



*The Waring Historical Library, built in 1894 as the Porter Military Academy Library; acquired by MUSC in 1963*

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

**Comprehensive Annual Financial Report**

Included in the Higher Education Funds of the State of South Carolina

For the Year Ended June 30, 2007

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  
PO Box 250817  
Harborview Tower Suite 505-506  
Charleston, SC 29425  
843-792-5400*



Charleston, South Carolina

# **Comprehensive Annual Financial Report**

Included in the Higher Education Funds of the State of South Carolina

**For the Year Ended June 30, 2007**

Prepared by the Controller's Office

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# **Introductory Section**

## PRESIDENT'S LETTER

Office of the President  
179 Ashley Avenue  
P.O. Box 250001  
Charleston, SC 29425



Dear Friends:

It is a pleasure to invite you to read this annual financial report for the Medical University. As always, it is packed with information about the institution. If I were asked to summarize it all in a few words, I would say: "rock solid." Every one of our components is operating at record or near-record performance. This is a tribute to the nearly 11,000 employees who are working tirelessly to build greatness on this campus.

At the Medical University, we are proud to be a public institution and this drives our service orientation. Most South Carolinians would be surprised to learn, however, that less than 7 percent of our operating budget comes from State appropriations. Tuition adds a few additional percent, with all of the remainder earned through the hard work of our faculty and staff and through private philanthropy.

While the imperative to "pay our own way" puts great pressure on the institution, it does result in a great economic return for the State of South Carolina. For every \$1 of state investment, we generate more than \$12 of direct economic activity. If one extrapolates the ripple effect of our impact in the housing, retail and service industries, the total economic impact is estimated to approach \$3.5 billion. The inescapable reality is that the Medical University is one of the most significant contributors to the economy of South Carolina.

We expect to assume an even larger role in the fortunes of South Carolina as we shift towards a "knowledge based" economy. Along with our sister research universities, Clemson and the University of South Carolina, we are recruiting scientists who will bring with them intellectual property that can be commercialized. One such start-up company, Argolyn Biosciences, was generated from research in the laboratory of Dr. Tom Dix in our College of Pharmacy. This year, Argolyn underwent a \$16 million round of venture capital financing, which we believe to be one of, if not the largest, venture capital deals for a South Carolina start-up.

As we build the economic engine of the Medical University, we are ever mindful that we are here first and foremost to serve the people of South Carolina. My colleagues and I are grateful for this opportunity and we will continue to strive for excellence in all that we do.

With best wishes,

A handwritten signature in cursive script that reads "Raymond S. Greenberg". The signature is written in dark ink and is positioned above the printed name and title.

Raymond S. Greenberg, MD, PhD  
President

## TRANSMITTAL LETTER

Office of the Vice President  
Finance and Administration  
179 Ashley Avenue  
P.O. Box 250003  
Charleston, SC 29425  
Telephone (843) 792-5050

October 15, 2007

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, 2007.

The Comprehensive Annual Financial Report includes the audited financial statements for the year ended June 30, 2007, 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.

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, 2007 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, 2007 are fairly presented in conformity with 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 4,600 faculty and staff and, when combined with the Medical University Hospital Authority and University Medical Associates, the university system, with nearly 11,000 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 2007 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. The Tri-County area, comprising Charleston, Berkeley and Dorchester counties, is a vibrant area which has been experiencing significant population and economic growth. The region's economic base is diversified, with a growing technical and manufacturing sector and a broad tourism base. In recent years, the University experienced record growth in federal research awards and in private giving. During fiscal year 2007, the University continued to benefit from state funding of endowed chairs through the South Carolina Centers of Economic Excellence Program and from funds made available for construction through the State's Life Sciences Act. The University also received additional appropriations of \$7 million in 2007, with an additional \$7.5 million expected to become available in fiscal year 2008, to be used for construction of the College of Dental Medicine Building.

### **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**

- ◆ The University successfully recruited a number of outstanding faculty members, including Dr. Mark Sothmann as Dean of the College of Health Professions.
- ◆ In the final stages of reaffirming accreditation for the next ten years, the University had a successful site visit by the Southern Association of Colleges and Schools (SACS), receiving very positive feedback.
- ◆ Construction began on the James B. Edwards College of Dental Medicine building, a state-of-the-art clinical education facility that will provide space to accommodate a larger student body and incorporate new equipment and technologies.
- ◆ Plans have been finalized and financing identified for the inter-professional Simulated Clinical Laboratory on campus, and a sister laboratory in Greenville.

#### **Research**

- ◆ The University exceeded the record set in the prior fiscal year, receiving over \$190 million of extramural grant awards. Highly sought after Federal grants and contracts continued to account for most of the total awards.
- ◆ The University implemented the Duke Endowment grant to Health Sciences South Carolina (HSSC), intended to develop a collaborative network to benefit patient care throughout the region. Two MUSC-based projects to stimulate targeted development were funded as pilot projects.
- ◆ The University secured funding for three new Centers of Economic Excellence in Stroke, Tobacco Control, and Hospital Design. Five outstanding Center of Economic Excellence Endowed Professors were recruited by the University.
- ◆ Having received approval for funding through the South Carolina Life Sciences Act, the University completed the schematic design of the Drug Discovery and Development Building and completed a feasibility study for the Bioengineering/Cancer Genomics Building.

#### **Patient Care**

Construction of Phase I of the Ashley River Tower hospital replacement project is proceeding on schedule with the opening of the facility scheduled for January, 2008. Construction was completed on the Central Energy Plant which will support the new facility.

The MUSC Medical Center completed the implementation of outpatient electronic health records and continued the implementation of hospital electronic clinical information systems.

In 2006, the MUSC Medical Center entered into a three-year contract with the Studer Group to develop systems of accountability. The contract provides an excellence program designed to enable “hardwiring” of best practices to improve patient satisfaction and enhance the work environment for physicians and employees. This program is known as MUSC Excellence and now includes the Medical Center and University Medical Associates as well as the University.

The Authority and its medical staff received a number of recognitions, including:

- ◆ The National Research Corporation for the Consumer Choice Award selected the Authority for having the highest quality and image in our market. This is the tenth consecutive year the Authority received this recognition.
- ◆ Child Magazine recognized MUSC Children’s Hospital among the top in the nation, including a ranking in the top 10 for Emergency Services.
- ◆ U.S. News and World Report named the Authority among America’s best hospitals for digestive disorders and respiratory care treatment.

#### **General**

- ◆ Began construction of a new 1,500-space parking garage to support the new hospital facility and accommodate growing numbers of patients, visitors, and employees.
- ◆ Philanthropic support of the University exceeded \$63 million in fiscal year 2007, and the University entered the initial phase of a \$300 million, 5-year institution-wide Capital Campaign.
- ◆ A pilot childcare project was opened for the University-wide system.

**Awards and Acknowledgements**

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

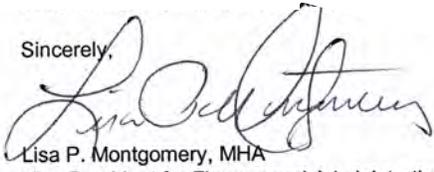
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Medical University of South Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the fourteenth 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 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 current 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.

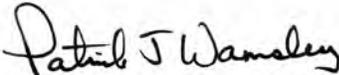
***Acknowledgements***

The preparation of the Comprehensive Annual Financial Report in a timely manner would not have been possible without the coordinated efforts of the Controllers 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 B. Haskill, 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, 2006

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.



President

Executive Director

## BOARD OF TRUSTEES AND PRINCIPAL UNIVERSITY OFFICIALS

*July 1, 2006 – June 30, 2007*

### *Board of Trustees*

The Hon. Mark Sanford  
*Governor*

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

Thomas L. Stephenson, J.D.  
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*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*

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*Florence, SC*

James E. Wiseman, DMD  
*Prosperity, SC*

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*Emeritus*  
*Holly Hill, SC*

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

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

Claudia W. Peeples, B.A.  
*Emeritus*  
*Barnwell, SC*

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

Allen E. Stalvey  
*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, M.B.A., 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*

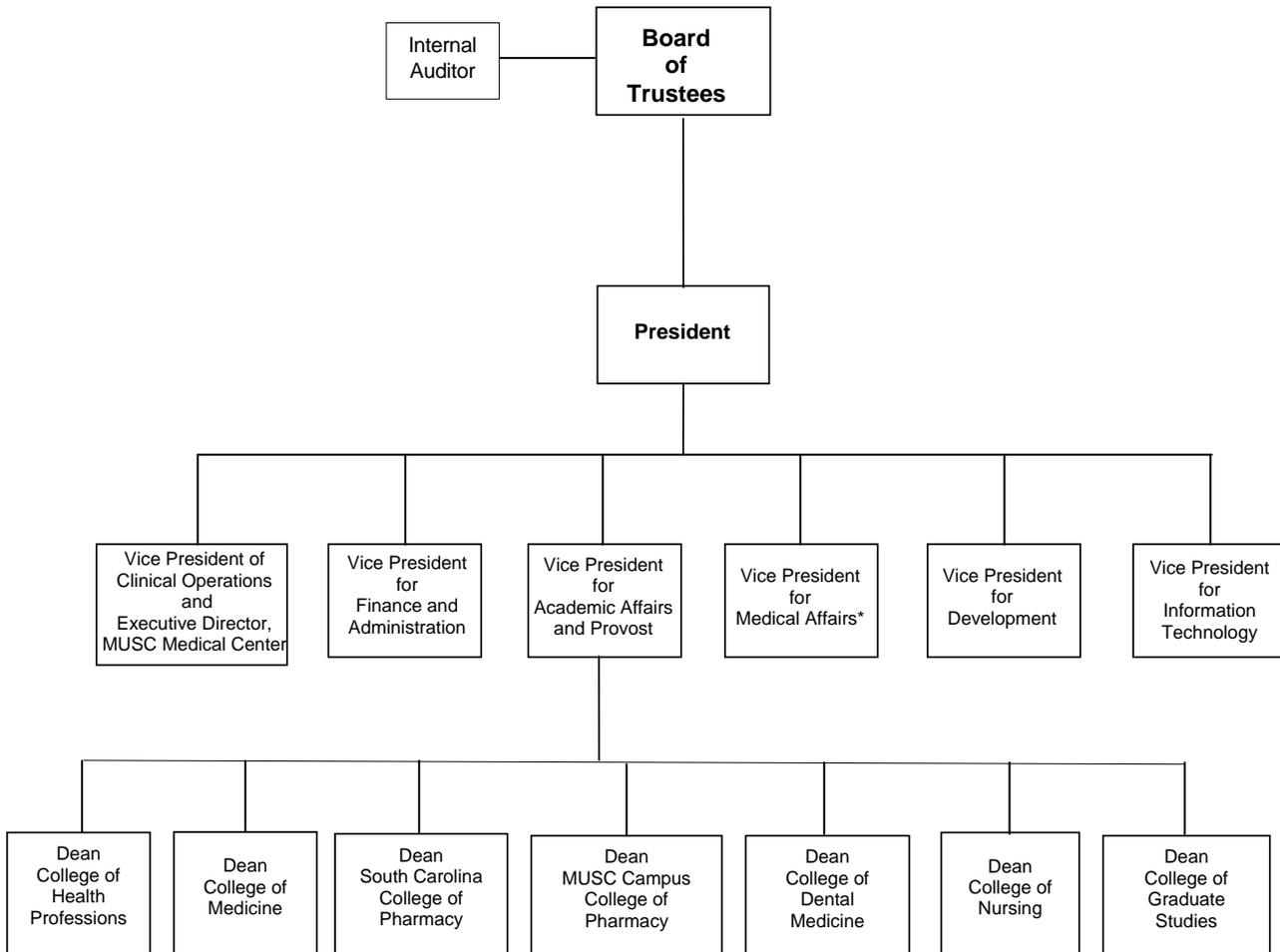
Gail W. Stuart, Ph.D., RN, FAAN, CS  
*College of Nursing*

