of various State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenses have been incurred. During fiscal year 2009, the State allocated \$54,771,822 in additional research infrastructure bond funds to the University to help fund the Drug Discovery and Bioengineering Buildings. As of June 30, 2009, the University has authorized state capital improvement bond funds of \$624,484 and research infrastructure bond funds of \$65,329,063. In fiscal year 2009, the University received research infrastructure bond proceeds of \$2,522,456.

Proviso 89.29 of the 2008-2009 Appropriation Act authorized each agency to bring forward unspent State General Fund appropriations from the prior year into the current fiscal year up to a maximum of ten percent of its original appropriation less any appropriation reductions. Agencies having separate carry-forward authority had to exclude the amount brought forward by such separate authority from their base for purposes of calculating the ten percent carry-forward. Pursuant to this proviso, the University carried forward \$249,559 to fiscal year 2010.

## 15. MEDICARE AND MEDICAID COST REIMBURSEMENTS

The Authority has agreements with governmental payors that provide for reimbursement to the Authority at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Authority's billings at established rates for services and the amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major governmental third-party payors follows.

Substantially all of the Authority's inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the Authority is reimbursed for both its direct and indirect medical education costs (as defined), based principally on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Authority generally is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Authority and audits by the Medicare fiscal intermediary. The Authority's cost reports have been audited and initially settled for all fiscal years through fiscal 2004.

Revenue from the Medicare program accounted for approximately 27.4% of the Authority's net patient service revenue for the year ended June 30, 2009.

Authority inpatient and outpatient services rendered to most Medicaid program beneficiaries are reimbursed based upon prospective reimbursement methodologies.

The Authority participates in the Disproportionate Share Hospital program (DSH Program) available to certain qualifying hospitals in the South Carolina Medicaid program. The net reimbursement benefits associated with this program totaled approximately \$43.7 million in fiscal 2009, and are recognized as reductions in related contractual adjustments in the accompanying financial statements. Reimbursement benefits for fiscal year 2009 are net of the effects of the retrospective settlement provision discussed below. There can be no assurance that the Authority will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified. Any material reduction in such funds would have a correspondingly material adverse effect on the Authority's operations.

In fiscal year 2009, the Medicaid fiscal intermediary performed a cost settlement of the DSH Program funding provided to the Authority in years 2005 and 2006. The cost settlements identified a net overpayment to the Authority in those years of \$21.1 million; therefore, the Authority recorded that amount (net of approximately \$1.0 million representing a present value discount) as a liability and related incremental contractual adjustments during fiscal year 2009. The net settlement amount included an incremental payment to the Authority of \$2.9 million which was collected in fiscal year 2009. The Authority paid \$0.3 million of the settlement liability before the end of the fiscal year and agreed to disburse the remaining DSH Program settlement liability of \$23.7 million on an installment basis at the rate of \$1 million per month. The Authority also applied relevant settlement results to open cost report years and recognized associated accruals for potential Medicaid overpayments in those years as well. As of June 30, 2009, the Authority recorded liabilities for settlement of both closed and open DSH Program reimbursement years totaling \$27.9 million, of which \$11.3 million is included in noncurrent liabilities based on the afore-mentioned payment plan.

During fiscal year 2008, the State of South Carolina reconfigured certain terms and conditions of its ongoing Medicaid disproportionate share hospital program for participating providers. Because of associated funding deferrals and other changes which impacted the timing of historical net revenue and cash flows to the Authority under the program, the Authority recognized a receivable of approximately \$14,806,000 as of June 30, 2009, in recognition of program net revenue earned but not received in fiscal year 2009.

Revenue from the Medicaid program including net disproportionate share payments described above, accounted for approximately 25.2% of the Authority's net patient service revenue for the year ended June 30, 2009.

## 16. INCOME TAXES

UMA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The blended component units of UMA have cumulative unused net operating losses totaling \$31,806,408 that may be offset against future taxable income of the respective companies. These net operating loss carry-forwards will expire as follows if not used: \$93,976 in 2011, \$8,138,149 in 2012, \$9,848,472 in 2013, \$9,502,366 in 2019, \$1,353,416 in 2020, \$536,668 in 2021, \$1,591,411 in 2022, \$606,307 in 2023, \$1,108 in 2025, \$161 in 2026, \$4,783 in 2027, and \$129,591 in 2029. Income tax benefit of \$3,112 resulted from the limitation on use of net operating losses for alternative minimum tax purposes and a refund of previously paid taxes. No associated deferred tax assets been recognized due to the uncertainty regarding future taxable income of the taxable component units.

## 17. BLENDED COMPONENT UNITS

The following is a summary of the receivables and payables between the University and the blended component units and among the blended component units at June 30, 2009.

	<u>Due From</u>	<u>Due To</u>
<b>The University</b>		
Medical University Hospital Authority	\$ 12,430,216	\$ -
University Medical Associates	-	11,319,703
	<u>\$ 12,430,216</u>	<u>\$ 11,319,703</u>
Medical University Facilities Corporation - current		\$ 1,905,877
CHS Development Company - current		968,105
		<u>\$ 2,873,982</u>
Medical University Facilities Corporation - noncurrent		\$ 11,734,296
CHS Development Company - noncurrent		20,311,248
		<u>\$ 32,045,544</u>
<b>Medical University Hospital Authority</b>		
The University	\$ -	\$ 12,430,216
University Medical Associates	375,667	-
	<u>\$ 375,667</u>	<u>\$ 12,430,216</u>
<b>University Medical Associates</b>		
The University	\$ 11,319,703	\$ -
Medical University Hospital Authority	-	375,667
	<u>\$ 11,319,703</u>	<u>\$ 375,667</u>
<b>Nonmajor Enterprise Funds</b>		
<b>Medical University Facilities Corporation</b>		
The University - current	<u>\$ 1,905,877</u>	
The University - noncurrent	<u>\$ 11,734,296</u>	
<b>CHS Development Company</b>		
The University - current	<u>\$ 968,105</u>	
The University - noncurrent	<u>\$ 20,311,248</u>	

### ***Medical University Hospital Authority***

Effective June 16, 2000, the University and the Authority entered into an affiliation agreement which outlines availability of facilities, use of house staff, and insurance coverage. The agreement automatically renewed July 31, 2005, for an additional five year term.

The University billed the Authority \$83,025,399 during the fiscal year ended June 30, 2009 for the use of interns and residents, professional services of the College of Medicine, physical plant, rent, public safety, and other administrative and financial services. Also during the fiscal year, the University made nonmandatory transfers to the Authority of \$247,759 for academic support. The University paid the Authority approximately \$3,228,000 during the fiscal year ended June 30, 2009 for rent, various administrative and support services. The Authority owed the University \$12,430,216 at June 30, 2009.

The Authority and the University entered into an agreement in fiscal year 2007 whereby the Authority will provide patient care to Medicaid and medically indigent patients, and appropriate clinical and educational settings for patient care, education and research to all residents and students of the University. In exchange for these services, the University will reimburse the Authority an amount equal to the appropriation transfer from the South Carolina Department of Health and Human Services. For the fiscal year ended June 30, 2009, the University reported State appropriations revenue of \$28,292,776 and an operating expense to the Authority of \$28,292,776. Since this payment relates directly or indirectly to patient care, the Authority has included this amount in net patient service revenue.

### ***University Medical Associates***

Revenue from the activities of University Medical Associates is available to pay its operating expenses and support activities of the academic departments at the Medical University of South Carolina including faculty and staff compensation. Any excess may be paid to the University or retained within UMA for future use. Pursuant to this practice, UMA provided support to the University totaling \$45,758,467 for the year ended June 30, 2009. This support is reported as interfund transfers.

UMA and MUHA have entered into an agreement whereby UMA will be reimbursed an annual fixed amount for providing an environment for ambulatory and community based primary care clinical education and research for MUSC residents and students. UMA shall be entitled to reimbursement for, but not limited to, expenses for facilities necessary to perform this agreement, personnel



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costs, insurance, necessary supplies and equipment, and necessary capital improvements. The parties agree each year to an estimated budget to be paid ratably over the year to UMA as reimbursement of its costs. Revenues of \$7.3 million have been recorded for this agreement for the fiscal year ended June 30, 2009.

On April 20, 2003, the University and UMA entered into an agreement whereby UMA will provide patient care to Medicaid recipients in appropriate clinical and educational settings. The University will reimburse UMA in an amount equal to the supplemental payment made to the University by the South Carolina Department of Health and Human Services (SC DHHS). Payments to the University from SC DHHS are made in accordance with a South Carolina Medicaid Plan amendment which provides reimbursement for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. For the fiscal year ended June 30, 2009, the University reported revenue of \$41,174,299 from SC DHHS and an expense to UMA of \$41,174,299. These amounts include \$5,914,067 related to fiscal year 2008 which was received from various managed care organizations and which could not be estimated in the prior year. The South Carolina Medicaid Plan is an important source of patient care funding for UMA. There can be no assurance that UMA will continue to qualify for future participation in the South Carolina Medicaid Plan or that the Plan will not ultimately be discontinued or materially modified. Any material reduction in the funding received from the Plan would have a correspondingly material adverse effect on UMA's operations.

UMA and the Authority have entered into an agreement to provide emergency care services to patients. This agreement is renewed annually and can be terminated by either party upon 120 days written notice. UMA has responsibility for the management of the daily operations of the emergency services. Any net gain or loss from operations of the Authority emergency care services is shared equally as defined in the financial accountability and distribution plan.

UMA has entered into a managed care contract and reimbursement agreement with the Authority. UMA performs services regarding managed care operations for the Authority and its affiliates, including arranging for contracts with various third party payers. The agreement is renewed annually and may be terminated, by either party, 30 days prior to the expiration of the term in effect. All costs from these operations of the managed care services are shared as follows: UMA (40%), Carolina Management Services (CHMS), a blended unit of UMA (10%), and the Authority (50%). For the year ended June 30, 2009, of total managed care costs of \$447,596, the Authority and CHMS shared expenses of \$223,798 and \$44,759, respectively.

UMA provides billing and collection services to the Authority related to certain limited clinical services, for which UMA receives an administrative fee. Total billings by UMA for these services were approximately \$44,234,000 and \$38,285,000 in fiscal years 2009 and 2008, respectively. The amounts collected and remitted by UMA to the Authority with respect to these billings amounted to approximately \$12,704,000 and \$11,515,000 in fiscal years 2009 and 2008, respectively. The related administrative fees paid by the Authority to UMA amounted to approximately \$1,183,000 and \$1,069,000 in fiscal years 2009 and 2008, respectively.

On February 7, 2003, the UMA department of Psychiatry and Behavioral Sciences and the Authority entered into an agreement that created the Institute of Psychiatry to provide psychiatric services to indigent and under-funded patients of the psychiatric and substance abuse treatment programs of the Authority. The agreement is renewed annually and can be terminated by any party upon 365 days written notice. The MUSC Department of Psychiatry has the responsibility for management of the daily operations of the Clinical Enterprise. An annual budget is prepared and approved by both parties with monthly settlement of any expenses in excess of patient service revenues collected. Any gain from operations is paid to the Authority to cover facility costs and overhead expenses. Annually the operations of the Clinical Enterprise will be reviewed against goals established at the beginning of each year. Based upon this assessment, the Authority will transfer an agreed upon amount of academic support to the University. For the year ended June 30, 2009, this agreement produced a net loss and thus no support will be paid.

UMA amounts due (to) from the University as of June 30, 2009, were as follows:

Agency Fund – amount in excess of prepaid	\$ 201,005
Rental income	85,873
Supplemental Medicaid payments	11,001,753
Parking fees	( 36,301)
Other receivables	577,991
Other payables	( 510,618)
Net due (to) from the University	<u>\$ 11,319,703</u>

UMA amounts due (to) from the Authority as of June 30, 2009, were as follows:

Ambulatory Care and Clinical Education Agreement	\$ 246,425
Psychiatry Clinical Enterprise Agreement	(702,186)
Patient receivables	(250,825)
Receivables under various billing agreements	(1,477,231)
Managed Care contract	25,481
Emergency Medicine Services Agreement	240,005
Salary reimbursement	87,838
Rental income	162,234
Rutledge Tower renovations	1,284,355
Other receivables	57,189
Other payables	(48,952)
Total amounts due to the Authority	<u>\$( 375,667)</u>

### **Medical University Facilities Corporation**

During fiscal year 2009, MUFC recognized interest income of \$932,323 associated with its capital leases with the University.