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

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

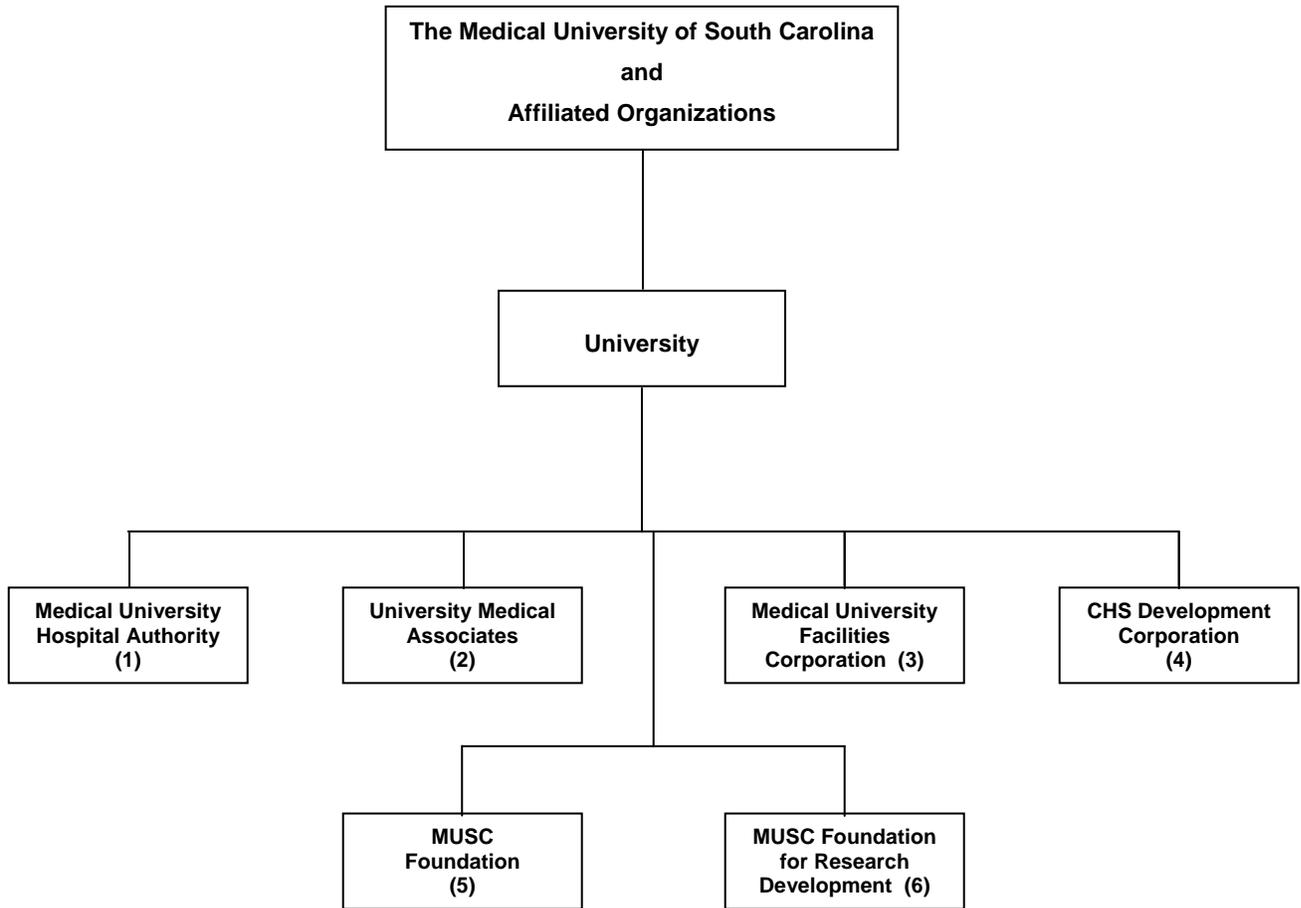
Becki A. Trickey, Ph.D., APRN, BC, FAAN  
*Interim Dean, College of Health Professions*

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 1991-92 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 900  
55 Beattie Place  
Greenville, SC 29601-2106

## 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, 2007, 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 University Medical Associates, 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 University Medical Associates, 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, 2007, 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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2007 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 24 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We and the other auditors 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 and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

October 12, 2007

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## **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, 2007 with comparative information for the year ended June 30, 2006. 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, 2007, total assets reported by the University were \$616.3 million and total liabilities were \$218.8 million. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased \$38.8 million in fiscal year 2007 from \$358.8 to \$397.6 million. Of this amount, \$44.9 million represents unrestricted net assets, which may be used to meet the University's ongoing obligations.

At June 30, 2007, the Authority's total assets of \$848.0 million exceeded its liabilities of \$590.5 million by \$257.5 million. Net assets, the residual interest in the assets after liabilities are deducted, increased \$26.4 million, as compared to \$30.6 million in 2006. The Authority reported operating income in 2007 of \$35.3 million, as compared to \$38.9 million in 2006, a decrease of \$3.6 million or 9.3 percent. Net non-operating expenses were \$6.7 million for 2007 as compared to \$7.7 million in 2006, a decrease of \$1.0 million or 13.0 percent. Payments of non-operating expenses to The Medical University of South Carolina in support of academic programs were \$0.6 million in 2007 and 2006.

At June 30, 2007, UMA reported total assets of \$221.8 million and total liabilities of \$106.5 million. Net assets were \$115.3 million, an increase of \$27.6 million or 31.5 percent from the previous year. Of this amount, \$105.4 million represents unrestricted net assets that are available to meet UMA's ongoing obligations. UMA's operating revenues for the year ended June 30, 2007, increased 12.5 percent or \$26.2 million over the fiscal year ended June 30, 2006 to \$236.0 million. Operating expenses increased by \$17.9 million, or 10.9 percent, over fiscal year 2006 to \$182.5 million.

### ***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, however, 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. They are also able to determine how much is owed to vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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.

**Summary of Net Assets**

*Amounts in thousands*

	The University		Medical University Hospital Authority		University Medical Associates	
	2007	2006	2007	2006	2007	2006
<b>ASSETS</b>						
Current assets	\$ 139,589	\$ 124,429	\$ 240,184	\$ 211,745	\$ 135,526	\$ 109,981
Noncurrent assets						
Capital assets, net	387,271	361,134	461,759	379,853	46,515	45,197
Other noncurrent assets	89,479	49,580	146,035	223,793	39,751	38,634
Total assets	<u>616,339</u>	<u>535,143</u>	<u>847,978</u>	<u>815,391</u>	<u>221,792</u>	<u>193,812</u>
<b>LIABILITIES</b>						
Current liabilities	71,298	63,585	100,022	98,956	19,784	16,781
Noncurrent liabilities	147,486	112,766	490,451	485,309	86,757	89,387
Total liabilities	<u>218,784</u>	<u>176,351</u>	<u>590,473</u>	<u>584,265</u>	<u>106,541</u>	<u>106,168</u>
<b>NET ASSETS (DEFICIT)</b>						
Invested in capital assets, net of related debt	288,316	270,028	56,689	61,407	772	(1,869)
Restricted						
Nonexpendable	23,609	20,669	-	-	-	-
Expendable	40,734	26,207	71,975	67,782	9,081	9,081
Unrestricted	44,896	41,888	128,841	101,937	105,398	80,432
Total net assets	<u>\$ 397,555</u>	<u>\$ 358,792</u>	<u>\$ 257,505</u>	<u>\$ 231,126</u>	<u>\$ 115,251</u>	<u>\$ 87,644</u>

The University's increase in total assets of \$81.2 million resulted primarily from additions to capital assets and an increase in restricted cash due to the issuance of a \$38 million higher education revenue bond. The capital additions included an animal lab in the Children's Research Institute building and renovations to the Walton Research Building and Harper Wellness Center. Total liabilities increased by \$42.4 million from 2006 to 2007, primarily due to the issuance of the aforementioned bond.

The Authority's total assets increased by 4 percent from 2006 to 2007. Patient accounts receivable, net of estimated uncollectible amounts, increased from \$107.2 million to \$118.7 million, largely a result of increases in patient activity and a price increase. Net capital assets increased during the fiscal year by \$81.9 million which is largely a result of building improvements and construction in progress. Total liabilities increased by 1.1 percent from 2006 to 2007. Net long-term debt increased by \$4.1 million, due to a new GE capital borrowing and a new line of credit with Bank of America. Also, accounts payable and other accrued expenses decreased by \$1.1 million.

UMA's total assets increased \$28 million in 2007 while liabilities remained essentially unchanged. Unrestricted assets increased \$25 million from \$80.4 million in 2006 to \$105.4 million in 2007.

**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 will usually result 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 amortizes 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

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

earned, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the entity.

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

*Amounts in thousands*

	The University		Medical University Hospital Authority		University Medical Associates	
	2007	2006	2007	2006	2007	2006
Operating revenues	\$ 313,178	\$ 298,482	\$ 749,050	\$ 698,092	\$ 236,009	\$ 209,813
Operating expenses	(469,075)	(416,695)	(713,796)	(659,225)	(182,474)	(164,589)
Operating income (loss)	(155,897)	(118,213)	35,254	38,867	53,535	45,224
Nonoperating revenues	150,421	111,849	3,164	1,810	9,533	6,072
Nonoperating expenses	(5,326)	(4,250)	(9,829)	(9,499)	(8,963)	(6,797)
Net nonoperating revenues (expenses)	145,095	107,599	(6,665)	(7,689)	570	(725)
Income (loss) before other revenues, expenses, gains, losses, and transfers	(10,802)	(10,614)	28,589	31,178	54,105	44,499
Capital appropriations	6,808	5,271	-	-	-	-
Capital grants and gifts	11,350	13,660	-	-	-	-
Additions to permanent endowments	3,418	10,443	-	-	-	-
Transfers	27,989	20,808	(2,210)	(552)	(26,393)	(21,216)
Special item	-	-	-	-	(105)	-
<b>Increase in net assets</b>	<b>38,763</b>	<b>39,568</b>	<b>26,379</b>	<b>30,626</b>	<b>27,607</b>	<b>23,283</b>
<b>Net assets at beginning of year</b>	<b>358,792</b>	<b>319,224</b>	<b>231,126</b>	<b>200,500</b>	<b>87,644</b>	<b>64,361</b>
<b>Net assets at end of year</b>	<b>\$ 397,555</b>	<b>\$ 358,792</b>	<b>\$ 257,505</b>	<b>\$ 231,126</b>	<b>\$ 115,251</b>	<b>\$ 87,644</b>

**Revenues**

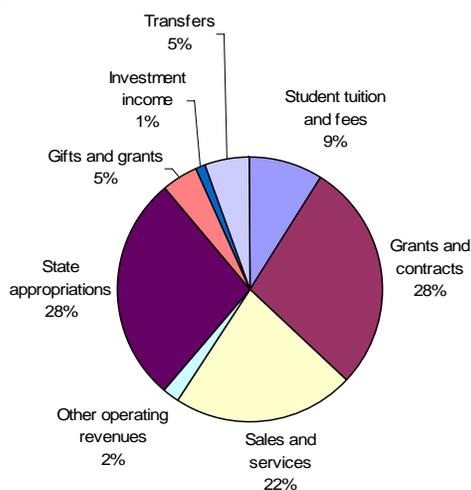
The University's daily operations are funded primarily from grants and contracts, sales of services, and State appropriations. These three sources account for 78 percent of the total fiscal year 2007 revenues of \$513.2 million and 77 percent of the total fiscal year 2006 revenues of \$460.5 million. The following table and chart illustrate the University's revenues by source.

**Revenues by Source – The University**

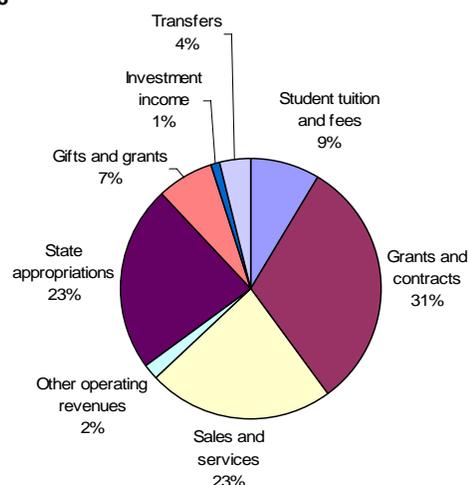
*Amounts in thousands*

	2007		2006	
	Amount	Percent Of Total	Amount	Percent Of Total
<b>Operating revenues</b>				
Student tuition and fees	\$ 46,341	9%	\$ 39,934	9%
Grants and contracts	142,613	28%	143,084	31%
Sales and services	114,114	22%	106,667	23%
Other operating revenues	10,110	2%	8,797	2%
Total operating revenues	313,178	61%	298,482	65%
<b>Nonoperating and other revenues</b>				
State appropriations	143,318	28%	108,285	23%
Gifts and grants	23,131	5%	31,384	7%
Investment income	5,548	1%	1,554	1%
Transfers	27,989	5%	20,807	4%
Total nonoperating and other revenues	199,986	39%	162,030	35%
<b>Total revenues</b>	<b>\$ 513,164</b>	<b>100%</b>	<b>\$ 460,512</b>	<b>100%</b>

**2007**



**2006**



In fiscal year 2007, the University's total revenues increased by \$52.7 million from the previous fiscal year. Tuition revenues increased \$6.4 million, as a result of tuition rate increases. State appropriations, capital and non capital, increased \$35 million, which includes \$6.8 million in capital appropriations. Also included was \$21.3 million 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 \$7.4 million due to growth in educational programs.