Pursuant to the trust agreements, MUFC transferred \$104,243 of excess funds on deposit to the University during the year ended June 30, 2009.

### **CHS Development Company**

On November 1, 2003, CHS Development Company entered into a ground lease agreement with the Medical University of South Carolina Foundation (MUSCF) as part of a plan of financing the development of the former Charleston High School property for use by the University. The ground lease required CHS to prepay rent of \$3,140,000 to MUSCF. The prepayment is being amortized on a straight line basis over 20 years. Amortization expense of \$156,349 was recorded for the year ended June 30, 2009. The lease terminates on the earlier of December 1, 2035, or the date that the related bonds are paid in full. On November 1, 2003, CHS also entered into a lease agreement with the University. Under the terms of the agreement, the University will lease from CHS the site and all improvements thereon, including the buildings. The term of the lease began on March 1, 2005 and ends on January 1, 2025. During fiscal year 2009, CHS recognized interest income of \$950,468 associated with its capital lease with the University.

During fiscal year 2009, the University transferred \$688,584 to CHS as reimbursement for costs incurred in financing the CHS project.

## **18. DISCRETELY PRESENTED COMPONENT UNITS**

Only MUSCF and MFRD report under Financial Accounting Standards Board (FASB) standards. Accordingly, net assets and changes therein are classified as follows:

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that will be met by actions of the organization and/or passage of time.

*Unrestricted Undesignated Net Assets* - Net assets not subject to donor-imposed restrictions.

*Unrestricted Designated Net Assets* - Net assets not subject to donor-imposed restrictions but subject to the organization's board-imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met.

MFRD recognizes grant and contract revenue based upon work performed at the reporting date under specific contract terms. License fee and royalty income is recognized based on agreement milestones. MFRD recognizes revenue from registration and seminar fees once the event is complete.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

### **Medical University of South Carolina Foundation**

The University provides office space and pays certain administrative costs for MUSCF which are reimbursed throughout the year. MUSCF provided support to the University for general and department expenses which totaled \$12,921,264 in fiscal year 2009. The University records this revenue as gifts. In addition, the University received from MUSCF in fiscal year 2009, \$969,498 in donated capitalized equipment, \$ 321,372 in equipment and services expensed by the University, and \$52,563 in gifts to help fund capital projects. The amount due the University for gifts from MUSCF at June 30, 2009 was \$2,209,907.

During fiscal year 2009, MUSCF leased various properties via operating leases to the University, the Authority, and UMA. In addition, as described in Note 13, during fiscal year 2009, MUSCF entered into capital lease agreements with the University.

MUSCF has an agreement with the University which allows the University to make periodic deposits to MUSCF of the corpus of endowments received by the University primarily from the South Carolina Commission on Higher Education under the Centers of Economic Excellence Matching Endowment. MUSCF will provide earnings to the University at the investment earnings rate, net of investment fees, of the pooled investments of MUSCF. After the first twelve months held by MUSCF, the principal is due with thirty days written notice by the University. The balance owed under this agreement at June 30, 2009 is \$36,859,609 which includes the net impact of accrued interest and realized and unrealized net losses of ( \$4,348,115 ).



MUSCF acquired the Rutledge Tower building in 1993 and leased the properties to UMA. During April 1996, MUSCF's board of directors passed a resolution to transfer the title on Rutledge Tower and associated facilities to the University at the end of the lease term which is the later of (1) June 30, 2024, or (2) the date on which all principal of and premium, if any, and interest on the direct note obligations have been paid. This was considered a contribution by MUSCF, and was recorded by MUSCF as a contribution payable and contribution expense in 1996 at the value of the land, \$17,852,400. The buildings and equipment do not have a residual value at the end of the lease. The pledge has not been recorded by the University because the net realizable value is not readily determinable and because of the uncertainties created by the fact that the transfer will not be made until the end of the lease term.

### ***MUSC Foundation for Research Development***

MFRD and the University have an affiliation agreement which outlines activities requiring MUSC Board approval, conflict of interest, dissolution, insurance, and indemnity. Additionally, the agreement requires an annual accounting of the State property, personnel, and resources used directly by MFRD, as well as, reimbursement or demonstration that adequate in kind reimbursement through provision of funds or services to the University has been made. During fiscal year 2009, the value of the State resources used by MFRD was estimated to be \$160,850. This amount was reimbursed to the University. The value was calculated using actual personnel costs prorated by MFRD effort plus an overhead allocation.

MFRD entered into a contract with the University to provide management services for research activities and intellectual property activities. For the fiscal year ended June 30, 2009, MFRD recognized income of \$1,245,543 from this contract.

A contract was executed during the fiscal year ended June 30, 1998 between MFRD and the University for support activities and fund management for the MUSC Healthy South Carolina Initiative Program. Specific responsibilities of the Foundation included providing subawards to support the Healthy South Carolina Initiative Program, pursuing intellectual properties and service opportunities emanating from the research, and reporting health benefits accruing to South Carolinians.

MFRD initially recorded the corpus of the Healthy South Carolina funds as a liability to the University. These funds have been subawarded for research and other activities performed by University faculty members. Funds are returned to the University as expenses are incurred by the University for these subawards. During the fiscal year ended June 30, 2009, all remaining funds were returned to the University; therefore, no liability to the University has been recorded as of June 30, 2009.

The University has assigned the rights to intellectual property owned by the University to MFRD. MFRD incurs the cost of patent prosecution and commercialization of the intellectual property. Legal fees and other costs associated with patent prosecution are expensed as incurred as the future economic benefits are uncertain and not measurable.

## **19. RISK MANAGEMENT**

The University and its component units are exposed to various risks of loss and maintain State or commercial insurance coverage for each of those risks except health and dental insurance claims for UMA which are self-insured. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered employees for health and dental insurance benefits (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage either through a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following activities:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles and watercraft;
4. Torts;
5. Business interruptions;
6. Natural disasters;
7. Medical malpractice claims against covered clinics, hospitals, employees, and third- and fourth-year medical students.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in certain areas. The IRF's rates are determined actuarially.

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The University and the Authority obtain coverage through commercial insurers for employee fidelity insurance for all employees for losses arising from theft or misappropriation as well as for Directors and Officers insurance and extra general liability insurance. The University also obtains coverage through a commercial insurer for losses related to aircraft, as well as a second layer of professional liability insurance for certain practitioners practicing outside the State of South Carolina.

UMA and its component units are exposed to various risks related to: torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. UMA, as the recognized clinical practice plan of the Medical University of South Carolina, is granted statutory protection and recovery limitations for MUSC physicians' clinical activities. Pursuant to State law, these physicians are insured by the South Carolina Insurance Reserve fund which is sustained through premiums paid by State agencies and governmental entities. For coverage of all other individuals and activities, UMA maintains coverage from commercial insurance companies. Management believes these coverages are sufficient to preclude any significant uninsured losses to UMA from risks that occur in normal and expected activities. Funds administered by the State of South Carolina or commercial insurance covers the following risks: 1) unemployment and worker's compensation benefits, 2) long-term disability benefits for employees, 3) theft of assets, 4) damage to property, and 5) tort liability claims including error and omissions. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with the insurance policy and benefit program limits. Settlement amounts have not exceeded insurance coverage for the current or preceding three years. Insurance coverage has been consistently maintained over this period with no significant reductions in coverage.

UMA also purchases a portion of its medical malpractice insurance coverage for healthcare providers through the State's insurance enterprises, the Medical Malpractice Patients' Compensation fund and the Joint Underwriters Association, with the majority of practicing physicians being covered by the State Insurance Reserve Fund discussed above. UMA obtains employee fidelity bond insurance coverage through a commercial insurer for all employees for losses arising from theft or misappropriation.

UMA and its component units provide employee life and disability benefits through commercial insurance companies and have established an employee benefit plan to self-insure employees for health, accident, and dental expenses. UMA records an estimated liability for incurred but not reported claims for this self-insured plan based on estimates of the ultimate cost of reported claims using the gross method. This liability is included in "Payables and accrued liabilities" on the Statement of Net Assets on the Statement of Net Assets. Changes in the incurred but not reported claims liability for fiscal years ended June 30, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Liability balance – beginning	\$ 563,997	\$ 649,637
Current year claims and changes in estimate	6,728,112	5,225,231
Claims payments	<u>(6,490,738)</u>	<u>(5,310,871)</u>
Liability balance – ending	<u>\$ 801,371</u>	<u>\$ 563,997</u>

## 20. OPERATING EXPENSES BY FUNCTION

Operating expenses of the University by functional classification for the year ended June 30, 2009 are as follows:

	Compensation and Employee Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 102,435,121	\$ 89,116,939	\$ 7,052	\$ 711,953	-	\$ 192,271,065
Research	90,512,007	45,758,514	43,461	4,324,399	-	140,638,381
Public service	32,853,268	7,566,078	-	33,023	-	40,452,369
Academic support	26,194,112	12,108,681	14,549	14,420	-	38,331,762
Student services	8,161,894	1,660,108	305	58,833	-	9,881,140
Institutional support	22,971,382	11,086,233	145,530	-	-	34,203,145
Operation and maintenance of plant	17,657,476	12,698,677	10,340,068	-	27,222,497	67,918,718
Scholarships and fellowships	-	-	-	3,652,557	-	3,652,557
Auxiliary enterprises	1,756,944	4,699,943	411,089	-	-	6,867,976
	<u>\$ 302,542,204</u>	<u>\$ 184,695,173</u>	<u>\$ 10,962,054</u>	<u>\$ 8,795,185</u>	<u>\$ 27,222,497</u>	<u>\$ 534,217,113</u>

## 21. DONOR RESTRICTED ENDOWMENTS

Endowments are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized. The University's endowments require that the income be used for specific purposes. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purpose for which the endowment was established. Due to the capital markets' decline in fiscal year 2009, cumulative net realized and unrealized losses, net of earned interest income, totaled \$4,348,115 at June 30, 2009. Since the endowment principal must be maintained in perpetuity, the University has transferred \$4,348,115 from its unrestricted assets to its restricted assets, expendable for education, in order to restore the endowment value to the principal amount.

In fiscal year 2009, the University received funding totaling \$10,648,297 from the South Carolina Commission on Higher Education under the Centers of Economic Excellence Matching Endowment (COEE). This program funds endowed chair professorships, which are to be used "to recruit and maintain leading scientists and engineers at the senior research universities of South Carolina for the purpose of developing and leveraging the research capabilities of the universities for the creation of well-paying jobs and enhanced economic opportunities for the people of South Carolina." In addition to the COEE funding, the University received, in fiscal year 2009, \$49,651 for other endowed purposes.

## 22. SUBSEQUENT EVENTS

On July 14, 2009, the James B. Edwards College of Dental Medicine Building was substantially completed and patients were seen in September 2009. On September 1, 2009, the College of Dental Medicine entered into an agreement with the Medical University of South Carolina Foundation to borrow \$3.5 million for equipment.

On September 3, 2009, the State Budget and Control Board approved a 4.04% across-the-board general fund budget reduction from all state agencies. The Board's actions were a result of the Board of Economic Advisor's lowering of the FY 2009-10 revenue estimate. The total reduction for the University was \$3,512,131.

Site work has started on the Drug Discovery and Bioengineering buildings. The Drug Discovery building is estimated to be complete by November 22, 2011. Project costs are currently estimated at \$61,504,400. The Bioengineering building is also estimated to be complete by November 22, 2011. Project costs are currently estimated at \$58,250,000.