**Operating Revenue by Source for the Component Units**

Amounts in thousands

	Medical University Hospital Authority		University Medical Associates	
	2007	2006	2007	2006
Net patient service revenue	\$ 733,302	\$ 681,349	\$ 217,320	\$ 194,387
Educational agreements	-	-	8,409	8,332
Other operating revenue	15,748	16,743	10,280	7,094
<b>Total operating revenue</b>	<b>\$ 749,050</b>	<b>\$ 698,092</b>	<b>\$ 236,009</b>	<b>\$ 209,813</b>

Compared to fiscal year 2006, the Authority's net patient service revenue increased by approximately \$52 million, or 7.6 percent. Gross patient charges increased by \$164.7 million, or 12.9 percent, from 2006 to 2007 due to increases in patient activity and comprehensive rate increases. Additionally, net revenue received from the Disproportionate Share Program administered by the state Department of Health and Human Services increased in 2007 to \$87.1 million from \$79.5 million in 2006. The Disproportionate Share 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 program or that the program will not ultimately be discontinued or materially modified.

University Medical Associates' net patient service revenue increased \$22.9 million primarily from an increase in patient volume. Approximately \$3 million of the increase is due to additional reimbursements under the Supplemental Medicaid Program over the prior year. Educational agreement revenue in support from the Medical University Hospital Authority for the ambulatory care and primary care programs increased slightly in 2007.

**Expenses**

The University's total expenses were \$474.4 million in fiscal year 2007 and \$420.9 million in fiscal year 2006. Non-operating expenses of \$5.3 million and \$4.3 million respectively, account for approximately 1% of the total expenses in each year.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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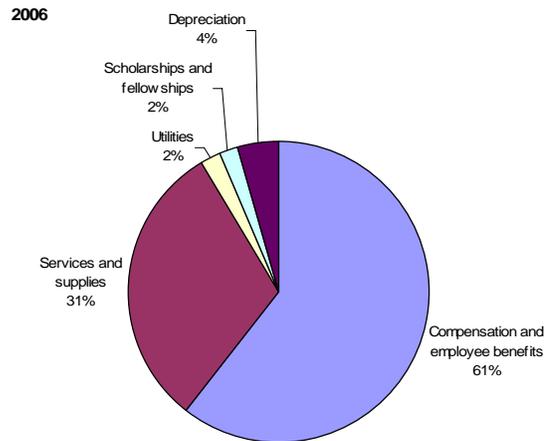
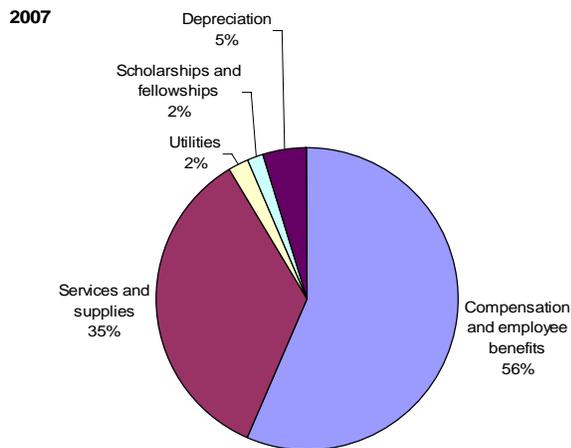
The University's operating expenses were \$469.1 million for the fiscal year ended June 30, 2007, an increase of \$52.4 million from fiscal year 2006. The increase of 12.6 percent resulted primarily from increases in compensation and benefits of \$11.6 million (4.6 percent) and services and supplies of \$36.8 million (28.6 percent). These increases are the result of a combination of growth in programs, inflation, and an operating expense of \$21.3 million related to a new patient care and education agreement between the University and the Authority. An increase of \$0.4 million (5 percent) in utility cost and an increase of \$2.9 million in depreciation (15.8 percent) both resulted largely from increased facilities space due to the new buildings in use for 2007.

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*

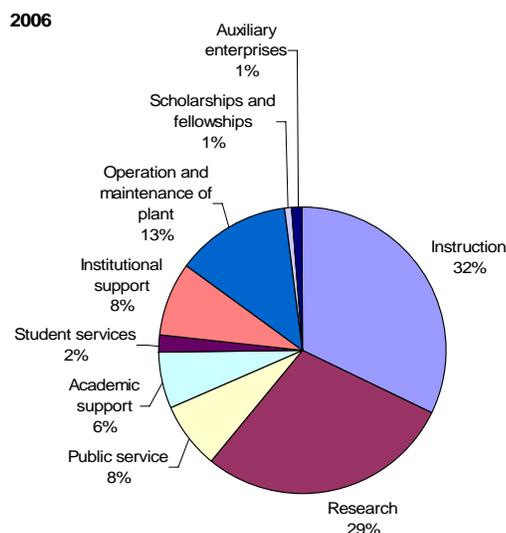
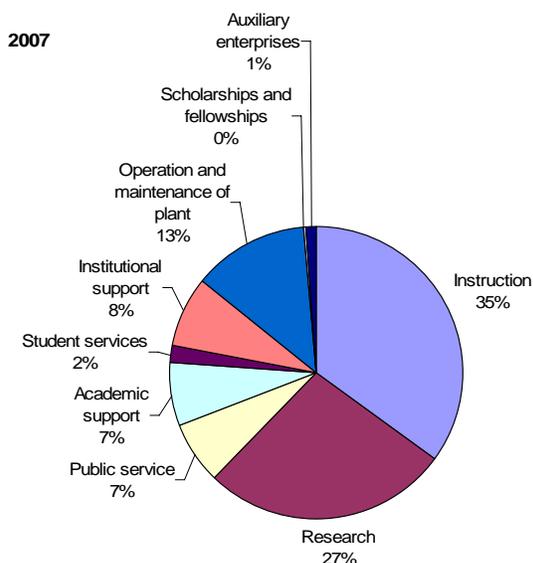
	<u>2007</u>	<u>Percent Of Total</u>	<u>2006</u>	<u>Percent Of Total</u>
Compensation and employee benefits	\$ 263,954	56%	\$ 252,358	61%
Services and supplies	165,251	35%	128,468	31%
Utilities	9,360	2%	8,915	2%
Scholarships and fellowships	8,897	2%	8,287	2%
Depreciation	21,613	5%	18,667	4%
<b>Total operating expenses</b>	<b>\$ 469,075</b>	<b>100%</b>	<b>\$ 416,695</b>	<b>100%</b>



**Operating Expenses by Function – The University**

Amounts in thousands

	2007	Percent Of Total	2006	Percent Of Total
Instruction	\$ 164,547	35%	\$ 136,877	32%
Research	126,864	27%	119,065	29%
Public service	33,089	7%	31,337	8%
Academic support	32,210	7%	26,739	6%
Student services	9,028	2%	7,823	2%
Institutional support	36,669	8%	34,475	8%
Operation and maintenance of plant	59,770	13%	54,110	13%
Scholarships and fellowships	2,022	0%	2,025	1%
Auxiliary enterprises	4,876	1%	4,244	1%
<b>Total operating expenses</b>	<b>\$ 469,075</b>	<b>100%</b>	<b>\$ 416,695</b>	<b>100%</b>



The Authority's operating expenses increased by \$54.6 million, from \$659.2 million in 2006 to \$713.8 million in 2007. This 8.3 percent increase is primarily the result of increases in compensation and employee benefits of \$31.3 million, or 11 percent, and in service and supplies expense of \$16.8 million, or 6 percent. At present, there is a national shortage of registered nurses and technical personnel in such areas as diagnostic imaging, laboratory, anesthesia, radiation therapy, and pharmacy. The Authority has implemented salary adjustments and other scheduling and staffing initiatives to help address these shortages. Also, supply costs and pharmaceutical costs continue to increase at rates exceeding those of general inflation.

UMA's operating expenses increased by \$17.9 million primarily due to an increase in departmental expenses of \$14.6 million for additional physician and staff compensation for new providers and pension costs. Transfers, a nonoperating expense, to the University and its affiliates increased \$5.2 million in support of their educational mission.

**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 2007 were state appropriations, grants and contracts, sales and services of educational and other activities, and tuition and fees. Uses of these cash sources included salaries and benefits for faculty, staff, and student employees and payments to suppliers of goods and services.

The statement is divided into five sections.

Cash flows from operating activities include, as examples, cash received for tuition and fees or research grants and salaries paid to employees or payments of invoices to vendors. Since state appropriations and gifts are not considered operating revenues, operating activities of the University produced a net cash outflow of \$126.6 million.

The University's non-capital financing activities include state appropriations received for operations and noncapital gifts, and had a net cash inflow of \$172.6 million.

The cash flows from 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, the repayment of debt, and the acquisition of capital assets. Bond proceeds received in the current year were offset by expenditures of funds that were received as bond proceeds in prior years, resulting in a net cash inflow of \$2.5 million for financing activities.

The net cash outflows of \$0.2 million from the University's investing activities consists of \$2.5 million of interest received on investments and \$2.7 million of endowment corpus deposited in the MUSC 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 2007. 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*

	<b>The University</b>		<b>Medical University Hospital Authority</b>		<b>University Medical Associates</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Land	\$ 11,646	\$ 11,646	\$ 6,093	\$ 6,093	\$ -	\$ -
Construction in progress	81,558	71,016	218,178	180,866	-	62
Land improvements	2,090	1,483	-	-	-	-
Buildings and improvements	217,447	212,406	167,193	127,718	42,393	-
Machinery and equipment	73,496	63,817	70,190	64,907	3,625	42,979
Vehicles	1,034	766	105	269	-	1,425
Intangible assets	-	-	-	-	497	731
	<u>\$ 387,271</u>	<u>\$ 361,134</u>	<u>\$ 461,759</u>	<u>\$ 379,853</u>	<u>\$ 46,515</u>	<u>\$ 45,197</u>

#### **The University**

Capital additions, other than construction in progress, totaled \$37.6 million in fiscal year 2007. An animal lab in the Children's Research Institute building was completed for \$8.4 million as well as renovations to the Walton Research Building, Harper Wellness Center and several laboratory projects. The University also made a significant investment in medical, scientific and laboratory equipment.

Included in construction in progress are renovations of several classroom facilities, research laboratories, campus elevators, the College of Dental Medicine Building, the Bee Street Parking Garage and the Hollings Cancer Center expansion. The University had outstanding commitments under construction contracts related to these and other projects of approximately \$70 million at June 30, 2007. These projects are being funded by bond proceeds, federal grants, state appropriations, restricted gifts, and unrestricted university funds.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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**Construction in Progress – The University**

*Amounts in thousands*

Hollings Cancer Center expansion	\$ 17,745
Dental Medicine Pre-Clinical Lab	1,214
Research lab renovation	4,272
College buildings exterior waterproofing	2,703
Campus high voltage substation upgrade	8,333
Thurmond building chiller replacement	11,814
Hospital relocation project	3,010
Harper Student Center pool repairs	2,337
Campus Wide Storm Damage Mitigation	1,286
College of Dental Medicine Building A & E	5,339
Drug discovery building construction	1,941
Bee street garage construction	8,283
Other	13,281
	\$ 81,558

**Medical University Hospital Authority**

At the end of 2007 the Authority had \$461.8 million invested in capital assets, net of accumulated depreciation. Net capital assets increased \$81.9 million in 2007 as compared to an increase of \$111.2 million in 2006. The 2007 increase includes \$37.3 million of construction in progress.

**University Medical Associates**

UMA's investment in capital assets as of June 30, 2007, amounts to \$46.5 million (net of accumulated depreciation). This investment in capital assets consists of leasehold improvements for the various facilities occupied by clinics and administrative personnel, clinical diagnostic and therapeutic equipment, data processing hardware and software, and various office furnishings and equipment.

The following table shows the amounts and types of bonds, notes, and capital leases outstanding as of June 30, 2007.

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

*Amounts in thousands*

	The University		Medical University Hospital Authority		University Medical Associates	
	2007	2006	2007	2006	2007	2006
State institution bonds, net	\$ 46,071	\$ 49,485	\$ -	\$ -	\$ -	\$ -
Revenue bonds, net	38,000	-	475,246	474,865	-	-
Notes	-	-	18,662	9,396	-	-
Direct note obligations, net	-	-	-	-	88,201	90,728
Capital lease obligations	5,061	3,912	704	6,272	156	243
Interfund payables	40,218	42,656	-	-	-	-
	\$ 129,350	\$ 96,053	\$ 494,612	\$ 490,533	\$ 88,357	\$ 90,971

**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 utilize 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 pay this debt, the State would pay since these bonds are backed by the State's full faith, credit and taxing power. The proceeds from State Institution Bonds 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 state institution bonds are general obligation bonds of the State of South Carolina. Moody's Investors Services rates them as "Aaa". At June 30, 2007, the net SIB payable totaled \$46.1 million.