## 23. INFORMATION FOR STATEMENT OF ACTIVITIES

	Fiscal Year 2009	Fiscal Year 2008	Increase/ (Decrease)
<b>The University</b>			
Charges for services	\$ 352,732,688	\$ 331,624,858	\$ 21,107,830
Operating grants and contributions	21,372,951	23,516,225	(2,143,274)
Capital grants and contributions	6,357,170	14,863,269	(8,506,099)
Less: expenses	(540,319,456)	(515,947,240)	(24,372,216)
Net program expense	(159,856,647)	(145,942,888)	(13,913,759)
Additions to permanent endowments	10,697,948	8,080,186	2,617,762
Transfers:			
State appropriations	116,417,914	138,156,476	(21,738,562)
Capital appropriations	-	7,500,000	(7,500,000)
Capital improvement bond proceeds	2,522,456	3,881,976	(1,359,520)
Other transfers in from state agencies/funds	44,926,367	31,154,234	13,772,133
Less: transfers out to state agencies/funds	(249,864)	(257,403)	7,539
Total general revenue and transfers	174,314,821	188,515,469	(14,200,648)
Change in net assets	14,458,174	42,572,581	(28,114,407)
Net assets - beginning	440,127,847	397,555,266	42,572,581
Net assets - ending	\$ 454,586,021	\$ 440,127,847	\$ 14,458,174
<b>Medical University Hospital Authority</b>			
Charges for services	\$ 885,162,629	\$ 802,380,410	\$ 82,782,219
Operating grants and contributions	19,971,625	22,941,175	(2,969,550)
Less: expenses	(901,883,116)	(844,421,488)	(57,461,628)
Net program revenue (expense)	3,251,138	(19,099,903)	22,351,041
Transfers:			
Other transfers in from state agencies/funds	247,759	-	247,759
Less: Transfers out to state agencies/funds	-	(552,241)	552,241
Total general revenue and transfers	247,759	(552,241)	800,000
Change in net assets	3,498,897	(19,652,144)	23,151,041
Net assets - beginning	237,852,409	257,504,553	(19,652,144)
Net assets - ending	\$ 241,351,306	\$ 237,852,409	\$ 3,498,897
<b>University Medical Associates</b>			
Charges for services	\$ 283,528,422	\$ 243,255,511	\$ 40,272,911
Operating grants and contributions	12,581,781	16,679,398	(4,097,617)
Less: expenses	(240,373,034)	(219,484,072)	(20,888,962)
Net program revenue	55,737,169	40,450,837	15,286,332
Transfers:			
Transfers out to state agencies/funds	(45,758,467)	(30,749,976)	(15,008,491)
Total general revenue and transfers	(45,758,467)	(30,749,976)	(15,008,491)
Change in net assets	9,978,702	9,700,861	277,841
Net assets - beginning	124,951,877	115,251,016	9,700,861
Net assets - ending	\$ 134,930,579	\$ 124,951,877	\$ 9,978,702
<b>Nonmajor Enterprise Funds</b>			
<b>Medical University Facilities Corporation</b>			
Operating grants and contributions	\$ 971,386	\$ 1,111,890	\$ (140,504)
Less: expenses	(894,162)	(979,694)	85,532
Net program revenue	77,224	132,196	(54,972)
Transfers:			
Transfers out to state agencies/funds	(104,243)	(98,944)	(5,299)
Total general revenue and transfers	(104,243)	(98,944)	(5,299)
Change in net assets	(27,019)	33,252	(60,271)
Net assets - beginning	1,343,847	1,310,595	33,252
Net assets - ending	\$ 1,316,828	\$ 1,343,847	\$ (27,019)
<b>CHS Development Company</b>			
Operating grants and contributions	\$ 1,119,560	\$ 1,245,273	\$ (125,713)
Less: expenses	(1,560,130)	(1,595,605)	35,475
Net program expense	(440,570)	(350,332)	(90,238)
Transfers:			
Transfers in from state agencies/funds	688,584	246,927	441,657
Total general revenue and transfers	688,584	246,927	441,657
Change in net assets	248,014	(103,405)	351,419
Net assets (deficit) - beginning	(68,791)	34,614	(103,405)
Net assets (deficit) - ending	\$ 179,223	\$ (68,791)	\$ 248,014

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
JUNE 30, 2009**

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables, net	7,536	-	7,536
Prepaid items	-	156,349	156,349
Restricted assets			
Cash and cash equivalents	1,397,756	10,646	1,408,402
Investments	316,168	628,643	944,811
Interfund receivables	1,905,877	968,105	2,873,982
Other current assets	63,903	60,707	124,610
Total current assets	<u>3,691,240</u>	<u>1,824,450</u>	<u>5,515,690</u>
<b>Noncurrent Assets</b>			
Restricted assets			
Cash and cash equivalents	-	4,239,553	4,239,553
Investments	213,000	-	213,000
Interfund receivables	11,734,296	20,311,248	32,045,544
Prepaid items	-	2,115,246	2,115,246
Other noncurrent assets	219,445	821,307	1,040,752
Total noncurrent assets	<u>12,166,741</u>	<u>27,487,354</u>	<u>39,654,095</u>
Total assets	<u>15,857,981</u>	<u>29,311,804</u>	<u>45,169,785</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and accrued liabilities	156,357	665,200	821,557
Deferred revenue	19,796	-	19,796
Long-term liabilities	1,986,000	1,240,326	3,226,326
Total current liabilities	<u>2,162,153</u>	<u>1,905,526</u>	<u>4,067,679</u>
<b>Noncurrent liabilities</b>			
Long-term liabilities	12,379,000	27,227,055	39,606,055
Total noncurrent liabilities	<u>12,379,000</u>	<u>27,227,055</u>	<u>39,606,055</u>
Total liabilities	<u>14,541,153</u>	<u>29,132,581</u>	<u>43,673,734</u>
<b>NET ASSETS</b>			
Restricted			
Expendable for:			
Debt service	1,316,828	179,223	1,496,051
Total net assets	<u>\$ 1,316,828</u>	<u>\$ 179,223</u>	<u>\$ 1,496,051</u>

See accompanying independent auditors' report.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
<b>Operating revenues</b>			
Interest income (used as security for revenue bonds and notes)	\$ 932,323	\$ 1,119,560	\$ 2,051,883
Other operating revenues	39,063	-	39,063
Total operating revenues	<u>971,386</u>	<u>1,119,560</u>	<u>2,090,946</u>
<b>Operating expenses</b>			
Interest expense	830,259	1,343,074	2,173,333
Amortization	63,903	217,056	280,959
Total operating expenses	<u>894,162</u>	<u>1,560,130</u>	<u>2,454,292</u>
Operating income (loss)	<u>77,224</u>	<u>(440,570)</u>	<u>(363,346)</u>
Income (loss) before other revenues, expenses gains, losses, and transfers	77,224	(440,570)	(363,346)
Interfund transfers	<u>(104,243)</u>	<u>688,584</u>	<u>584,341</u>
<b>Change in net assets</b>	<u>(27,019)</u>	<u>248,014</u>	<u>220,995</u>
<b>Net assets (deficit) at beginning of year</b>	<u>1,343,847</u>	<u>(68,791)</u>	<u>1,275,056</u>
<b>Net assets at end of year</b>	<u>\$ 1,316,828</u>	<u>\$ 179,223</u>	<u>\$ 1,496,051</u>

See accompanying independent auditors' report.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Other payments	\$ -	\$ -	\$ -
Net cash provided by operating activities	-	-	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund transfers	(104,243)	688,584	584,341
Net cash provided (used) by noncapital financing activities	(104,243)	688,584	584,341
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on bonds and notes payable	(1,884,000)	(1,200,000)	(3,084,000)
Interest paid on bonds and notes payable	(845,587)	(1,366,400)	(2,211,987)
Net cash (used) by capital and related financing activities	(2,729,587)	(2,566,400)	(5,295,987)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Collection of interfund receivables	1,794,728	926,848	2,721,576
Interest received on interfund receivables	928,956	950,468	1,879,424
Purchases of investments	(1,329,665)	(3,150,879)	(4,480,544)
Proceeds from sales and maturities of investments	1,329,666	3,135,401	4,465,067
Interest on investments	41,136	160,920	202,056
Net cash provided by investing activities	2,764,821	2,022,758	4,787,579
Net increase (decrease) in cash and cash equivalents	(69,009)	144,942	75,933
Cash and cash equivalents at beginning of year	1,466,765	4,105,257	5,572,022
Cash and cash equivalents at end of year	\$ 1,397,756	\$ 4,250,199	\$ 5,647,955
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ 77,224	\$ (440,570)	\$ (363,346)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Amortization	63,903	217,056	280,959
Interest income	(971,386)	(1,119,560)	(2,090,946)
Interest expense	830,259	1,343,074	2,173,333
Net cash provided by operating activities	\$ -	\$ -	\$ -
Noncash transactions			
Non-cash transfers, net, to the University	\$ -	\$ -	\$ -
Total noncash transactions	\$ -	\$ -	\$ -

See accompanying independent auditors' report.



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# **Statistical Section**

**(unaudited)**

## **STATISTICAL SECTION (UNAUDITED)**

This section of the comprehensive annual financial report for the Medical University of South Carolina (MUSC) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about its overall financial health.

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## ACCREDITATION STATEMENT

The Medical University of South Carolina is fully accredited by the Southern Association of Colleges and Schools (SACS), which can be contacted at 1866 Southern Lane, Decatur, GA, 30033-4097, telephone (404) 679-4500. Accreditation allows MUSC to award bachelor degrees, master degrees, doctoral and professional degrees. Additionally, each college or program is accredited by numerous national, professional, and specialized accrediting bodies. Documents describing accreditation, approval, or licensing of programs are available for review in each college dean's office by appointment.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF REVENUES BY SOURCE  
LAST EIGHT FISCAL YEARS**

		For the Year Ended June 30, (amounts expressed in thousands \$)							
Revenues		2009	2008	2007	2006	2005	2004	2003	2002
The University									
Student tuition and fees (net of scholarship allowances)	\$	55,377	\$ 49,199	\$ 46,341	\$ 39,934	\$ 34,985	\$ 27,217	\$ 22,587	\$ 21,100
Federal grants and contracts		119,783	117,734	116,302	120,472	121,834	115,469	103,271	83,239
State grants and contracts		5,278	6,158	5,368	4,343	5,066	3,392	2,765	3,292
Local grants and contracts		206	65	67	93	105	170	228	247
Nongovernmental grants and contracts		25,852	29,988	20,876	18,176	17,342	14,711	15,116	19,239
Interest on student loans receivable		-	-	-	-	-	-	-	130
Interfund services		83,025	83,161	70,960	66,973	62,602	60,086	55,822	51,425
Sales and services of educational and other activities		53,429	37,850	36,256	34,179	30,842	27,396	31,279	10,979
Auxiliary enterprises		9,782	7,470	6,898	5,514	5,248	5,838	5,971	5,178
Other operating revenues		10,534	9,901	10,110	8,797	8,304	9,505	10,141	9,302
Operating revenues		363,266	341,526	313,178	298,481	286,328	263,784	247,180	204,131
State appropriations		116,418	138,157	136,510	103,014	97,656	96,526	108,201	121,242
Gifts and grants		13,951	10,985	8,363	7,281	7,905	14,452	10,769	11,845
Investment income (losses)		(3,112)	2,472	5,548	1,554	1,448	605	2,727	2,667
Other nonoperating revenues		-	158	-	-	-	-	-	-
Nonoperating revenues		127,257	151,772	150,421	111,849	107,009	111,583	121,697	135,754
Total Revenues -- The University	\$	490,523	\$ 493,298	\$ 463,599	\$ 410,330	\$ 393,337	\$ 375,367	\$ 368,877	\$ 339,885
Medical University Hospital Authority									
Net patient service revenue	\$	885,163	\$ 802,380	\$ 733,302	\$ 681,349	\$ 624,942	\$ 578,827	\$ 535,211	\$ 507,631
Other operating revenues		17,328	19,502	15,748	16,743	13,084	9,568	13,113	10,097
Operating revenues		902,491	821,882	749,050	698,092	638,026	588,395	548,324	517,728
Investment income		2,644	3,440	3,164	1,810	2,826	216	64	777
Nonoperating revenues		2,644	3,440	3,164	1,810	2,826	216	64	777
Total Revenues -- Medical University Hospital Authority	\$	905,135	\$ 825,322	\$ 752,214	\$ 699,902	\$ 640,852	\$ 588,611	\$ 548,388	\$ 518,505
University Medical Associates									
Net patient service revenue	\$	276,251	\$ 234,901	\$ 217,320	\$ 194,387	\$ 171,898	\$ 160,682	\$ 172,294	\$ 138,588
Ambulatory care and primary care agreements		7,277	8,354	8,409	8,332	8,382	8,547	12,159	38,162
Other operating revenues		13,442	11,513	10,280	7,094	4,608	4,320	3,718	6,155
Operating revenues		296,970	254,768	236,009	209,813	184,888	173,549	188,171	182,905
Investment income (losses)		(4,699)	862	5,540	1,904	1,904	395	1,615	1,419
Other nonoperating revenues		3,839	4,060	3,993	4,164	4,071	3,778	4,568	4,725
Nonoperating revenues		(860)	4,922	9,533	6,068	5,975	4,173	6,183	6,144
Total Revenues -- University Medical Associates	\$	296,110	\$ 259,690	\$ 245,542	\$ 215,881	\$ 190,863	\$ 177,722	\$ 194,354	\$ 189,049
Nonmajor Enterprise Funds									
Interest income	\$	2,052	\$ 2,273	\$ 2,280	\$ 2,443	\$ 2,037	\$ 1,550	\$ 1,915	\$ 2,048
Other operating revenues		39	84	100	80	6	-	100	200
Operating revenues		2,091	2,357	2,380	2,523	2,043	1,550	2,015	2,248
Investment income		-	-	-	-	-	2	-	-
Other nonoperating revenues		-	-	-	-	152	-	-	-
Nonoperating revenues		-	-	-	-	152	2	-	-
Total Revenues -- Nonmajor Enterprise Funds	\$	2,091	\$ 2,357	\$ 2,380	\$ 2,523	\$ 2,195	\$ 1,552	\$ 2,015	\$ 2,248
Total Revenues -- Primary Government	\$	1,693,859	\$ 1,580,667	\$ 1,463,735	\$ 1,328,636	\$ 1,227,247	\$ 1,143,252	\$ 1,113,634	\$ 1,049,687

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002 forward are available.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF REVENUES BY SOURCE  
LAST EIGHT FISCAL YEARS**

Revenues	For the Year Ended June 30, (percent of total revenues)							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>The University</b>								
Student tuition and fees (net of scholarship allowances)	3.3%	3.1%	3.2%	3.0%	2.9%	2.4%	2.0%	2.0%
Federal grants and contracts	7.1%	7.4%	7.9%	9.1%	9.9%	10.1%	9.3%	7.9%
State grants and contracts	0.3%	0.4%	0.4%	0.3%	0.4%	0.3%	0.2%	0.3%
Local grants and contracts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nongovernmental grants and contracts	1.5%	1.9%	1.4%	1.4%	1.4%	1.3%	1.4%	1.8%
Interest on student loans receivable	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interfund Services	4.9%	5.3%	4.8%	5.0%	5.1%	5.3%	5.0%	4.9%
Sales and services of educational and other activities	3.2%	2.4%	2.5%	2.6%	2.5%	2.4%	2.8%	1.0%
Auxiliary enterprises	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%
Other operating revenues	0.6%	0.6%	0.6%	0.8%	0.7%	0.9%	1.0%	0.9%
Operating revenues	21.5%	21.6%	21.3%	22.6%	23.3%	23.2%	22.2%	19.3%
State appropriations	6.9%	8.7%	9.3%	7.8%	8.0%	8.4%	9.7%	11.6%
Gifts and grants	0.8%	0.7%	0.6%	0.5%	0.6%	1.3%	1.0%	1.1%
Investment income (losses)	-0.2%	0.2%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%
Other nonoperating revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-operating revenues	7.5%	9.6%	10.3%	8.4%	8.7%	9.8%	10.9%	13.0%
<b>Total Revenues -- The University</b>	<b>29.0%</b>	<b>31.2%</b>	<b>31.6%</b>	<b>31.0%</b>	<b>32.0%</b>	<b>33.0%</b>	<b>33.1%</b>	<b>32.3%</b>
<b>Medical University Hospital Authority</b>								
Net patient service revenue	52.3%	50.8%	50.1%	51.3%	50.9%	50.6%	48.1%	48.4%
Other operating revenues	1.0%	1.2%	1.1%	1.3%	1.1%	0.8%	1.2%	1.0%
Operating revenues	53.3%	52.0%	51.2%	52.6%	52.0%	51.4%	49.3%	49.4%
Investment income	0.2%	0.2%	0.2%	0.1%	0.2%	0.0%	0.0%	0.1%
Non-operating revenues	0.2%	0.2%	0.2%	0.1%	0.2%	0.0%	0.0%	0.1%
<b>Total Revenues -- Medical University Hospital Authority</b>	<b>53.5%</b>	<b>52.2%</b>	<b>51.4%</b>	<b>52.7%</b>	<b>52.2%</b>	<b>51.4%</b>	<b>49.3%</b>	<b>49.5%</b>
<b>University Medical Associates</b>								
Net patient service revenue	16.3%	14.9%	14.8%	14.6%	14.0%	14.1%	15.5%	13.2%
Ambulatory care and primary care agreements	0.4%	0.5%	0.6%	0.6%	0.7%	0.7%	1.1%	3.6%
Other operating revenues	0.8%	0.7%	0.7%	0.5%	0.4%	0.4%	0.3%	0.6%
Operating revenues	17.5%	16.1%	16.1%	15.7%	15.1%	15.2%	16.9%	17.4%
Investment income (losses)	-0.3%	0.1%	0.4%	0.1%	0.2%	0.0%	0.1%	0.1%
Other nonoperating revenues	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%
Non-operating revenues	-0.1%	0.4%	0.7%	0.4%	0.5%	0.3%	0.5%	0.6%
<b>Total Revenues -- University Medical Associates</b>	<b>17.4%</b>	<b>16.5%</b>	<b>16.8%</b>	<b>16.1%</b>	<b>15.6%</b>	<b>15.5%</b>	<b>17.4%</b>	<b>18.0%</b>
<b>Nonmajor Enterprise Funds</b>								
Interest income	0.1%	0.1%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%
Other operating revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating revenues	0.1%	0.1%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other nonoperating revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Revenues -- Nonmajor Enterprise Funds</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.2%</b>
<b>Total Revenues -- Primary Government</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002 forward are available.  
Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF EXPENSES BY USE  
LAST EIGHT FISCAL YEARS**

		For the Year Ended June 30, (amounts expressed in thousands \$)							
Expenses		2009	2008	2007	2006	2005	2004	2003	2002
The University									
Compensation and employee benefits	\$	302,542	\$ 289,327	\$ 263,954	\$ 252,358	\$ 240,221	\$ 224,889	\$ 219,996	\$ 213,753
Services and supplies		184,695	179,097	165,251	128,468	121,604	115,544	122,597	99,000
Utilities		10,962	9,358	9,360	8,915	7,785	5,525	5,983	6,153
Scholarships and fellowships		8,795	9,104	8,897	8,287	8,087	5,750	5,094	5,065
Depreciation		27,223	23,287	21,613	18,667	14,065	11,761	11,953	12,089
Operating expenses		534,217	510,173	469,075	416,695	391,762	363,469	365,623	336,060
Refunds to grantors		137	240	314	462	381	647	422	403
Interest expense		5,217	4,551	3,675	3,508	3,161	3,059	4,211	4,271
(Gain) Loss on disposal of capital assets		712	984	286	279	739	(1,415)	37	316
Transfers to other state funds		250	257	810	327	321	255	128	-
Other nonoperating expenses		36	-	241	-	-	35	38	90
Nonoperating expenses		6,352	6,032	5,326	4,576	4,602	2,581	4,836	5,080
Total Expenses -- The University	\$	540,569	\$ 516,205	\$ 474,401	\$ 421,271	\$ 396,364	\$ 366,050	\$ 370,459	\$ 341,140
Medical University Hospital Authority									
Compensation and employee benefits	\$	392,149	\$ 388,991	\$ 314,692	\$ 283,432	\$ 255,474	\$ 241,757	\$ 225,216	\$ 357,729
Services and supplies		336,188	309,112	294,724	277,941	251,996	236,809	219,184	96,992
Utilities		12,676	12,898	10,474	9,721	8,958	7,059	6,429	4,857
Interfund services used		83,025	83,161	70,960	66,973	62,602	60,086	55,822	-
Interest expense		-	-	-	-	-	-	-	3,894
Provision for bad debt		-	-	-	-	-	-	-	24,239
Depreciation		52,093	32,379	22,946	21,158	20,260	19,524	17,365	16,987
Operating expenses		876,131	826,541	713,796	659,225	599,290	565,235	524,016	504,698
Interest expense		25,753	17,881	9,829	9,499	10,037	6,681	5,846	-
Nonoperating expenses		25,753	17,881	9,829	9,499	10,037	6,681	5,846	-
Total Expenses -- Medical University Hospital Authority	\$	901,884	\$ 844,422	\$ 723,625	\$ 668,724	\$ 609,327	\$ 571,916	\$ 529,862	\$ 504,698
University Medical Associates									
Compensation and employee benefits	\$	169,440	\$ 153,815	\$ 132,499	\$ 116,631	\$ 104,277	\$ 97,980	\$ 89,059	\$ 104,961
Services and supplies		55,121	50,070	48,364	45,830	42,150	38,057	37,767	42,225
Utilities		389	317	-	-	-	-	-	-
Provision for bad debt		-	-	-	-	-	-	21,603	16,432
Amortization		-	-	-	-	-	-	216	132
Depreciation		3,314	2,679	1,611	2,127	2,355	2,616	2,564	3,049
Operating expenses		228,264	206,881	182,474	164,588	148,782	138,653	151,209	166,799
Gifts made		5,525	6,924	3,162	937	156	138	367	775
Interest expense		6,363	5,679	5,799	5,860	5,801	5,968	6,362	6,895
Depreciation on rental property		-	-	-	-	-	-	1,146	912
(Gain) Loss on disposal of capital assets		221	(245)	2	(4)	(133)	114	499	483
Nonoperating expenses		12,109	12,358	8,963	6,793	5,824	6,220	8,374	9,065
Total Expenses -- University Medical Associates	\$	240,373	\$ 219,239	\$ 191,437	\$ 171,381	\$ 154,606	\$ 144,873	\$ 159,583	\$ 175,864
Nonmajor Enterprise Funds									
Compensation and employee benefits	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54	\$ 261
Services and supplies		-	-	-	221	58	680	213	535
Interest expense		2,173	2,294	2,415	2,534	1,545	2,114	1,894	1,930
Amortization		281	281	281	281	275	191	21	17
(Gain) Loss on disposal of capital assets		-	-	-	-	-	-	-	452
Other operating expenses		-	-	-	-	-	270	25	-
Operating expenses		2,454	2,575	2,696	3,036	1,878	3,255	2,207	3,195
Nonoperating expenses		-	-	-	-	-	-	-	-
Total Expenses -- Nonmajor Enterprise Funds	\$	2,454	\$ 2,575	\$ 2,696	\$ 3,036	\$ 1,878	\$ 3,255	\$ 2,207	\$ 3,195
Total Expenses -- Primary Government	\$	1,685,280	\$ 1,582,441	\$ 1,392,159	\$ 1,264,412	\$ 1,162,175	\$ 1,086,094	\$ 1,062,111	\$ 1,024,897

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002 forward are available.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.