**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 are being used to finance a new parking garage.

**Capital Leases**

The University has outstanding capital leases with Medical University Facilities Corporation, 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, 2007, the lease liability totalled \$17.1 million. The University also has an outstanding capital lease with CHS Development Company, 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, 2007 the lease liability was \$23.1 million. The leases with these blended component units are considered Interfund payables. In addition, the University has \$5.1 million in capital leases payable at June 30, 2007 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. As of June 30, 2007 the University had approximately \$3.6 million of State capital improvement bonds approved for the College of Dental Medicine Building and Hollings Cancer Center.

*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. The University is not obligated to repay these funds to the State; therefore, the debt is not recorded on 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**

The Authority has begun 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 involves 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. No new clinical health services will be added as a result of this phase of the project. There are 156 replacement beds involved.

On December 22, 2004, the Authority issued \$422.1 million of FHA Insured Mortgage Hospital Facilities and Refunding Revenue Bonds, Series 2004, consisting of \$304 million Series A Tax-Exempt Bonds and \$118.1 million Series B Taxable Bonds for the purpose of providing funds, to (a) pay the costs of Phase I of the project mentioned above, (b) pay a portion of the interest accruing on the bonds during construction of Phase I, (c) prepay the outstanding amount of the Charleston County Memorial Hospital Revenue Note, (d) advance refund the \$102.8 million Hospital Facilities refunding Revenue Bonds, Series 2002A, (e) fund a debt service reserve fund with respect to the bonds, and (f) pay certain costs incurred in connection with the issuance of the bonds.

On December 29, 2004, the South Carolina Jobs-Economic Development Authority 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, a single member limited liability company organized under the laws of the State of South Carolina, whose sole member is Medical University Facilities Corporation. Pursuant to a Loan Agreement between the issuer and the borrower, the borrower will use the proceeds to finance the construction of an approximately 52,000 square foot central energy plant and certain other improvements, renovations, and furnishings, fixtures, and equipment to provide steam and chilled water for the use and benefit of the new 156 bed Phase I Authority project mentioned above. Pursuant to the loan agreement, the borrower will be obligated to make payments to the issuer in amounts sufficient to pay the principal and interest on the Bonds. Applicable GASB principles indicate that MUFC Central Energy Plant, LLC should be reported as a blended component unit of the Authority. Based on the GASB guidance, the audited financial statements include the Central Energy Plant, LLC using the blended method.

**University Medical Associates**

At year-end, UMA had \$88.4 million in outstanding bonds, notes and capital lease obligations compared to \$89.6 million outstanding in the prior year. UMA added no new bonds, notes or capital lease obligations in FY2007.

Reductions resulted from scheduled principal payments. UMA's Direct Note Obligations Select Auction Variable Rate Securities (SAVRS) carry an AAA rating due to the impact of bond insurance from MBIA.

***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, Post Office Box 250817, 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, 2007

	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	\$ 85,939,909	\$ 63,165,126	\$ 21,903,198	\$ -	\$ 171,008,233
Investments	-	-	74,011,318	-	74,011,318
Receivables, net	31,400,841	133,022,619	30,670,591	7,231	195,101,282
Due from other funds	7,818,105	1,582,658	6,614,021	-	16,014,784
Due from component units	3,019,504	-	56,854	-	3,076,358
Inventories	-	14,318,521	-	-	14,318,521
Prepaid items	3,251,563	9,900,358	631,355	156,349	13,939,625
Restricted assets					
Cash and cash equivalents	4,190,231	18,195,206	-	158,730	22,544,167
Investments	-	-	-	316,197	316,197
Due from component units	3,932,656	-	-	-	3,932,656
Interfund receivables	-	-	-	2,576,587	2,576,587
Other current assets	35,768	-	1,639,085	124,610	1,799,463
Total current assets	139,588,577	240,184,488	135,526,422	3,339,704	518,639,191
<b>Noncurrent Assets</b>					
Student loans receivable, net	699,691	-	-	-	699,691
Restricted assets					
Cash and cash equivalents	52,227,893	88,405,365	4,837,994	5,209,555	150,680,807
Investments	-	38,841,596	17,609,571	797,718	57,248,885
Due from component units	22,429,591	-	-	-	22,429,591
Interfund receivables	-	-	-	37,641,102	37,641,102
Student loans receivable	13,254,832	-	-	-	13,254,832
Prepaid items	-	-	10,101,685	2,427,943	12,529,628
Investment in partnerships	-	-	3,186,631	-	3,186,631
Capital assets, net of accumulated depreciation	387,270,648	461,759,025	46,514,807	-	895,544,480
Other noncurrent assets	867,682	18,787,082	4,015,297	1,928,883	25,598,944
Total noncurrent assets	476,750,337	607,793,068	86,265,985	48,005,201	1,218,814,591
Total assets	616,338,914	847,977,556	221,792,407	51,344,905	1,737,453,782
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables and accrued liabilities	23,276,294	83,117,947	13,806,632	922,663	121,123,536
Due to other funds	6,614,021	7,818,105	1,582,658	-	16,014,784
Due to component units	-	-	-	200,000	200,000
Deferred revenues	22,036,914	4,924,854	-	-	26,961,768
Interfund payables	2,576,587	-	-	-	2,576,587
Long-term liabilities	15,477,797	4,161,540	4,394,865	2,955,326	26,989,528
Other current liabilities	1,316,454	-	-	-	1,316,454
Total current liabilities	71,298,067	100,022,446	19,784,155	4,077,989	195,182,657
<b>Noncurrent liabilities</b>					
Interfund payables	37,641,102	-	-	-	37,641,102
Federal loan program liability	13,181,351	-	-	-	13,181,351
Long-term liabilities	96,663,128	490,450,557	86,757,236	45,921,707	719,792,628
Total noncurrent liabilities	147,485,581	490,450,557	86,757,236	45,921,707	770,615,081
Total liabilities	218,783,648	590,473,003	106,541,391	49,999,696	965,797,738
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	288,315,541	56,688,716	772,012	-	345,776,269
Restricted					
Nonexpendable	23,609,057	-	-	-	23,609,057
Expendable for					
Education	11,567,290	-	-	-	11,567,290
Loans	3,581,089	-	-	-	3,581,089
Capital projects	15,212,512	-	-	-	15,212,512
Debt service	10,373,360	71,975,263	9,080,953	1,345,209	92,774,785
Unrestricted	44,896,417	128,840,574	105,398,051	-	279,135,042
Total net assets	\$ 397,555,266	\$ 257,504,553	\$ 115,251,016	\$ 1,345,209	\$ 771,656,044

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, 2007

	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 \$ 2,610,963)	\$ 46,341,446	\$ -	\$ -	\$ -	\$ 46,341,446
Federal operating grants and contracts	116,301,547	-	-	-	116,301,547
State operating grants and contracts	5,368,255	-	-	-	5,368,255
Local government operating grants and contracts	66,604	-	-	-	66,604
Nongovernmental operating grants and contracts	20,876,323	-	-	-	20,876,323
Interfund services provided	70,959,536	-	-	-	70,959,536
Sales and services of educational and other activities	36,255,819	-	-	-	36,255,819
Net patient service revenue	-	733,301,465	217,320,428	-	950,621,893
Ambulatory care and primary care agreements	-	-	8,409,268	-	8,409,268
Auxiliary enterprises	6,898,144	-	-	-	6,898,144
Interest income (used as security for revenue bonds and notes)	-	-	-	2,280,281	2,280,281
Other operating revenues	10,110,471	15,748,422	10,279,773	99,960	36,238,626
<b>Total operating revenues</b>	<b>313,178,145</b>	<b>749,049,887</b>	<b>236,009,469</b>	<b>2,380,241</b>	<b>1,300,617,742</b>
<b>Operating expenses</b>					
Compensation and employee benefits	263,954,253	314,692,653	132,499,551	-	711,146,457
Services and supplies	165,250,818	294,723,963	48,363,852	-	508,338,633
Utilities	9,360,510	10,473,928	-	-	19,834,438
Interfund services used	-	70,959,536	-	-	70,959,536
Scholarships and fellowships	8,896,860	-	-	-	8,896,860
Interest expense	-	-	-	2,415,090	2,415,090
Depreciation and amortization	21,612,992	22,945,763	1,610,647	280,959	46,450,361
<b>Total operating expenses</b>	<b>469,075,433</b>	<b>713,795,843</b>	<b>182,474,050</b>	<b>2,696,049</b>	<b>1,368,041,375</b>
<b>Operating income (loss)</b>	<b>(155,897,288)</b>	<b>35,254,044</b>	<b>53,535,419</b>	<b>(315,808)</b>	<b>(67,423,633)</b>
<b>Nonoperating revenues (expenses)</b>					
State appropriations	136,509,528	-	-	-	136,509,528
Gifts and grants	8,363,421	-	-	-	8,363,421
Gifts made	-	-	(3,161,501)	-	(3,161,501)
Refunds to grantors	(314,264)	-	-	-	(314,264)
Investment income	5,547,831	3,164,353	5,540,100	-	14,252,284
Interest expense	(3,675,488)	(9,829,093)	(5,799,022)	-	(19,303,603)
Loss on sale of capital assets	(285,822)	-	(2,408)	-	(288,230)
Transfers to other state funds	(810,073)	-	-	-	(810,073)
Other nonoperating revenues (expenses)	(240,613)	-	3,992,844	-	3,752,231
<b>Net nonoperating revenues (expenses)</b>	<b>145,094,520</b>	<b>(6,664,740)</b>	<b>570,013</b>	<b>-</b>	<b>138,999,793</b>
<b>Income (loss) before other revenues, expenses, gains, losses, and transfers</b>	<b>(10,802,768)</b>	<b>28,589,304</b>	<b>54,105,432</b>	<b>(315,808)</b>	<b>71,576,160</b>
Capital appropriations	6,808,277	-	-	-	6,808,277
Capital grants and gifts	11,350,216	-	-	-	11,350,216
Additions to permanent endowments	3,418,048	-	-	-	3,418,048
Interfund transfers	27,989,412	(2,210,635)	(26,393,152)	614,375	-
Special item	-	-	(105,111)	-	(105,111)
<b>Increase in net assets</b>	<b>38,763,185</b>	<b>26,378,669</b>	<b>27,607,169</b>	<b>298,567</b>	<b>93,047,590</b>
<b>Net assets at beginning of year</b>	<b>358,792,081</b>	<b>231,125,884</b>	<b>87,643,847</b>	<b>1,046,642</b>	<b>678,608,454</b>
<b>Net assets at end of year</b>	<b>\$ 397,555,266</b>	<b>\$ 257,504,553</b>	<b>\$ 115,251,016</b>	<b>\$ 1,345,209</b>	<b>\$ 771,656,044</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, 2007