**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF EXPENSES BY USE  
LAST EIGHT FISCAL YEARS**

		For the Year Ended June 30, (percent of total expenses)							
Expenses		2009	2008	2007	2006	2005	2004	2003	2002
<b>The University</b>									
Compensation and employee benefits		18.0%	18.3%	19.0%	20.0%	20.7%	20.7%	20.7%	20.9%
Services and supplies		11.0%	11.3%	11.8%	10.1%	10.4%	10.7%	11.6%	9.7%
Utilities		0.7%	0.6%	0.7%	0.7%	0.7%	0.5%	0.6%	0.6%
Scholarships and fellowships		0.5%	0.6%	0.6%	0.7%	0.7%	0.5%	0.5%	0.5%
Depreciation		1.6%	1.5%	1.6%	1.5%	1.2%	1.1%	1.1%	1.2%
Operating expenses		31.8%	32.3%	33.7%	33.0%	33.7%	33.5%	34.5%	32.9%
Refunds to grantors		0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Interest expense		0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%
(Gain) Loss on disposal of capital assets		0.0%	0.1%	0.0%	0.0%	0.1%	-0.1%	0.0%	0.0%
Transfers to other state funds		0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Other nonoperating expenses		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating expenses		0.3%	0.4%	0.4%	0.3%	0.4%	0.3%	0.4%	0.4%
<b>Total Expenses -- The University</b>		<b>32.1%</b>	<b>32.7%</b>	<b>34.1%</b>	<b>33.3%</b>	<b>34.1%</b>	<b>33.8%</b>	<b>34.9%</b>	<b>33.3%</b>
<b>Medical University Hospital Authority</b>									
Compensation and employee benefits		23.3%	24.6%	22.6%	22.4%	22.0%	22.3%	21.2%	34.9%
Services and supplies		19.9%	19.5%	21.2%	21.9%	21.7%	21.9%	20.7%	9.4%
Utilities		0.8%	0.8%	0.8%	0.8%	0.8%	0.6%	0.6%	0.5%
Interfund services used		4.9%	5.3%	5.1%	5.3%	5.4%	5.5%	5.3%	0.0%
Interest expense		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
Provision for bad debt		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%
Depreciation		3.1%	2.0%	1.6%	1.7%	1.7%	1.8%	1.6%	1.7%
Operating expenses		52.0%	52.2%	51.3%	52.1%	51.6%	52.1%	49.4%	49.3%
Interest expense		1.5%	1.1%	0.7%	0.8%	0.9%	0.6%	0.6%	0.0%
Nonoperating expenses		1.5%	1.1%	0.7%	0.8%	0.9%	0.6%	0.6%	0.0%
<b>Total Expenses -- Medical University Hospital Authority</b>		<b>53.5%</b>	<b>53.3%</b>	<b>52.0%</b>	<b>52.9%</b>	<b>52.5%</b>	<b>52.7%</b>	<b>50.0%</b>	<b>49.3%</b>
<b>University Medical Associates</b>									
Compensation and employee benefits		10.1%	9.7%	9.5%	9.2%	9.0%	9.0%	8.4%	10.2%
Services and supplies		3.3%	3.2%	3.5%	3.6%	3.6%	3.5%	3.6%	4.1%
Provision for bad debt		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	1.6%
Amortization		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Depreciation		0.2%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.3%
Operating expenses		13.6%	13.1%	13.1%	13.0%	12.8%	12.7%	14.2%	16.2%
Gifts made		0.3%	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%	0.1%
Interest expense		0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.6%	0.7%
Depreciation on rental property		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
(Gain) Loss on disposal of capital assets		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating expenses		0.7%	0.8%	0.6%	0.6%	0.5%	0.5%	0.7%	0.9%
<b>Total Expenses -- University Medical Associates</b>		<b>14.3%</b>	<b>13.9%</b>	<b>13.7%</b>	<b>13.6%</b>	<b>13.3%</b>	<b>13.2%</b>	<b>14.9%</b>	<b>17.1%</b>
<b>Nonmajor Enterprise Funds</b>									
Compensation and employee benefits		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Services and supplies		0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
Interest expense		0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%
Amortization		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(Gain) Loss on disposal of capital assets		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating expenses		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating expenses		0.1%	0.1%	0.2%	0.2%	0.1%	0.3%	0.2%	0.3%
Nonoperating expenses		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Expenses -- Nonmajor Enterprise Funds</b>		<b>0.1%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.3%</b>
<b>Total Expenses -- Primary Government</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002 forward are available.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY  
LAST EIGHT FISCAL YEARS**

	For the Year Ended June 30, (amounts expressed in thousands \$)							
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Expenses by function:</b>								
Instruction	\$ 192,271	\$ 180,898	\$ 164,547	\$ 136,877	\$ 129,898	\$ 121,217	\$ 132,803	\$ 116,513
Research	140,638	130,597	126,864	119,065	117,024	109,516	99,871	90,302
Public service	40,452	37,434	33,089	31,337	27,124	25,450	24,762	21,476
Academic support	38,332	35,235	32,210	26,739	25,298	24,200	24,431	25,506
Student services	9,881	9,605	9,028	7,823	7,194	7,410	6,839	6,441
Institutional support	34,203	40,052	36,669	34,475	30,295	29,432	27,701	27,134
Operation and maintenance of plant	67,919	66,775	59,770	54,110	47,278	41,298	44,441	43,769
Scholarships and fellowships	3,653	3,747	2,022	2,025	3,780	1,676	1,525	2,087
Auxiliary enterprises	6,868	5,830	4,876	4,244	3,871	3,270	3,250	2,832
Refunds to grantors	137	240	314	462	381	647	422	403
Interest expense	5,217	4,551	3,675	3,508	3,161	3,059	4,211	4,271
(Gain) loss on disposal of capital assets	712	984	286	279	739	(1,415)	37	316
Transfers to other State funds	250	257	810	327	321	255	128	-
Other non-operating expenses	36	-	241	-	-	35	38	90
<b>Total expenses by function</b>	<b>\$ 540,569</b>	<b>\$ 516,205</b>	<b>\$ 474,401</b>	<b>\$ 421,271</b>	<b>\$ 396,364</b>	<b>\$ 366,050</b>	<b>\$ 370,459</b>	<b>\$ 341,140</b>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002 forward are available.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY  
LAST EIGHT FISCAL YEARS**

	For the Year Ended June 30, (percent of total expenses)							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses:</b>								
Instruction	35.6%	35.0%	34.7%	32.5%	32.8%	33.1%	35.8%	34.2%
Research	26.0%	25.3%	26.7%	28.3%	29.5%	29.9%	27.0%	26.5%
Public services	7.5%	7.3%	7.0%	7.4%	6.8%	7.0%	6.7%	6.3%
Academic support	7.1%	6.8%	6.8%	6.3%	6.4%	6.6%	6.6%	7.5%
Student services	1.8%	1.9%	1.9%	1.9%	1.8%	2.0%	1.8%	1.9%
Institutional support	6.3%	7.8%	7.7%	8.2%	7.6%	8.0%	7.5%	8.0%
Operation and maintenance of plant	12.6%	12.9%	12.6%	12.8%	11.9%	11.3%	12.0%	12.8%
Scholarships and fellowships	0.7%	0.7%	0.4%	0.5%	1.0%	0.5%	0.4%	0.6%
Auxiliary enterprises	1.3%	1.1%	1.0%	1.0%	1.0%	0.9%	0.9%	0.8%
Refunds to grantors	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%
Interest expense	1.0%	0.9%	0.8%	0.8%	0.8%	0.8%	1.1%	1.3%
(Gain) loss on disposal of capital assets	0.1%	0.2%	0.1%	0.1%	0.2%	-0.4%	0.0%	0.0%
Transfers to other State funds	0.0%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%
Other non-operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002 forward are available.

Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF NET ASSETS  
LAST EIGHT FISCAL YEARS**

		For the Year Ended June 30, (amounts expressed in thousands \$)							
		2009	2008	2007	2006	2005	2004	2003	2002
The University									
Invested in capital assets, net of related debt		\$ 327,486	\$ 320,983	\$ 288,316	\$ 270,028	\$ 247,812	\$ 184,822	\$ 154,987	\$ 138,621
Restricted - nonexpendable		42,430	31,712	23,609	20,669	10,209	943	925	909
Restricted - expendable		26,075	37,191	40,734	26,207	21,324	29,747	25,418	15,974
Unrestricted		58,595	50,242	44,896	41,888	39,879	39,996	22,506	20,818
Net assets -- The University		454,586	440,128	397,555	358,792	319,224	255,508	203,836	176,322
Medical University Hospital Authority									
Invested in capital assets, net of related debt		70,482	80,805	56,689	61,407	42,700	98,459	78,816	58,047
Restricted - expendable		82,587	78,306	71,975	67,782	71,189	17,556	-	-
Unrestricted		88,282	78,741	128,841	101,937	86,611	64,149	85,206	93,259
Net assets -- Medical University Hospital Authority		241,351	237,852	257,505	231,126	200,500	180,164	164,022	151,306
University Medical Associates									
Invested in capital assets, net of related debt		10,563	2,290	2,952	330	(2,414)	(518)	(1,329)	826
Restricted - expendable		-	24,256	22,448	20,377	19,531	16,522	15,692	12,618
Unrestricted		124,368	98,406	89,851	66,937	47,243	27,825	12,358	(11,208)
Net assets -- University Medical Associates		134,931	124,952	115,251	87,644	64,360	43,829	26,721	2,236
Nonmajor Enterprise Funds									
Restricted - expendable		1,496	1,344	1,345	1,047	1,812	1,093	1,333	1,398
Unrestricted		-	(69)	-	-	(8,923)	(8,993)	(7,489)	(7,328)
Net assets -- Nonmajor Enterprise Funds		1,496	1,275	1,345	1,047	(7,111)	(7,900)	(6,156)	(5,930)
Net assets - Primary Government		\$ 832,364	\$ 804,207	\$ 771,656	\$ 678,609	\$ 576,973	\$ 471,601	\$ 388,423	\$ 323,934
Total Primary Government									
Invested in capital assets, net of related debt		\$ 408,531	\$ 404,078	\$ 347,957	\$ 331,765	\$ 288,098	\$ 282,763	\$ 232,474	\$ 197,494
Restricted - nonexpendable		42,430	31,712	23,609	20,669	10,209	943	925	909
Restricted - expendable		110,158	141,097	136,502	115,413	113,856	64,918	42,443	29,990
Unrestricted		271,245	227,320	263,588	210,762	164,810	122,977	112,581	95,541
Net assets - Primary Government		\$ 832,364	\$ 804,207	\$ 771,656	\$ 678,609	\$ 576,973	\$ 471,601	\$ 388,423	\$ 323,934

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002 forward are available.  
Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS**

	For the Year Ended June 30, (amounts expressed in thousands \$)							
	2009	2008	2007	2006	2005	2004	2003	2002
<b>The University</b>								
Income (loss) before other revenues, expenses, gains or losses	\$ (50,046)	\$ (22,907)	\$ (10,802)	\$ (10,941)	\$ (3,027)	\$ 9,317	\$ (1,582)	\$ (1,255)
State capital appropriations	2,523	11,382	6,808	5,271	2,868	239	2,341	1,164
Capital grants and gifts	6,357	14,863	11,350	13,660	28,182	25,781	10,154	6,259
Additions to permanent endowments	10,698	8,080	3,418	10,443	9,250	-	-	-
Interfund transfers	44,926	31,155	27,989	21,135	26,444	16,334	16,602	9,071
Changes in net assets -- The University	14,458	42,573	38,763	39,568	63,717	51,671	27,515	15,239
<b>Medical University Hospital Authority</b>								
Income (loss) before other revenues, expenses, gains or losses	3,251	(19,100)	28,589	31,178	31,525	16,695	18,526	13,807
Interfund transfers	248	(553)	(2,210)	(552)	(11,189)	(552)	(5,810)	(3,751)
Changes in net assets -- Medical University Hospital Authority	3,499	(19,653)	26,379	30,626	20,336	16,143	12,716	10,056
<b>University Medical Associates</b>								
Income before other revenues, expenses, gains or losses	55,737	40,451	54,105	44,500	36,257	32,849	34,771	13,185
Interfund transfers	(45,758)	(30,750)	(26,393)	(21,216)	(15,726)	(15,741)	(10,757)	(5,375)
Special item - disposition of primary care practice	-	-	(105)	-	-	-	(457)	(2,571)
Extraordinary item - relator's legal fee settlement	-	-	-	-	-	-	927	(2,150)
Changes in net assets -- University Medical Associates	9,979	9,701	27,607	23,284	20,531	17,108	24,484	3,089
<b>Nonmajor Enterprise Funds</b>								
Income (loss) before other revenues, expenses, gains or losses	(363)	(218)	(316)	(513)	317	(1,703)	(192)	(947)
Interfund transfers	584	148	614	633	471	(41)	(34)	(44)
Liquidation gain	-	-	-	8,038	-	-	-	-
Extraordinary loss on early extinguishment of debt	-	-	-	-	-	-	-	(576)
Changes in net assets -- Nonmajor Enterprise Funds	221	(70)	298	8,158	788	(1,744)	(226)	(1,567)
<b>Primary Government</b>								
Total changes in net assets	28,157	32,551	93,047	101,636	105,372	83,178	64,489	26,817
Net assets, beginning	804,207	771,656	678,609	576,973	471,601	388,423	323,934	297,117
Net assets, ending	\$ 832,364	\$ 804,207	\$ 771,656	\$ 678,609	\$ 576,973	\$ 471,601	\$ 388,423	\$ 323,934