	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	\$ 45,953,167	\$ -	\$ -	\$ -	\$ 45,953,167
Grants and contracts	146,269,371	-	-	-	146,269,371
Auxiliary enterprise charges	6,896,869	-	-	-	6,896,869
Receipts from interfund services provided	72,610,116	-	-	-	72,610,116
Receipts from services of educational activities	35,403,353	-	-	-	35,403,353
Receipts from patients and third-party payors	-	737,405,808	214,339,631	-	951,745,439
Payments to employees	(262,786,428)	(310,122,002)	(110,546,648)	-	(683,455,078)
Payments to suppliers	(171,878,544)	(313,549,973)	(66,381,630)	-	(551,810,147)
Payments for scholarships and fellowships	(8,896,860)	-	-	-	(8,896,860)
Payments for interfund services provided	-	(72,610,116)	-	-	(72,610,116)
Loans issued to students	(2,921,684)	-	-	-	(2,921,684)
Collection of loans to students	2,151,179	-	-	-	2,151,179
Student loan program receipts	27,084,426	-	-	-	27,084,426
Student loan program disbursements	(27,084,426)	-	-	-	(27,084,426)
Other receipts	12,089,768	15,231,769	23,862,963	-	51,184,500
Other payments	(1,462,886)	-	(3,205,791)	(1,563)	(4,670,240)
Net cash provided (used) by operating activities	<u>(126,572,579)</u>	<u>56,355,486</u>	<u>58,068,525</u>	<u>(1,563)</u>	<u>(12,150,131)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
State appropriations	136,509,528	-	-	-	136,509,528
Interfund transfers	26,331,018	(552,241)	(26,393,152)	614,375	-
Transfers to other state funds	(806,939)	-	-	-	(806,939)
Gifts and grants received	10,945,926	-	-	-	10,945,926
Refunds to grantors	(314,264)	-	-	-	(314,264)
Interest paid on noncapital debt	(88,930)	-	-	-	(88,930)
Principal paid on bonds and notes payable	-	-	(1,231,450)	(2,820,000)	(4,051,450)
Interest paid on bonds and notes payable	-	-	(3,006,698)	(1,017,272)	(4,023,970)
Payment of agent fees and bond issuance costs	-	-	(18,618)	-	(18,618)
Net cash provided (used) by noncapital financing activities	<u>172,576,339</u>	<u>(552,241)</u>	<u>(30,649,918)</u>	<u>(3,222,897)</u>	<u>138,151,283</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from capital debt	41,011,885	10,675,604	-	-	51,687,489
Capital appropriations	5,171,145	-	-	-	5,171,145
Capital grants and gifts received	11,350,216	-	-	-	11,350,216
Proceeds from sale of capital assets	67,822	3,350	1,410	-	72,582
Purchases of capital assets	(42,895,993)	(101,509,682)	(3,524,203)	(138,252)	(148,068,130)
Principal paid on capital debt and leases	(7,796,283)	(6,978,168)	(1,355,654)	-	(16,130,105)
Interest paid on capital debt and leases	(3,468,768)	(27,347,998)	(3,090,757)	(1,435,250)	(35,342,773)
Payment of fees and issuance cost	(894,197)	(2,005,791)	(28,062)	-	(2,928,050)
Net cash provided (used) by capital and related financing activities	<u>2,545,827</u>	<u>(127,162,685)</u>	<u>(7,997,266)</u>	<u>(1,573,502)</u>	<u>(134,187,626)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Collection of interfund receivables	-	-	-	2,438,414	2,438,414
Interest received on interfund receivables	-	-	-	2,143,411	2,143,411
Purchases of investments	-	(7,830,254)	(65,455,930)	(4,907,583)	(78,193,767)
Proceeds from sales and maturities of investments	-	13,022,218	32,061,942	4,608,700	49,692,860
Distributions from investments	-	-	115,728	-	115,728
Deposits of endowment corpus with MUSC Foundation	(2,736,489)	-	-	-	(2,736,489)
Interest on investments	2,534,217	9,804,719	5,148,152	234,229	17,721,317
Net cash provided (used) by investing activities	<u>(202,272)</u>	<u>14,996,683</u>	<u>(28,130,108)</u>	<u>4,517,171</u>	<u>(8,818,526)</u>
Net increase (decrease) in cash and cash equivalents	48,347,315	(56,362,757)	(8,708,767)	(280,791)	(17,005,000)
Cash and cash equivalents at beginning of year	94,010,718	226,128,454	35,449,959	5,649,076	361,238,207
Cash and cash equivalents at end of year	<u>\$ 142,358,033</u>	<u>\$ 169,765,697</u>	<u>\$ 26,741,192</u>	<u>\$ 5,368,285</u>	<u>\$ 344,233,207</u>

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, 2007

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Total Primary Government
Cash and cash equivalents is reported in the following Statement of Net Assets captions					
Current Assets	\$ 85,939,909	\$ 63,165,126	\$ 21,903,198	\$ -	\$ 171,008,233
Restricted assets	4,190,231	18,195,206	-	158,730	22,544,167
Noncurrent restricted assets	52,227,893	88,405,365	4,837,994	5,209,555	150,680,807
Total cash and cash equivalents	\$ 142,358,033	\$ 169,765,697	\$ 26,741,192	\$ 5,368,285	\$ 344,233,207
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ (155,897,288)	\$ 35,254,044	\$ 53,535,419	\$ (315,808)	\$ (67,423,633)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	21,612,992	22,945,763	1,610,647	280,959	46,450,361
Provision for bad debts	-	82,588,477	36,786,404	-	119,374,881
Rental income, net	-	-	4,896,694	-	4,896,694
Gifts made	-	-	(3,161,501)	-	(3,161,501)
Other	-	-	8,773	-	8,773
Interest income	-	-	-	(2,380,241)	(2,380,241)
Interest expense	-	-	-	2,415,090	2,415,090
Loss on sale of equipment	-	664,044	-	-	664,044
Changes in assets and liabilities					
Receivables	844,580	(83,925,641)	(38,332,727)	-	(121,413,788)
Student loans receivable	(568,492)	-	-	-	(568,492)
Due from other funds	1,668,769	(124,071)	(476,692)	-	1,068,006
Due from component unit	46,099	-	(20,290)	-	25,809
Inventories	-	(3,033,011)	-	-	(3,033,011)
Prepaid items	506,838	(6,618,763)	631,356	-	(5,480,569)
Other assets	-	-	(542,149)	-	(542,149)
Payables and accrued liabilities	1,146,561	5,336,099	2,750,467	(1,563)	9,231,564
Accrued compensated absences	1,500,701	-	220,958	-	1,721,659
Deferred revenues	1,608,020	4,924,854	-	-	6,532,874
Due to other funds	439,597	(1,656,309)	161,166	-	(1,055,546)
Federal loan program liability	311,539	-	-	-	311,539
Other liabilities	207,505	-	-	-	207,505
Net cash provided (used) by operating activities	\$ (126,572,579)	\$ 56,355,486	\$ 58,068,525	\$ (1,563)	\$ (12,150,131)
Noncash transactions					
Equipment acquired through capital leases	\$ 3,011,885	\$ -	\$ -	\$ -	\$ 3,011,885
Donated equipment	2,534,117	-	-	-	2,534,117
Interfund transfer of capitalized costs	1,658,394	(1,658,394)	-	-	-
Increase (decrease) in fair market value of investments	-	-	292,108	-	292,108
Total noncash transactions	\$ 7,204,396	\$ (1,658,394)	\$ 292,108	\$ -	\$ 5,838,110

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

**STATEMENT OF FINANCIAL POSITION**  
**MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION**  
**Nongovernmental Discretely Presented Component Unit**  
**June 30, 2007**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,361,831
Receivables	
Accounts and other receivables	86,137
Contributions receivable, net	11,748,652
Investments	190,380,220
Funds held in trust by the Foundation	4,023,725
Funds held in trust by others	2,674,945
Income producing property	57,405,253
Property and equipment, net	538,561
Other assets	153,104
	<u>272,372,428</u>
Total assets	<u>\$ 272,372,428</u>
<b>LIABILITIES AND NET ASSETS</b>	
Liabilities	
Accounts payable and accrued expenses	\$ 6,712,994
Annuities payable	4,722,976
Note payable to primary government	22,429,591
Long-term debt	28,806,955
Unearned income	13,159,064
Contributions payable to primary government	17,852,400
	<u>93,683,980</u>
Total liabilities	<u>93,683,980</u>
Net Assets	
Unrestricted	
Undesignated	20,831,400
Designated for primary government programs	7,132,635
Total unrestricted	<u>27,964,035</u>
Temporarily restricted	89,865,450
Permanently restricted	60,858,963
	<u>178,688,448</u>
Total net assets	<u>178,688,448</u>
Total liabilities and net assets	<u>\$ 272,372,428</u>

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

**STATEMENT OF ACTIVITIES**

**MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION**

**Nongovernmental Discretely Presented Component Unit**

**For the year ended June 30, 2007**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, gains, and other support</b>				
Contributions	\$ 2,194,706	\$ 6,176,637	\$ 8,503,260	\$ 16,874,603
Interest and dividends	2,158,695	4,661,663	-	6,820,358
Net unrealized and realized gain	3,062,925	14,189,340	-	17,252,265
Special events revenue	4,030	608,208	-	612,238
Rental income	3,997,917	261	26,581	4,024,759
Other income	1,030,293	2,429,969	171,129	3,631,391
	<u>12,448,566</u>	<u>28,066,078</u>	<u>8,700,970</u>	<u>49,215,614</u>
Net assets released from restrictions:				
Program restrictions satisfied	11,518,752	(11,598,129)	79,377	-
Total revenues, gains, and other support	<u>23,967,318</u>	<u>16,467,949</u>	<u>8,780,347</u>	<u>49,215,614</u>
<b>Expenses and losses</b>				
Program expenses	17,123,465	-	-	17,123,465
Supporting services				
General and administrative	1,168,423	-	-	1,168,423
Fundraising and promotion	1,768,234	-	-	1,768,234
Total expenses	<u>20,060,122</u>	<u>-</u>	<u>-</u>	<u>20,060,122</u>
Changes in net assets	3,907,196	16,467,949	8,780,347	29,155,492
Net assets at beginning of year	24,056,839	73,397,501	52,078,616	149,532,956
Net assets at end of year	<u>\$ 27,964,035</u>	<u>\$ 89,865,450</u>	<u>\$ 60,858,963</u>	<u>\$ 178,688,448</u>

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

**STATEMENT OF FINANCIAL POSITION**  
**MUSC FOUNDATION FOR RESEARCH DEVELOPMENT**  
 Nongovernmental Discretely Presented Component Unit  
 June 30, 2007

<b>ASSETS</b>	
Cash and cash equivalents	\$ 48,011
Interest receivable	11,108
Accounts receivable	311,412
Prepaid expense	36,436
Investments	767,473
Property and equipment (at cost less accumulated depreciation)	11,913
Total assets	<u>\$ 1,186,353</u>
 <b>LIABILITIES AND NET ASSETS</b>	
Liabilities	
Accounts payable	\$ 121,772
Loans payable	11,246
Accrued expenses	18,501
Due to primary government	661,852
Unearned revenue and deposits	126,470
Total liabilities	<u>939,841</u>
 Net Assets	
Unrestricted	246,512
Total liabilities and net assets	<u>\$ 1,186,353</u>

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

**STATEMENT OF ACTIVITIES**

**MUSC FOUNDATION FOR RESEARCH DEVELOPMENT**

**Nongovernmental Discretely Presented Component Unit**

**For the year ended June 30, 2007**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, gains, and other support</b>			
State grants and contracts	\$ 750,664	\$ -	\$ 750,664
Corporate contracts and awards	2,640	67,148	69,788
Program contributions and private grants	153,079	2,000	155,079
License fees and royalties	689,370	-	689,370
Interest and dividend income	55,623	-	55,623
Net unrealized and realized gain on investments	15,059	-	15,059
Registration and seminar fees	103,650	-	103,650
Miscellaneous income	13,678	-	13,678
Subtotal	1,783,763	69,148	1,852,911
Net assets released from restrictions			
Program restrictions satisfied	69,148	(69,148)	-
Total revenues, gains, and other support	1,852,911	-	1,852,911
<b>Expenses</b>			
Program services			
Research	48,835	-	48,835
Training	279,475	-	279,475
Public service	9,861	-	9,861
Technology transfer activity	1,157,845	-	1,157,845
Residuals	69,353	-	69,353
Total program expenses	1,565,369	-	1,565,369
Supporting services			
Management and general			
Operations	549,444	-	549,444
Total supporting services	549,444	-	549,444
Total expenses	2,114,813	-	2,114,813
Changes in net assets	(261,902)	-	(261,902)
Net assets at beginning of year	508,414	-	508,414
Net assets at end of year	\$ 246,512	\$ -	\$ 246,512

*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 and its funds are reported in the State's higher education 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 39, 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 provisions of Governmental Accounting Standards Board Statement No.14. The Authority's component unit relationship to the University principally arises 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, Fiscal Services Office, P.O. Box 250603, 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 statement 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 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 non-profit 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 non-profit public benefit corporation. All financial activities of these companies are blended into the financial statements of UMA since they serve an essentially identical purpose. Certain 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 of 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. Medical University Facilities Corporation 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, *Determining Whether Certain Organizations Are Component Units*, the University reports the Medical University of South Carolina Foundation (MUSCF) (formerly Health Sciences Foundation) 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. MUSCF acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The board of MUSCF is self-perpetuating and consists of graduates and friends of the University. 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 to the activities of the University by the donors. The MUSCF reporting entity includes Parking Garage Associates, LLC, which is a single member limited liability company and a wholly owned subsidiary of MUSCF. This subsidiary owns and leases a parking garage to the Authority. Because the restricted resources held by MUSCF can only be used by, or for the benefit of 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.

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 providing the means by which funds generated by such discoveries or patents can be utilized 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, P.O. Box 250828, 19 Hagood Avenue, Suite 909, Charleston, SC 29425.

Effective June 30, 2006, the board of directors of the MUSC Pharmaceutical Education and Development Foundation of The Medical University of South Carolina (PEDF) gave consent for dissolution of PEDF and revalued PEDF's assets and liabilities to the amounts expected to be paid during the liquidation. The dissolution of PEDF was subsequently approved by the South Carolina Attorney General on August 21, 2006. The accounting for the dissolution was recorded as of June 30, 2006; however, in the current year there was limited cash flow activity related to the dissolution of the entity. Therefore, no financial information other than the statement of cash flows for fiscal year 2007 is presented for PEDF.

### ***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, have elected to apply only those Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, and not in conflict with GASB standards.

The Medical University of South Carolina Foundation and MUSC Foundation for Research Development are private nonprofit organizations that report under Financial Accounting Standards Board (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 have been made to the foundations' financial information in the University's financial reporting entity for these differences.