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002 forward are available.  
Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF BOND COVERAGE – UNIVERSITY  
LAST TEN FISCAL YEARS**

(amounts expressed in thousands)

**State Institution Bonds (Note 1)**

Year ending June 30,	Tuition	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2009	\$ 8,400	\$ 8,400	\$ 3,270	\$ 1,858	\$ 5,128	<b>1.64</b>
2008	8,400	8,400	3,135	1,992	5,127	<b>1.64</b>
2007	8,400	8,400	3,495	2,162	5,657	<b>1.48</b>
2006	8,400	8,400	3,475	2,300	5,775	<b>1.45</b>
2005	7,200	7,200	3,120	2,624	5,744	<b>1.25</b>
2004	6,776	6,776	2,565	2,534	5,099	<b>1.33</b>
2003	6,549	6,549	2,090	2,117	4,207	<b>1.56</b>
2002	5,627	5,627	1,645	2,035	3,680	<b>1.53</b>
2001	4,830	4,830	1,565	1,754	3,319	<b>1.46</b>
2000	1,453	1,453	870	545	1,415	<b>1.03</b>

**Revenue Bonds Parking (Note 2)**

Year ending June 30,	Parking Revenue	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2009	\$ -	\$ -	\$ -	\$ -	\$ -	-
2008	-	-	-	-	-	-
2007	-	-	-	-	-	-
2006	-	-	-	-	-	-
2005	-	-	-	-	-	-
2004	2,234	2,234	2,155	79	2,234	<b>1.00</b>
2003	855	855	525	186	711	<b>1.20</b>
2002	855	855	490	221	711	<b>1.20</b>
2001	855	855	455	254	709	<b>1.21</b>
2000	855	855	425	284	709	<b>1.21</b>

Note 1: Bonds secured by tuition revenue.

Note 2: Bonds secured by parking revenue.

Source: The Medical University of South Carolina Controller's Office.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF RATIOS OF OUTSTANDING DEBT – UNIVERSITY  
LAST EIGHT FISCAL YEARS**

	For the Year Ended June 30,							
	(dollars expressed in thousands except for outstanding debt per student)							
	2009	2008	2007	2006	2005	2004	2003	2002
General obligation bonds payable, net	\$ 39,826	\$ 43,016	\$ 47,095	\$ 49,485	\$ 52,880	\$ 55,985	\$ 46,550	\$ 40,640
State bond anticipation notes	30,000	30,000	-	-	-	-	-	-
Revenue bonds, net	36,975	38,000	38,000	-	-	-	2,155	2,680
Energy note payable	15,387	-	-	-	-	-	-	-
Capital lease obligations	3,354	4,569	5,061	3,912	1,102	638	861	231
Due to component unit	46,736	-	-	-	-	-	-	-
Interfund payables	34,920	37,641	40,218	42,656	44,968	21,848	23,461	24,122
<b>Total outstanding debt</b>	<b>\$ 207,198</b>	<b>\$ 153,226</b>	<b>\$ 130,374</b>	<b>\$ 96,053</b>	<b>\$ 98,950</b>	<b>\$ 78,471</b>	<b>\$ 73,027</b>	<b>\$ 67,673</b>
<b>Full-time equivalent students</b>	2,755	2,816	2,777	2,734	2,577	2,381	2,321	2,275
<b>Outstanding debt per student</b>	<b>\$ 75,208</b>	<b>\$ 54,413</b>	<b>\$ 46,948</b>	<b>\$ 35,133</b>	<b>\$ 38,397</b>	<b>\$ 32,957</b>	<b>\$ 31,464</b>	<b>\$ 29,746</b>

Note: Outstanding debt per student calculated using full-time equivalent student enrollment data for the fiscal year's Fall term.  
Source: Medical University of South Carolina Comprehensive Annual Financial Report and Office of Enrollment Services.



**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF PLEDGED REVENUE COVERAGE – UMA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>Net Clinical Service Revenues</b>	<b>Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Variable Rate Securities and Notes Payable</b>			<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2009	\$ 276,251,035	\$ 223,545,159	\$ 52,705,876	\$ 1,579,792	\$ 6,668,058	\$ 8,247,850	6.39
2008	234,901,456	201,966,544	32,934,912	2,650,000	5,671,047	8,321,047	3.96
2007	217,320,428	178,081,321	39,239,107	2,500,000	5,798,569	8,298,569	4.73
2006	192,331,390	160,078,127	32,253,263	2,400,000	5,866,286	8,266,286	3.90
2005	171,897,964	144,529,159	27,368,805	1,900,000	5,747,368	7,647,368	3.58
2004	160,681,940	134,472,062	26,209,878	2,450,000	5,835,490	8,285,490	3.16
2003	150,690,643	125,675,028	25,015,615	1,400,000	5,928,114	7,328,114	3.41
2002	122,156,674	119,693,610	2,463,064	1,750,000	6,179,359	7,929,359	0.31
2001	112,844,013	116,412,615	(3,568,602)	1,600,000	6,798,981	8,398,981	(0.42)
2000	111,032,335	116,387,788	(5,355,453)	1,250,000	6,990,590	8,240,590	(0.65)

Note: Operating expenses are net of Ambulatory Care Clinical Education Agreement expenses which are fully reimbursed under the agreement.  
Source: University Medical Associates Comprehensive Annual Financial Reports.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF RATIOS OF OUTSTANDING DEBT – UMA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>Variable Rate Debt</b>	<b>Capital Lease Obligations</b>	<b>Notes Payable</b>	<b>Structured Legal Settlement</b>	<b>Total Outstanding Debt</b>	<b>Net Clinical Service Revenue</b>	<b>Outstanding Debt as Percentage of:</b>		<b>Per Capita</b>
							<b>Net Clinical Service Revenue</b>	<b>Personal Income</b>	
2009	\$ 62,085,000	\$ 89,559	\$ 36,335,208	\$ -	\$ 98,509,767	\$ 276,251,035	35.66%	0.07%	\$ 22
2008	85,100,000	151,145	-	-	85,251,145	234,901,456	36.29%	0.07%	20
2007	87,750,000	155,877	-	-	87,905,877	217,320,428	40.45%	0.07%	21
2006	90,250,000	242,981	-	-	90,492,981	192,331,390	47.05%	0.08%	21
2005	92,650,000	241,688	-	-	92,891,688	171,897,964	54.04%	0.08%	22
2004	94,550,000	580,409	-	840,000	95,970,409	160,681,940	59.73%	0.09%	23
2003	97,000,000	1,136,116	44,355	1,680,000	99,860,471	150,690,643	66.27%	0.10%	24
2002	98,400,000	1,720,951	88,432	2,520,000	102,729,383	122,156,674	84.10%	0.10%	25
2001	100,150,000	1,571,980	171,617	3,360,000	105,253,597	112,844,013	93.27%	0.11%	26
2000	101,750,000	1,631,882	876,202	4,200,000	108,458,084	111,032,335	97.68%	0.12%	27

Source: University Medical Associates Comprehensive Annual Financial Reports.

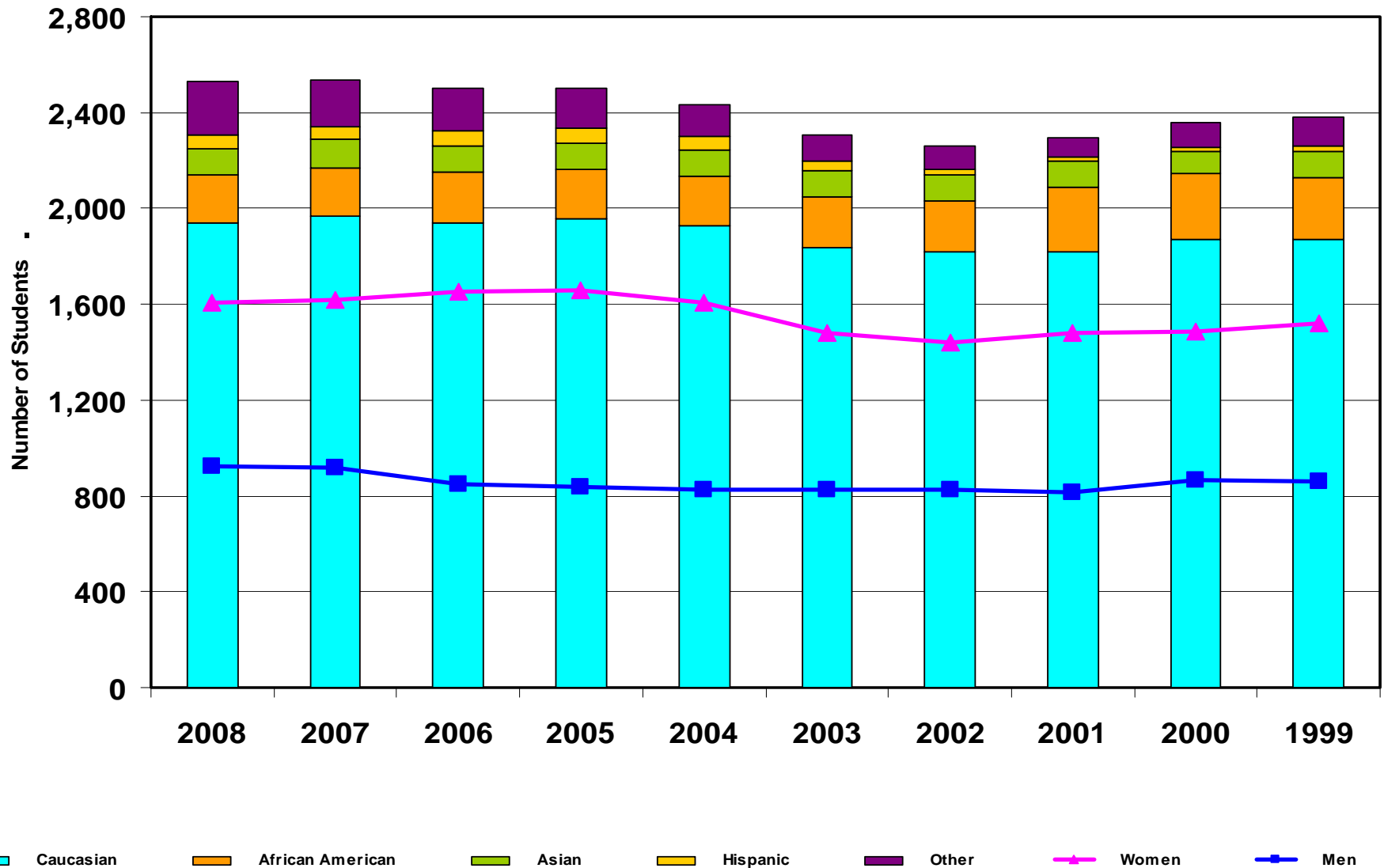
**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**ENROLLMENT STATISTICS – UNIVERSITY**  
**LAST TEN ACADEMIC YEARS**  
(FALL ENROLLMENTS)

<b>ENROLLMENT</b>		<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>LEVEL</b>											
Undergraduate		319	272	289	285	353	322	357	400	409	422
Graduate		1,032	1,105	1,061	1,082	973	898	865	888	944	993
First Professional		1,181	1,161	1,152	1,133	1,108	1,085	1,041	1,009	1,004	968
<b>STATUS</b>											
Full-Time		2,261	2,206	2,234	2,046	2,171	2,034	1,989	1,899	2,055	1,792
Part-Time		271	332	268	454	263	271	274	398	302	591
<b>ORIGIN</b>											
In State		1,941	1,934	1,943	1,954	1,974	1,901	1,878	1,941	1,979	1,966
Out of State		547	565	522	495	415	363	348	318	341	387
Foreign		44	39	37	51	45	41	37	38	37	30
<b>RACE/ETHNICITY</b>											
Caucasian		1,942	1,968	1,942	1,958	1,928	1,836	1,816	1,821	1,873	1,873
African American		198	202	208	204	209	214	218	267	273	255
Asian		110	119	112	113	108	110	106	108	91	108
Hispanic		56	54	64	61	57	35	25	20	20	24
Other (includes American Indian and Not Specified)		226	195	176	164	132	110	98	81	100	123
<b>GENDER</b>											
Women		1,607	1,619	1,653	1,660	1,605	1,481	1,438	1,482	1,488	1,523
Men		925	919	849	840	829	824	825	815	869	860
<b>COLLEGES</b>											
Medicine		642	620	609	598	594	604	585	574	580	580
Pharmacy		314	319	319	315	297	265	242	227	210	176
Nursing		343	330	339	368	390	364	324	374	372	399
Graduate Studies		182	200	210	238	247	218	214	176	178	221
Dental Medicine		225	222	224	220	217	216	214	208	214	212
Health Professions		802	822	781	735	675	613	661	695	747	726
Non-Degree Seeking		24	25	20	26	14	25	23	43	56	69
<b>Total enrollment</b>		<b>2,532</b>	<b>2,538</b>	<b>2,502</b>	<b>2,500</b>	<b>2,434</b>	<b>2,305</b>	<b>2,263</b>	<b>2,297</b>	<b>2,357</b>	<b>2,383</b>

Source: Medical University of South Carolina Office of Enrollment Services.

## University Enrollment by Race/Ethnicity and Gender



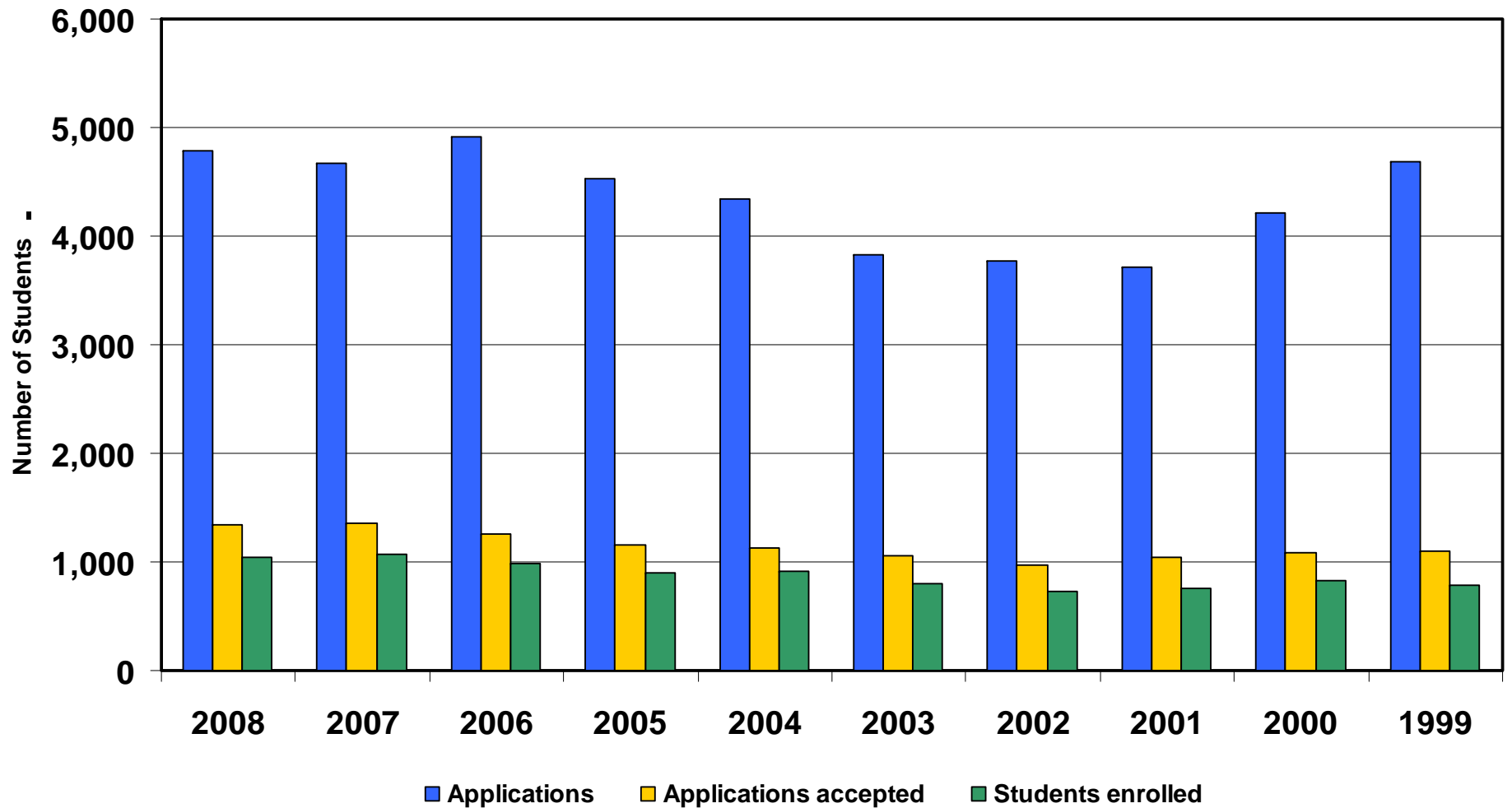
**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**ADMISSIONS AND DEGREE STATISTICS – UNIVERSITY**  
**LAST TEN ACADEMIC YEARS**  
(FALL ENROLLMENTS)

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>ADMISSIONS *</b>										
Applications	4,786	4,673	4,919	4,528	4,346	3,829	3,770	3,717	4,216	4,679
Applications accepted	1,337	1,354	1,256	1,164	1,122	1,064	969	1,039	1,090	1,107
Percentage of applications accepted	27.9%	29.0%	25.5%	25.7%	25.8%	27.8%	25.7%	28.0%	25.9%	23.7%
Students enrolled	1,036	1,065	982	902	909	803	726	755	830	792
Enrolled as a percentage of accepted	77.5%	78.7%	78.2%	77.5%	81.0%	75.5%	74.9%	72.7%	76.1%	71.5%
<b>DEGREES GRANTED</b>										
Bachelor	172	193	190	188	161	168	222	192	209	283
Master	293	346	306	255	243	245	248	283	286	205
First Professional	276	261	266	243	235	232	232	224	214	200
Doctoral	152	57	29	32	21	40	29	45	23	43
Total	893	857	791	718	660	685	731	744	732	731

\* As of 2006, admissions figures include all applicants to The South Carolina College of Pharmacy.  
Source: Medical University of South Carolina Office of Enrollment Services

## University Admissions



**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**ANNUAL TUITION BY COLLEGE – UNIVERSITY  
LAST TEN ACADEMIC YEARS**

**RESIDENT**

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Undergraduate</b>										
Health Professions	\$ 17,361	\$ 16,533	\$ 15,747	\$ 14,316	\$ 8,646	\$ 7,146	\$ 6,382	\$ 9,183	\$ 8,004	\$ 4,674
Nursing	17,418	15,837	15,084	13,590	12,135	10,029	9,117	8,289	7,536	6,776
<b>Graduate</b>										
Dental Medicine	31,064	26,551	22,500	19,068	16,024	12,972	11,913	11,199	10,182	8,020
Graduate Studies	14,483	13,166	12,861	12,121	11,664	10,085	8,769	7,840	7,374	5,736
Health Professions	18,338	17,058	16,245	14,316	13,131	11,309	9,693	9,300	8,133	6,818
Medicine	32,312	29,374	27,314	24,321	23,425	22,446	19,953	18,138	15,771	11,279
Nursing	18,765	17,058	16,245	14,766	13,185	10,896	9,906	9,006	8,187	6,965
Pharmacy	17,647	15,330	14,460	13,144	11,878	10,089	9,180	8,700	7,908	6,367

**NON-RESIDENT**

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Undergraduate</b>										
Health Professions	\$ 46,767	\$ 44,538	\$ 42,417	\$ 38,562	\$ 36,204	\$ 29,922	\$ 26,715	\$ 25,827	\$ 22,599	\$ 19,460
Nursing	30,264	43,377	41,310	37,215	33,228	27,462	24,966	22,695	20,631	18,989
<b>Graduate</b>										
Dental Medicine	81,455	74,050	62,754	53,181	44,690	36,084	33,105	31,125	28,296	22,784
Graduate Studies	18,192	16,536	16,195	15,296	14,319	13,370	11,641	10,579	10,011	7,860
Health Professions	30,943	34,011	32,391	29,445	27,480	23,657	20,277	19,575	17,394	13,343
Medicine	90,444	82,222	76,884	69,895	65,938	63,489	56,433	51,303	44,610	32,345
Nursing	30,264	27,513	26,202	23,604	21,075	17,418	15,831	14,391	13,083	10,406
Pharmacy	35,294	36,400	34,333	32,270	29,336	27,330	24,870	22,073	21,828	17,611

Source: Medical University of South Carolina Student Accounting Department.

Notes: Calculation includes three full semesters: Fall, Spring, and Summer and does not include web-based programs.  
 Health Professions calculation is averaged.  
 Graduate Studies calculation is Ph.D. students only.  
 Pharmacy 1999-2007 reflects MUSC College of Pharmacy; 2008 reflects South Carolina College of Pharmacy.