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

For purposes of the statement of cash flows, the University and its governmental component units consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. 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*. Authority 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.

The University receives certain supplemental Medicaid payments 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, for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. As of June 30, 2007, the University has recorded a receivable from Medicaid of \$6,333,240.

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, amounts reported in this asset account consist primarily of insurance premiums, subscriptions, maintenance contracts, and deposits on equipment not yet received. The Authority's amounts consist primarily of hospital license taxes, insurance premiums, health insurance premiums, equipment maintenance contracts, and deposits on equipment not yet received. UMA's amounts 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 2007 were \$1,938,283 for the University and approximately \$9,350,000 for the Authority. Financing costs and the 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 and expense incurred are recorded as accrued compensated absences in the statement of net assets and as a component of compensation and benefit 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 but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned and, for the Authority, disproportionate share hospital funding received but not yet 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 consist primarily 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 revenue and operating expenses. Peripheral or incidental transactions are reported as nonoperating revenues and expenses. The principal operating revenues of the Authority and UMA are patient services revenues.

MUFC and CHS report interest income as operating revenue because investing constitutes 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 and refunds to grantors.

### ***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 they have 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,

dental clinic services, pharmacy sales, and sales of other services. Beginning in fiscal year 2005, 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 the Primary Government by discretely presented component units are presented as Due From Component Units. 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, MUSC, CHS, MUSF, 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).

### ***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.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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## 2. DEPOSITS AND INVESTMENTS

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

	<u>The University</u>	<u>The Authority</u>	<u>UMA</u>	<u>--- Nonmajor Enterprise Funds ---</u>	
				<u>MUFC</u>	<u>CHS</u>
Statement of Net Assets:					
Current assets					
Cash and cash equivalents	\$ 85,939,909	\$ 63,165,126	\$ 21,903,198	\$ -	\$ -
Investments	-	-	74,011,318	-	-
Restricted assets					
Cash and cash equivalents	4,190,231	18,195,206	-	114,306	44,424
Investments	-	-	-	316,197	-
Noncurrent assets					
Restricted assets					
Cash and cash equivalents	52,227,893	88,405,365	4,837,994	1,350,000	3,859,555
Investments	-	38,841,596	17,609,571	213,000	584,718
Total Statement of Net Assets	<u>\$ 142,358,033</u>	<u>\$ 208,607,293</u>	<u>\$ 118,362,081</u>	<u>\$ 1,993,503</u>	<u>\$ 4,488,697</u>
Disclosure, Deposits and Investments plus reconciling items:					
Carrying value of deposits					
Held by State Treasurer	\$ 142,312,078	\$ -	\$ -	\$ -	\$ -
Other	-	63,165,126	22,071,703	1,464,306	3,903,979
Investments, reported amount					
Unrestricted	-	-	73,811,318	-	-
Restricted	-	145,442,167	22,447,565	529,197	584,718
Cash on hand	45,955	-	31,495	-	-
Total Notes plus reconciling items	<u>\$ 142,358,033</u>	<u>\$ 208,607,293</u>	<u>\$ 118,362,081</u>	<u>\$ 1,993,503</u>	<u>\$ 4,488,697</u>

### ***Deposits Held by State Treasurer***

All deposits of the University are under the control of the 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, 2007 follow:

Insured (FDIC)	\$ 234,593
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	<u>68,918,366</u>
Total	<u>\$ 69,152,959</u>
Carrying amount (cash and cash equivalents)	<u>\$ 63,165,126</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 \$100,000 for both demand and time deposits per depositor. At June 30, 2007, the carrying amount of unrestricted deposits was \$22,071,703. Bank balances before reconciling items were \$25,405,541. Of these unrestricted bank balances, \$730,152 was insured by the FDIC, and the remainder was uninsured and uncollateralized.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**Investments**

As of June 30, 2007, 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>
Medical University Hospital Authority					
Cash	\$ 74,210	0.0%	N/A	N/A	N/A
US Treasury Note	6,316,928	4.3%	2/15/2011	4.97%	N/A
US Treasury Note	8,761,839	6.0%	5/15/2008	2.81%	N/A
US Treasury Tri-party Repurchase Agreement	23,762,829	16.3%	N/A	N/A	N/A
Guranteed Investment Contract	28,494,144	19.6%	N/A	3.08%	AAA
Guranteed Investment Contract	33,798,361	23.2%	N/A	3.73%	AAA
Commercial Paper	32,943,477	22.7%	8/15/2007	N/A	A1
Money Market Funds	11,290,379	7.8%	N/A	N/A	AAA
Total Hospital Authority investments	<u>\$ 145,442,167</u>				
University Medical Associates, unrestricted					
Federal Home Loan Bank Notes	\$ 1,995,620		2/8/2008 - 7/28/2008	4.5% - 5%	AAA/Aaa
Federal National Mortgage Association Discount Notes	2,482,825		07/01/2011	5.375%	AAA/Aaa
NC Educational Assistance Authority Bonds	6,000,000		7/1/2015	5.27%	AAA/Aaa
PA Higher Education Assistance Revenue Bonds	11,500,000		10/1/2040	5.37%	AAA/Aaa
FL Development Financial Bonds Series A-2	800,000		5/1/2022	5.365%	AAA/Aaa
Citizens Property Insurance Bonds Series A-2	12,000,000		7/1/2007 - 7/1/2026	5.24% - 5.28%	AAA/Aaa
Private Placement Trust Units - Merrill Lynch Bonds	11,000,000		12/1/2026	5.40%	A1/A+
Money Store Business Loan Bonds Series 1999-1-A	10,679,939		2/15/2028	5.34%	AAA/Aaa
Commercial Paper:					
JP Morgan	16,000,000		5/2/2007 - 5/15/2047	5.4% - 5.41%	A/Aa3
Mutual Funds:					
Fixed Income Funds	309,336		average 3.7 years		N/A
Equity Funds	1,043,598		N/A		N/A
Total UMA investments, unrestricted	<u>\$ 73,811,318</u>				
University Medical Associates, restricted					
NC Educational Assistance Authority Bonds	\$ 5,400,000		7/1/2036	5.269%	AAA/Aaa
Federal Home Loan Bank Tranche	1,037,816		9/9/2008	4.69%	AAA/Aaa
Philadelphia, PA Authority for Industrial Dev. Pension Bonds	4,857,633		4/15/2028	6.35%	AAA/Aaa
US Treasury Notes	2,154,720		5/15/2007 - 2/15/2010	2.625% - 6.50%	N/A
Federal National Mortgage Association Debentures	1,897,359		7/15/2007 - 6/15/2009	4.25% - 6.375%	AAA/Aaa
Federal National Mortgage Association Preassigned Issues	1,014,147		8/15/2008 - 6/15/2010	3.25% - 7.125%	AAA/Aaa
Mutual Funds:					
Fixed Income Funds	1,247,896		average 3.45 years		N/A
Money Market Funds	4,837,994		N/A		N/A
Total UMA investments, restricted	<u>\$ 22,447,565</u>				
<u>Nonmajor Enterprise Funds</u>					
Medical University Facilities Corporation					
Berkshire Hathaway Investment	\$ 316,197		10/13/2016	5.78%	NA
Berkshire Hathaway Investment	213,000		10/13/2016	6.20%	NA
Total MUFC investments	<u>\$ 529,197</u>				
CHS Development Company					
Federal National Mortgage Association Discount Notes	\$ 485,718		7/2/2007	4.50%	AAA
Federal Home Loan Bank Discount Note	99,000		12/10/2007	4.50%	AAA
Total CHS investments	<u>\$ 584,718</u>				

**Custodial Credit Risk**

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

To minimize this risk, 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.

**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 the indenture agreement. 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 indenture agreements.

The investment policy adopted by the UMA board allows investment of idle funds 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, 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. 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.

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. Maturities of investments held at June 30, 2007, are provided in the schedule above.

#### ***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 the 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, L.L.C. (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. Due to this limited ability to influence normal operations of these entities, the investments are carried on the cost method with all distributions reported as investment income, unless the distributions exceed the accumulated earnings and profits of the entity. UMA's investment in the partnerships at June 30, 2007, is \$2,679,665 and \$505,966 for LCMG and LCRP, respectively. For year ended June 30, 2007, no distributions were reported as investment income; however, distributions in excess of accumulated earnings for LCMG and LCRP totaled \$54,093 and \$37,002, respectively.

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, L.L.C (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

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all management decisions regarding the operations of the entity. This investment is reported on the cost method with all distributions reported as investment income due to the limited ability to influence operations and its relatively minor equity interest. For the year ended June 30, 2007, no distributions were received.

### 3. RECEIVABLES

Receivables at June 30, 2007, including applicable allowances, were as follows:

	<u>The University</u>	<u>The Authority</u>	<u>UMA</u>	<u>Nonmajor Enterprise Fund MUFC</u>
Student accounts	\$ 1,528,405	\$ -	\$ -	\$ -
Patient accounts	-	206,213,551	101,309,328	-
Less allowances for:				
Contractual adjustments	-	-	(65,522,307)	-
Uncollectibles	-	(87,500,000)	(6,034,210)	-
Due from third party payors	-	12,220,000	-	-
Federal grants and contracts	12,456,217	-	-	-
State grants and contracts	1,306,123	-	-	-
Nongovernmental grants and contracts	4,067,453	-	-	-
Capital improvement bond proceeds	-	-	-	-
Research infrastructure bond proceeds	3,652,563	-	-	-
Interest	756,847	-	-	7,231
Due from Medicaid	6,333,240	-	-	-
Other	1,299,993	2,089,068	917,780	-
Receivables, net	<u>\$ 31,400,841</u>	<u>\$ 133,022,619</u>	<u>\$ 30,670,591</u>	<u>\$ 7,231</u>

### 4. RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2007, were as follows:

<u>Asset/Restricted for</u>	<u>The University</u>	<u>The Authority</u>	<u>UMA</u>	<u>-- Nonmajor Enterprise Funds --</u>	
				<u>MUFC</u>	<u>CHS</u>
<b>Current:</b>					
Cash and cash equivalents:					
Debt service	\$ 1,972,114	\$ -	\$ -	\$ 114,306	\$ 44,424
Research & education	2,218,117	-	-	-	-
Capital projects	-	18,195,206	-	-	-
Total cash and cash equivalents	<u>\$ 4,190,231</u>	<u>\$ 18,195,206</u>	<u>\$ -</u>	<u>\$ 114,306</u>	<u>\$ 44,424</u>
Investments:					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,197</u>	<u>\$ -</u>
Due from component units					
Earnings on endowments	<u>\$ 3,932,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interfund receivables:					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,689,237</u>	<u>\$ 887,350</u>
<b>Noncurrent:</b>					
Cash and cash equivalents:					
Debt service	\$ 2,432,144	\$ -	\$ 4,837,994	\$ 1,350,000	\$ 3,859,555
Capital projects	45,984,483	88,405,365	-	-	-
Student loan programs	2,590,323	-	-	-	-
Endowments	1,220,943	-	-	-	-
Total cash and cash equivalents	<u>\$ 52,227,893</u>	<u>\$ 88,405,365</u>	<u>\$ 4,837,994</u>	<u>\$ 1,350,000</u>	<u>\$ 3,859,555</u>
Investments					
Debt service	<u>\$ -</u>	<u>\$ 38,841,596</u>	<u>\$ 17,609,571</u>	<u>\$ 213,000</u>	<u>\$ 584,718</u>
Due from component units					
Endowments	<u>\$ 22,429,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interfund receivables:					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,434,901</u>	<u>\$ 22,206,201</u>
Student loans receivable:					
Student loan programs	<u>\$ 13,254,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>The University</b>				
Capital assets not being depreciated				
Land	\$ 11,646,316	\$ -	\$ -	\$ 11,646,316
Construction in progress	71,016,071	29,444,512	(18,902,218)	81,558,365
Total capital assets not being depreciated	<u>82,662,387</u>	<u>29,444,512</u>	<u>(18,902,218)</u>	<u>93,204,681</u>
Other capital assets				
Depreciable land improvements	5,952,293	802,208	-	6,754,501
Buildings and improvements	346,983,603	18,100,010	-	365,083,613
Machinery and equipment	109,233,525	18,063,752	(2,868,603)	124,428,674
Vehicles	4,294,730	594,971	(144,410)	4,745,291
Total other capital assets at historical cost	<u>466,464,151</u>	<u>37,560,941</u>	<u>(3,013,013)</u>	<u>501,012,079</u>
Less accumulated depreciation for				
Depreciable land improvements	(4,469,452)	(195,561)	-	(4,665,013)
Buildings and improvements	(134,577,463)	(13,059,106)	-	(147,636,569)
Machinery and equipment	(45,416,780)	(8,045,936)	2,514,959	(50,947,757)
Vehicles	(3,528,794)	(312,389)	144,410	(3,696,773)
Total accumulated depreciation	<u>(187,992,489)</u>	<u>(21,612,992)</u>	<u>2,659,369</u>	<u>(206,946,112)</u>
Other capital assets, net	<u>278,471,662</u>	<u>15,947,949</u>	<u>(353,644)</u>	<u>294,065,967</u>
University capital assets, net	<u>361,134,049</u>	<u>45,392,461</u>	<u>(19,255,862)</u>	<u>387,270,648</u>
<b>Medical University Hospital Authority</b>				
Capital assets not being depreciated				
Land and land improvements	6,092,725	-	-	6,092,725
Construction in progress	180,866,449	92,208,671	(54,896,628)	218,178,492
Total capital assets not being depreciated	<u>186,959,174</u>	<u>92,208,671</u>	<u>(54,896,628)</u>	<u>224,271,217</u>
Other capital assets				
Buildings and improvements	246,620,475	49,084,651	(20,824)	295,684,302
Machinery and equipment	161,806,434	19,104,574	(5,038,999)	175,872,009
Vehicles	1,994,631	17,629	-	2,012,260
Total other capital assets at historical cost	<u>410,421,540</u>	<u>68,206,854</u>	<u>(5,059,823)</u>	<u>473,568,571</u>
Less accumulated depreciation for				
Buildings and improvements	(118,902,917)	(9,609,397)	20,824	(128,491,490)
Machinery and equipment	(96,898,881)	(13,155,094)	4,371,605	(105,682,370)
Vehicles	(1,725,631)	(181,272)	-	(1,906,903)
Total accumulated depreciation	<u>(217,527,429)</u>	<u>(22,945,763)</u>	<u>4,392,429</u>	<u>(236,080,763)</u>
Other capital assets, net	<u>192,894,111</u>	<u>45,261,091</u>	<u>(667,394)</u>	<u>237,487,808</u>
Authority capital assets, net	<u>379,853,285</u>	<u>137,469,762</u>	<u>(55,564,022)</u>	<u>461,759,025</u>
<b>University Medical Associates</b>				
Capital assets not being depreciated				
Construction in progress	61,540	-	(61,540)	-
Total capital assets not being depreciated	<u>61,540</u>	<u>-</u>	<u>(61,540)</u>	<u>-</u>
Other capital assets				
Buildings and improvements	60,100,667	1,425,000	-	61,525,667
Machinery and equipment	9,393,019	2,286,871	537,173	12,217,063
Intangible assets	3,455,743	37,500	(220,000)	3,273,243
Total other capital assets at historical cost	<u>72,949,429</u>	<u>3,749,371</u>	<u>317,173</u>	<u>77,015,973</u>
Less accumulated depreciation for				
Buildings and improvements	(16,770,279)	(2,010,598)	(351,438)	(19,132,315)
Machinery and equipment	(8,319,061)	(83,658)	(189,552)	(8,592,271)
Intangible assets	(2,724,881)	(166,587)	114,888	(2,776,580)
Total accumulated depreciation	<u>(27,814,221)</u>	<u>(2,260,843)</u>	<u>(426,102)</u>	<u>(30,501,166)</u>
Other capital assets, net	<u>45,135,208</u>	<u>1,488,528</u>	<u>(108,929)</u>	<u>46,514,807</u>
UMA capital assets, net	<u>45,196,748</u>	<u>1,488,528</u>	<u>(170,469)</u>	<u>46,514,807</u>
<b>Grand Total</b>	<u>\$ 786,184,082</u>	<u>\$ 184,350,751</u>	<u>\$ (74,990,353)</u>	<u>\$ 895,544,480</u>

UMA capital asset retirements include the impact of eliminating a timing difference related to equipment contributed to the University during the fiscal years ended June 30, 1998 through 2001 which have been fully depreciated as of the end of current fiscal year.

## 6. PENSION PLANS

The Retirement Division of the State Budget and Control Board Division 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. Furthermore, 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.

Since July 1, 1988, employees participating in the SCRS were required to contribute 6.0 percent of eligible compensation. Effective July 1, 2005, the employee contribution rate became 6.25 percent. Effective July 1, 2006, the employee contribution rate became 6.5 percent. Effective July 1, 2006, the employer contribution rate became 11.55 percent, which included a 3.35 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2007, 2006, and 2005, were approximately \$8,217,000, \$8,189,000, and \$7,235,000, respectively, and equaled the required contributions (excluding the surcharge) of 8.05 percent for fiscal year 2007 and 7.55 percent for fiscal years 2005 and 2006.

The Authority's contributions to SCRS for the years ending June 30, 2007, 2006, and 2005 were approximately \$22,300,000, \$19,400,000, and \$17,900,000, respectively.

The University paid employer group-life insurance contributions of approximately \$153,000 in the current fiscal year 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 and control 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. Effective July 1, 2004, the employer contribution rate became 13.55 percent which, as for the SCRS, included the 3.25 percent surcharge. Effective July 1, 2006, the employer contribution rate became 13.65 percent due to an increase in the surcharge to 3.35 percent. The University's actual contributions to the PORS for the years ending June 30, 2007, 2006, and 2005, were approximately \$232,000, \$232,000, and \$167,000, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$4,503 and accidental death insurance contributions of \$4,503 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is 0.20 percent of compensation.

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

Certain State employees 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 limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately \$9,010,000 (excluding the surcharge) from the University as employer and \$5,137,000 from its employees as plan members. Also, the University paid employer group-life insurance contributions of approximately \$119,000 in the current fiscal year. 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 insurance companies.

### ***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. Participants entering 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 \$151,691 for lump-sum vacation leave payments to its employees retiring under TERI in fiscal year 2007.

### ***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 plan are discretionary and vest ratably over four years after two years of service. Contributions by the Authority in fiscal 2007 totaled approximately \$253,200.

University Medical Associates provides a defined contribution 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 four-tier percentage determined by the participant's compensation as follows: (a) eight percent of compensation up to \$40,000; (b) twelve percent of compensation from \$40,001 to \$80,000; (c) twenty-five percent of compensation from \$80,001 to \$150,000; and (d) twenty-nine percent for compensation from \$150,001 to \$200,000. The maximum annual contribution per participant is \$40,000. Participants become fully vested in their accounts after five years of credited service. Total contributions to this plan totaled \$13,998,607 in fiscal year 2007. 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.

Employees of Carolina Primary Care Physicians and Carolina Health Management Services participate in a deferred compensation plan under Internal Revenue Code Section 401(k) has been established which allows employees to defer up to \$20,000 of compensation annually. The employer makes safe-harbor contributions for all employees of three percent of compensation up to \$220,000. A separate employer contribution of five percent of compensation up to \$220,000 is made for all non-physician employees. All employee and employer safe-harbor contributions are 100% vested at the time of contribution. The five percent non-physician employer contribution contributions vest ratably over a five year period. Total employer contributions to this plan for the fiscal year ending June 30, 2007 were \$293,171.

## 7. POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally, those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University and the Authority for their active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. The University recorded compensation and benefits expense for these insurance benefits for active employees in the approximate amount of \$14,392,000 for the year ended June 30, 2007. The University paid approximately \$3,495,000 applicable to the 3.35 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to University and Authority retirees is not available. By State law, the University and the Authority have no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements. In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

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, 2007 was \$649,637. This amount is included under the caption "Payables and accrued liabilities" on the Statement of Net Assets.

UMA provides post-retirement health and dental care benefits for retirees and their dependents. Substantially all employees who retire under the pension plan at age 60 and have 10 years of credited service are eligible to continue their coverage by paying the current employee premiums under the plan. UMA's self-insured health and dental plan provides the coverage for these benefits and no separate estimate is available for the cost of the coverage for retirees. Twenty-two retirees are covered under UMA's self-insured health plan as of June 30, 2007.

## 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 \$15,500 of eligible compensation. The Authority does not match employee contributions.

## 9. COMMITMENTS, CONTINGENCIES AND LITIGATION

The various federal programs administered by the University for fiscal year 2007 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.

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 \$70,453,617 at June 30, 2007. The University anticipates funding these projects out of current resources, bond issues, bond anticipation notes, private gifts, federal capital grants, special appropriations, and state capital improvement bond proceeds.

The Authority's construction in progress consists primarily of costs associated with construction of new hospital facilities funded by the issuance of debt. The estimated total remaining costs to complete at June 30, 2007 is approximately \$66,600,000. These projects are planned for completion at various dates through fiscal year 2008.

Carolina Primary Care Physicians, PA, 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 times 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.

CHS had outstanding commitments related to the Charleston High School renovation project of approximately \$35,300 at June 30, 2007.

## 10. PAYABLES AND ACCRUED LIABILITIES

	<u>The University</u>	<u>The Authority</u>	<u>UMA</u>	-- Nonmajor Enterprise Funds --	
				<u>MUFC</u>	<u>CHS</u>
Accounts payable	\$ 15,334,415	\$ 34,738,515	\$ 2,215,043	\$ -	\$ 30,556
Retainages	1,547,762	10,700,929	-	-	-
Compensated absences payable	-	17,261,294	-	-	-
Accrued payroll & related liabilities	5,411,202	17,793,073	8,946,637	-	-
Accrued interest	982,915	2,494,479	148,760	191,432	700,675
Other	-	129,657	2,496,192	-	-
	<u>\$ 23,276,294</u>	<u>\$ 83,117,947</u>	<u>\$ 13,806,632</u>	<u>\$ 191,432</u>	<u>\$ 731,231</u>

Activity for the year ended June 30, 2007 associated with the Authority's compensated absences (all payable within one year) is as follows:

Beginning balance	\$ 15,534,348
Increases	22,967,254
Decreases	<u>(21,240,308)</u>
Ending balance	<u>\$ 17,261,294</u>

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**11. NONCURRENT LIABILITIES**

Noncurrent liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>University</b>					
General obligation bonds payable	\$ 50,590,000	\$ -	\$ (3,495,000)	\$ 47,095,000	\$ 3,135,000
Revenue bond payable	-	38,000,000	-	38,000,000	-
Capital leases payable	3,912,215	3,011,885	(1,862,868)	5,061,232	1,327,672
Compensated absences payable	21,508,424	12,596,174	(11,095,473)	23,009,125	11,095,473
Less deferred loss on early retirement of general obligation bonds	<u>(1,104,780)</u>	<u>-</u>	<u>80,348</u>	<u>(1,024,432)</u>	<u>(80,348)</u>
Total University long-term liabilities	74,905,859	53,608,059	(16,372,993)	112,140,925	15,477,797
Interfund payables	42,656,104	-	(2,438,415)	40,217,689	2,576,587
Federal loan program liability	<u>12,755,429</u>	<u>577,790</u>	<u>(151,868)</u>	<u>13,181,351</u>	<u>-</u>
Total University noncurrent liabilities	<u>130,317,392</u>	<u>54,185,849</u>	<u>(18,963,276)</u>	<u>165,539,965</u>	<u>18,054,384</u>
<b>Medical University Hospital Authority</b>					
Bonds payable	483,060,000	-	-	483,060,000	1,585,000
GE Notes payable	9,396,474	4,500,000	(1,410,194)	12,486,280	1,902,306
BA Notes payable	-	6,175,604	-	6,175,604	-
Capital leases payable	<u>6,271,729</u>	<u>-</u>	<u>(5,567,974)</u>	<u>703,755</u>	<u>674,234</u>
Subtotal	498,728,203	10,675,604	(6,978,168)	502,425,639	4,161,540
Plus unamortized bond premium	10,162,013	-	(605,592)	9,556,421	-
Less deferred (loss) on refunding	<u>(18,356,581)</u>	<u>-</u>	<u>986,618</u>	<u>(17,369,963)</u>	<u>-</u>
Total Authority noncurrent liabilities	<u>490,533,635</u>	<u>10,675,604</u>	<u>(6,597,142)</u>	<u>494,612,097</u>	<u>4,161,540</u>
<b>University Medical Associates</b>					
Direct note obligations	90,250,000	-	(2,500,000)	87,750,000	2,650,000
Interest rate swap liability	1,374,653	-	(77,084)	1,297,569	77,083
Capital leases payable	242,981	-	(87,104)	155,877	40,483
Compensated absences payable	<u>2,574,442</u>	<u>3,346,267</u>	<u>(3,125,309)</u>	<u>2,795,400</u>	<u>1,677,240</u>
Subtotal	94,442,076	3,346,267	(5,789,497)	91,998,846	4,444,806
Less deferred refunding costs on direct note obligations	<u>(896,687)</u>	<u>-</u>	<u>49,942</u>	<u>(846,745)</u>	<u>(49,941)</u>
Total UMA noncurrent liabilities	<u>93,545,389</u>	<u>3,346,267</u>	<u>(5,739,555)</u>	<u>91,152,101</u>	<u>4,394,865</u>
<b>Nonmajor Enterprise Funds</b>					
<b>Medical University Facilities Corporation</b>					
Revenue bonds payable	9,274,000	-	(595,000)	8,679,000	640,000
Notes payable	<u>10,450,000</u>	<u>-</u>	<u>(1,095,000)</u>	<u>9,355,000</u>	<u>1,145,000</u>
Total MUFC noncurrent liabilities	<u>19,724,000</u>	<u>-</u>	<u>(1,690,000)</u>	<u>18,034,000</u>	<u>1,785,000</u>
<b>CHS Development Company</b>					
Notes payable	31,885,000	-	(1,130,000)	30,755,000	1,165,000
Unamortized premium	<u>93,359</u>	<u>-</u>	<u>(5,326)</u>	<u>88,033</u>	<u>5,326</u>
Total CHS noncurrent liabilities	<u>31,978,359</u>	<u>-</u>	<u>(1,135,326)</u>	<u>30,843,033</u>	<u>1,170,326</u>
Grand total	<u>\$ 766,098,775</u>	<u>\$ 68,207,720</u>	<u>\$ (34,125,299)</u>	<u>\$ 800,181,196</u>	<u>\$ 29,566,115</u>