**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**CLINICAL ACTIVITY – AUTHORITY  
LAST TEN FISCAL YEARS**

	<b>Fiscal Year Ended June 30,</b>									
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Licensed Beds	709	709	709	709	709	709	709	709	709	709
Patient Days	189,478	188,005	187,212	179,990	180,847	178,070	176,656	170,334	167,867	175,902
Average Census	524	515	513	493	495	487	484	467	460	481
Average Length of Stay	5.7	5.4	5.4	5.7	5.9	6.0	6.0	5.9	5.8	6.0
Admissions	33,704	33,728	33,567	31,578	30,646	29,630	29,242	29,002	28,736	29,156
Outpatient Registrations	963,967	846,757	773,045	737,789	696,544	645,418	610,373	592,112	573,381	601,007
Emergency/Trauma Visits	72,512	70,589	63,473	62,518	58,580	53,584	50,486	51,582	50,221	51,094
Surgical Procedures	24,869	22,058	20,961	20,412	18,654	18,183	17,444	16,146	16,306	17,299
Number of Deliveries	1,997	2,676	2,633	2,313	2,181	2,131	1,856	1,858	2,029	2,037
Medicare Case Mix Index	2.03	1.89	1.86	1.88	1.88	1.87	1.81	1.70	1.72	1.71
<b>Percent of Total Charges:</b>										
Blue Cross	18.8%	17.1%	17.1%	17.2%	16.3%	16.9%	16.3%	15.2%	14.5%	14.0%
Medicare	32.2%	29.1%	29.1%	30.2%	31.8%	31.3%	31.1%	30.8%	30.0%	29.1%
Medicaid	17.9%	18.4%	19.0%	22.2%	22.1%	21.0%	21.2%	22.0%	22.4%	21.8%
Private Insurance / Managed Care	14.3%	15.9%	15.6%	18.1%	19.3%	18.9%	20.6%	21.0%	21.8%	22.3%
Med. Ind./Self Pay/Other	16.8%	19.5%	19.2%	12.3%	10.5%	11.9%	10.8%	11.0%	11.3%	12.8%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Medical University Hospital Authority Keane Patient Financial System.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**OUTPATIENT VISITS BY SPECIALTY – UMA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30,</b>	<b>Specialty</b>							<b>Total</b>
	<b>Medicine</b>	<b>Family Medicine</b>	<b>Obstetrics/ Gynecology</b>	<b>Pediatrics</b>	<b>Ophthalmology</b>	<b>Surgery</b>	<b>All Others</b>	
2009	360,190 33.79%	89,541 8.40%	104,763 9.83%	114,216 10.71%	53,049 4.98%	68,354 6.41%	275,993 25.88%	1,066,106 100.00%
2008	282,534 29.67%	77,622 8.15%	106,775 11.21%	111,654 11.72%	53,382 5.61%	63,857 6.71%	256,527 26.93%	952,351 100.00%
2007	258,963 29.12%	77,758 8.74%	99,467 11.18%	107,382 12.07%	52,425 5.89%	61,920 6.96%	231,513 26.04%	889,428 100.00%
2006	254,180 31.53%	69,629 8.64%	84,661 10.50%	101,627 12.61%	45,950 5.70%	55,737 6.91%	194,413 24.11%	806,197 100.00%
2005	238,028 30.72%	72,607 9.37%	91,354 11.79%	98,923 12.77%	42,333 5.46%	53,704 6.93%	177,900 22.96%	774,849 100.00%
2004	141,480 26.67%	64,060 12.07%	61,235 11.54%	55,281 10.42%	36,567 6.89%	35,618 6.71%	136,333 25.70%	530,574 100.00%
2003	133,082 26.71%	63,714 12.79%	58,201 11.68%	50,430 10.12%	32,320 6.49%	35,991 7.22%	124,470 24.99%	498,208 100.00%
2002	126,767 25.99%	59,196 12.14%	56,296 11.54%	45,928 9.42%	38,427 7.88%	37,432 7.68%	123,664 25.35%	487,710 100.00%
2001	125,191 26.38%	57,725 12.17%	51,406 10.83%	40,483 8.53%	34,147 7.20%	37,095 7.82%	128,433 27.07%	474,480 100.00%
2000	130,739 25.66%	64,152 12.59%	57,130 11.21%	37,594 7.38%	31,084 6.10%	33,407 6.56%	155,486 30.50%	509,592 100.00%

Source: University Medical Associates Medical Records System

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SOURCES OF GROSS CLINICAL SERVICE CHARGES – UMA  
LAST TEN FISCAL YEARS**

Source	Fiscal Year Ended June 30,									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Medicare	32%	30%	30%	29%	29%	28%	27%	28%	27%	25%
Medicaid	19%	18%	20%	21%	22%	20%	21%	21%	21%	19%
Blue Cross/Blue Shield	26%	25%	25%	25%	24%	23%	22%	20%	19%	16%
Commercial insurance	2%	2%	2%	3%	3%	4%	5%	8%	10%	11%
All other (including Managed Care)	21%	25%	23%	22%	22%	25%	25%	23%	23%	29%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: University Medical Associates Medical Records System

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**EMPLOYEE STATISTICS – UNIVERSITY AND AUTHORITY**  
**LAST TEN FISCAL YEARS**  
(AS OF JANUARY 1)

<b>THE UNIVERSITY</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Employees</b>										
Permanent Full-time and Part-time Employees										
Full-time classified	1,582	1,537	1,494	1,522	1,476	1,541	1,594	1,603	1,646	4,045
Part-time classified	52	52	45	33	42	39	35	37	45	730
Full-time unclassified	1,175	1,128	1,084	1,039	1,005	945	909	911	961	1,028
Part-time unclassified	250	229	233	219	228	225	235	229	209	199
Total	<u>3,059</u>	<u>2,946</u>	<u>2,856</u>	<u>2,813</u>	<u>2,751</u>	<u>2,750</u>	<u>2,773</u>	<u>2,780</u>	<u>2,861</u>	<u>6,002</u>
Other Categories										
Residents	622	592	543	562	565	563	554	557	544	560
Pre/post doctoral fellows	160	197	172	188	203	180	205	198	160	167
Temporary	982	1,014	958	947	947	812	778	725	738	1,411
Dual employment-other agencies	4	14	16	18	20	33	22	17	20	29
Total	<u>1,768</u>	<u>1,817</u>	<u>1,689</u>	<u>1,715</u>	<u>1,735</u>	<u>1,588</u>	<u>1,559</u>	<u>1,497</u>	<u>1,462</u>	<u>2,167</u>
<b>Total Employees</b>	<b><u>4,827</u></b>	<b><u>4,763</u></b>	<b><u>4,545</u></b>	<b><u>4,528</u></b>	<b><u>4,486</u></b>	<b><u>4,338</u></b>	<b><u>4,332</u></b>	<b><u>4,277</u></b>	<b><u>4,323</u></b>	<b><u>8,169</u></b>

<b>AUTHORITY</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Employees</b>									
Permanent Full-time and Part-time Employees									
Full-time classified	3,474	3,360	3,136	2,879	2,827	2,799	2,715	2,376	2,292
Part-time classified	1,745	1,579	1,330	1,243	1,063	976	916	806	739
Full-time unclassified	45	41	44	41	68	68	66	64	53
Part-time unclassified	1	1	-	-	5	3	4	3	4
Total	<u>5,265</u>	<u>4,981</u>	<u>4,510</u>	<u>4,163</u>	<u>3,963</u>	<u>3,846</u>	<u>3,701</u>	<u>3,249</u>	<u>3,088</u>
Other Categories									
Classified	-	3	-	1	1	1	1	2	1
Residents	1	1	-	1	-	1	1	-	-
Students	8	10	15	23	24	28	33	32	38
Temporary	658	694	741	772	765	788	684	582	491
Total	<u>667</u>	<u>708</u>	<u>756</u>	<u>797</u>	<u>790</u>	<u>818</u>	<u>719</u>	<u>616</u>	<u>530</u>
<b>Total Employees</b>	<b><u>5,932</u></b>	<b><u>5,689</u></b>	<b><u>5,266</u></b>	<b><u>4,960</u></b>	<b><u>4,753</u></b>	<b><u>4,664</u></b>	<b><u>4,420</u></b>	<b><u>3,865</u></b>	<b><u>3,618</u></b>

Note: Prior to 2001, Authority employees are included with the University employees' information.

Source: MUSC Office of Human Resources Management and MUHA Human Resources.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**EMPLOYEE STATISTICS – UMA  
LAST TEN FISCAL YEARS**

	<b>Full-Time Equivalent Employees as of June 30,</b>									
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Departmental</b>										
Full-time	366	305	282	231	200	193	234	233	206	164
Part-time	17	38	31	28	24	23	28	28	25	20
Temporary	5	9	12	6	5	5	6	6	5	4
Total Departmental	<u>388</u>	<u>352</u>	<u>325</u>	<u>265</u>	<u>229</u>	<u>221</u>	<u>268</u>	<u>267</u>	<u>236</u>	<u>188</u>
<b>Corporate</b>										
Full-time	312	303	311	297	289	294	218	249	285	300
Part-time	6	3	7	7	7	7	5	6	7	7
Temporary	1	1	2	6	6	6	4	5	6	6
Total Corporate	<u>319</u>	<u>307</u>	<u>320</u>	<u>310</u>	<u>302</u>	<u>307</u>	<u>227</u>	<u>260</u>	<u>298</u>	<u>313</u>
<b>Ambulatory Care</b>										
Full-time	16	17	23	18	15	16	15	385	392	471
Part-time	-	1	1	-	-	-	-	28	28	34
Temporary	-	-	-	1	1	1	1	27	28	33
Total Ambulatory Care	<u>16</u>	<u>18</u>	<u>24</u>	<u>19</u>	<u>16</u>	<u>17</u>	<u>16</u>	<u>440</u>	<u>448</u>	<u>538</u>
Total Employees	723	677	669	594	547	545	511	967	982	1,039
Vacant Positions	70	125	79	41	31	19	56	27	90	41
<b>Total Authorized Positions</b>	<u><b>793</b></u>	<u><b>802</b></u>	<u><b>748</b></u>	<u><b>635</b></u>	<u><b>578</b></u>	<u><b>564</b></u>	<u><b>567</b></u>	<u><b>994</b></u>	<u><b>1,072</b></u>	<u><b>1,080</b></u>

Note: Excludes physician members.

Effective July 1, 2002, the majority of Ambulatory Care employees were transferred to the Medical University Hospital Authority.

Source: University Medical Associates Human Resources

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**SCHEDULE OF CAPITAL ASSET INFORMATION – UNIVERSITY  
LAST EIGHT FISCAL YEARS**

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Academic buildings								
Net assignable square feet (in thousands)	2,215	2,140	2,100	2,405	2,382	2,208	2,187	2,143
Administrative and support buildings								
Net assignable square feet (in thousands)	412	386	377	474	487	369	359	382
Laboratories								
Net assignable square feet (in thousands)	356	325	313	309	288	244	244	235
Athletic Facilities								
Fitness center	1	1	1	1	1	1	1	1
Gymnasium	1	1	1	1	1	1	1	1
Pool	1	1	1	1	1	1	1	1
Squash courts	1	1	2	2	2	2	2	2
Indoor racquetball court	4	4	4	4	4	4	4	4
Outdoor racquetball court	3	3	3	3	3	3	3	3
Tennis court	4	4	4	4	4	4	4	4
Transportation:								
Airplane	1	1	1	1	1	1	1	1
Buses	12	10	10	10	10	7	5	3
Mobile health units	3	3	3	2	2	2	2	2
Other vehicles	81	88	86	90	84	78	75	67

Note: Pre-2002 fiscal year data is not available

Source: Building square footage – Medical University Planning Office  
Facilities and transportation – Medical University Property Control

DEMOGRAPHIC STATISTICS  
STATE OF SOUTH CAROLINA  
LAST TEN FISCAL YEARS

	Population as of July 1 (a)	Total Personal Income (1) (b)	Per Capita Income	Average Annual Unemployment Rate (c)
2008	4,479,800	\$ 146,335	\$ 32,666	6.9%
2007	4,404,914	141,244	32,065	5.6%
2006	4,324,799	134,204	31,031	6.3%
2005	4,249,385	124,379	29,270	6.7%
2004	4,196,799	117,230	27,933	6.8%
2003	4,143,420	110,644	26,704	6.7%
2002	4,102,211	106,985	26,080	6.0%
2001	4,061,844	104,199	25,653	5.2%
2000	4,023,396	100,913	25,082	3.6%
1999	3,974,682	93,605	23,550	4.1%

Note 1: Amounts expressed in millions

Source: (a) U. S. Census Bureau; (b) U. S. Department of Commerce, Bureau of Economic Analysis; (c) U. S. Department of Labor

TEN LARGEST EMPLOYERS  
STATE OF SOUTH CAROLINA  
LATEST COMPLETED CALENDAR YEAR AND SEVEN YEARS PRIOR  
(listed alphabetically)

2008	2001
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Greenville Hospital System	Michelin Tire Corporation
Michelin Tire Corporation	Springs Industries, Inc.
Palmetto Health Alliance, Inc.	United States Department of Defense
United States Department of Defense	United States Postal Service
United States Postal Service	University of South Carolina
University of South Carolina	Wal-Mart Associates, Inc
Wal-Mart Associates, Inc.	Washington Savannah River Company

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.  
Source: South Carolina Employment Security Commission.