## 12. BONDS AND NOTES PAYABLE

### **Bonds Payable**

The University's bonds payable at June 30, 2007, consisted of the following:

	Interest Rates	Maturity Dates	Balance June 30, 2007
<b>State Institution Bonds</b>			
1992 A series dated 5/1/92	6%	03/01/07	\$ -
1996 A series dated 7/1/96	5.3 - 5.4%	03/01/11	1,165,000
2000 A series dated 4/1/00	4.8 - 5.5%	03/01/10	4,535,000
2001 series dated 12/01/01	4.25 - 5%	12/01/16	5,370,000
2003 D series dated 1/1/03	3.3 - 4.4%	01/01/18	6,440,000
2003 J series dated 12/1/03	3.0 - 5.0%	12/01/23	10,785,000
2005A Refunding dated 4/1/05	3.0-5%	03/01/20	18,800,000
Total state institution bonds			<u>\$ 47,095,000</u>
Higher Education Facilities Revenue			
2006 series dated 11/1/06	4-5%	04/01/31	<u>\$ 38,000,000</u>
			<u>\$ 85,095,000</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 for the preceding year were \$39,037,876, which results in a legal debt margin at June 30, 2007, of \$35,134,088.

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

Year Ending June 30.	State Institution Bonds		
	Principal	Interest	Total
2008	\$ 3,135,000	\$ 1,992,180	\$ 5,127,180
2009	3,270,000	1,857,874	5,127,874
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
2013-2017	14,425,000	4,085,167	18,510,167
2018-2022	13,470,000	1,806,636	15,276,636
2023-2027	2,570,000	176,850	2,746,850
	<u>\$ 47,095,000</u>	<u>\$ 14,613,751</u>	<u>\$ 61,708,751</u>

Total principal payments on the State Institution bonds for the year ended June 30, 2007 were \$3,495,000 and the total interest expense relating to bonds payable for the year ended June 30, 2007 was \$ 2,162,334.

Year Ending June 30.	Higher Education Revenue Bond		
	Principal	Interest	Total
2008	\$ -	\$ 1,578,488	\$ 1,578,488
2009	1,025,000	1,578,488	2,603,488
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
2013-2017	6,545,000	6,463,188	13,008,188
2018-2022	7,965,000	5,044,988	13,009,988
2023-2027	9,735,000	3,273,655	13,008,655
2028-2031	9,380,000	1,026,025	10,406,025
	<u>\$ 38,000,000</u>	<u>\$ 23,415,944</u>	<u>\$ 61,415,944</u>

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No principal payments were made on the Higher Education Revenue bond during the year ended June 30, 2007. Total interest expense relating to the Higher Education Revenue Bond for the year ended June 30, 2007 was \$657,703.

The total amount of defeased debt outstanding at June 30, 2007, was \$17,845,000 for the University and \$157,730,000 for the Authority.

The Authority's hospital facilities and refunding revenue bonds payable at June 30, 2007, consisted of the following:

	Interest Rates	Balance June 30, 2007
2004 A Series	4.85 - 5.25%	\$ 303,965,000
2004 B Series	3.92 - 5.38%	<u>118,095,000</u>
		422,060,000
Unamortized bond premiums and deferred losses on bond refunding		<u>(7,813,542)</u>
		414,246,458
Less current installments		<u><u>-</u></u>
		<u><u>\$ 414,246,458</u></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 2007 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 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 whose balance approximates \$9,400,000 at June 30, 2007.

The effective term of the ETRC extends from December 29, 2004 until December 1, 2009, although the Authority anticipates terminating the ETRC on or about June 1, 2008, which is the expected date of substantial completion of the associated construction project. The fair value of the ETRC at June 30, 2007 was approximately ( \$1,200,000 ), which is not recognized in the Authority's Statement of Net Assets under relevant GASB accounting standards.

The aggregate surplus of funds, if any, to be realized in connection with the ETRC will accumulate during the construction period 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.

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

Fiscal Year End	Hospital Facilities & Refunding Revenue Bonds		
	Principal	Interest	Total
<u>June 30,</u>			
2008	\$ -	\$ 21,494,426	\$ 21,494,426
2009	16,005,000	21,198,426	37,203,426
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 - 2017	54,030,000	92,269,977	146,299,977
2018 - 2022	69,860,000	76,566,198	146,426,198
2023 - 2027	90,705,000	55,878,995	146,583,995
2028 - 2032	117,105,000	29,684,501	146,789,501
2033 - 2034	47,460,000	2,138,719	49,598,719
Total	<u>\$ 422,060,000</u>	<u>\$ 360,071,177</u>	<u>\$ 782,131,177</u>

On December 29, 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, a single member limited liability company organized under the laws of the State of South Carolina, whose sole member is Medical University Facilities Corporation. Pursuant to a Loan Agreement between the issuer and the borrower, the borrower will use the proceeds to build the central energy plant for the new hospital currently being constructed. Pursuant to the loan agreement, the borrower will be obligated to make payments to the issuer in amounts sufficient to pay the principal and interest on the Bonds. Applicable GASB principles indicate that MUFC Central Energy Plant, LLC should be reported as a blended component unit of the Authority. Based on the GASB guidance, the audited financial statements include the Central Energy Plant, LLC using the blended method.

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

Fiscal Year Ending	CEP Project Series 2004	
	Principal	Interest
<u>June 30,</u>		
2008	\$ 1,585,000	\$ 1,268,800
2009	1,625,000	1,235,832
2010	1,680,000	1,202,032
2011	1,730,000	1,167,088
2012	1,780,000	1,131,104
2013 - 2017	9,730,000	5,077,592
2018 - 2022	11,285,000	4,002,960
2023 - 2027	13,090,000	2,756,416
2028 - 2032	15,180,000	1,310,504
2033 - 2034	3,315,000	68,952
Total	<u>\$ 61,000,000</u>	<u>\$ 19,221,280</u>

The Medical University Facilities Corporation (MUFC) on September 20, 1995, 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 \$595,000 in principal and incurred \$669,116 in interest expense on these bonds for the year ended June 30, 2007.

The scheduled maturities of the bonds are as follows:

	Principal	Interest	Total
2008	\$ 640,000	\$ 635,042	\$ 1,275,042
2009	689,000	586,457	1,275,457
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 - 2017	4,954,000	997,685	5,951,685
Total	<u>\$ 8,679,000</u>	<u>\$ 3,648,663</u>	<u>\$ 12,327,663</u>

**Direct Note Obligations**

UMA has issued several Select Auction Variable Rate Securities (SAVRS) Direct Note Obligations to finance the acquisition and renovation of facilities for its ambulatory care operations. The SAVRS are secured by unrestricted receivables and the property under lease with MUSCF. A brief description of each issue follows.

Proceeds of the \$55 million Series 1994 SAVRS were issued to prepay the non-cancelable lease agreement with MUSCF of \$37 million, pay off a bank line of credit of \$9 million, provide working capital of \$2.2 million, establish a debt service reserve of \$5.5 million, and pay issue costs of \$1.3 million. Of the \$10.25 million outstanding at year end, \$9.05 million is covered by a swap agreement, which effectively fixes the interest rate at 6.82%. A total of \$43.6 million of these obligations were refunded through the issuance of Series 1999A SAVRS.

The \$40 million Series 1997 SAVRS proceeds were use to finance the cost of improving, renovating and equipping Rutledge Tower, the property leased from MUSCF. Of these proceeds, \$35.9 million was used for leasehold improvements, \$3.4 million funded a debt service reserve fund, and \$700 thousand went to the cost of issuance. \$34.45 million of these obligations were refunded through the issuance of the Series 1999B SAVRS. The remaining outstanding balance of \$4.85 million at year end is not covered by a swap agreement and subject to market fluctuations.

A variable rate of interest accrues on each issue based upon a re-offering of the securities for each auction rate period and is payable in arrears on every fifth Wednesday. The obligations can be converted to fixed rate obligations at the option of UMA, with the consent of the bond issuer, at a rate to be determined by market conditions at the time of conversion.

UMA has issued the following Series of Select Auction Variable Rate Securities (SAVRS) Direct Note Obligations that are outstanding at June 30, 2007.

Description	Covered by SWAP	Effective Interest Rate	Original Amount	Outstanding Balance June 30, 2007
Series 1994 SAVRS issued January 9, 1995 due in annual Installments ranging from \$100,000 to \$1,200,000; final maturity is May 15, 2024.	Partially	6.82%	\$ 55,000,000	\$ 9,950,000
Series 1997 SAVRS issued December 1, 1997, due in annual Installments ranging from \$50,000 to \$450,000; final maturity is May 15, 2027.	No	Variable	40,000,000	4,850,000
Series 1999A Refunding SAVRS issued December 13, 1999, due in annual Installments ranging from \$450,000 to \$3,350,000; final maturity is May 15, 2024.	Yes	6.82%	39,400,000	33,650,000
Series 1999B Refunding SAVRS issued December 13, 1999, due in annual Installments ranging from \$650,000 to \$3,150,000; final maturity is May 15, 2007.	Yes	5.82%	<u>45,600,000</u>	<u>39,300,000</u>
Total Debt			<u>\$ 180,000,000</u>	87,750,000
Less deferred refunding costs				<u>846,745</u>
Total per Statement of Net Assets				86,903,255
Less current portion				<u>2,600,059</u>
Total long-term portion				<u>\$ 84,303,196</u>

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Under the terms of the Master Trust Agreement, interest, sinking and debt service reserve funds were established with the Trustee and will be maintained as long as the obligations remain outstanding. These funds are included under the caption "Restricted Assets" and "Net Assets Restricted for Debt Service" on the Statement of Net Assets.

The Master Trust Agreement limits incurrence of additional borrowing, disposition of certain properties, and requires that UMA satisfy certain measures of financial performance as long as the notes are outstanding. As of June 30, 2007, UMA believes it is in compliance with all significant requirements under the Master Trust Agreement.

The 1999A and B Refunding SAVRS Direct Note Obligations were issued pursuant to an ordinance by Charleston County, South Carolina in order to obtain tax-exempt status for the interest payments to the bond holders and reduce the total interest costs. These bonds are subject to compliance with the arbitrage regulations of the Internal Revenue Code. UMA management believes it has complied with all material requirements as of June 30, 2007.

Annual debt service requirements to maturity on the above referenced long-term debt are as follows:

Year Ending <u>June 30,</u>	Principal	Interest	Total
2008	\$ 2,650,000	\$ 5,474,333	\$ 8,124,333
2009	3,050,000	5,303,935	8,353,935
2010	3,100,000	5,112,431	8,212,431
2011	3,350,000	4,911,662	8,261,662
2012	3,150,000	4,703,397	7,853,397
2013 - 2017	20,000,000	19,923,868	39,923,868
2018 - 2022	27,400,000	13,109,089	40,509,089
2023 - 2027	<u>25,050,000</u>	<u>3,616,625</u>	<u>28,666,625</u>
Total	87,750,000	62,155,340	149,905,340
Less:			
Deferred Refunding Cost	(846,745)	-	(846,745)
Current Portion	<u>(2,600,059)</u>	<u>(5,474,333)</u>	<u>(8,074,392)</u>
Long Term Portion	<u>\$ 84,303,196</u>	<u>\$ 56,681,007</u>	<u>\$ 140,984,203</u>

UMA has entered into interest rate swap agreements with Lehman Brothers to modify interest rates on a portion of its Series 1994 and all of the 1999A and 1999B SAVRS in an effort to convert its variable rate debt to a fixed rate of 6.82% on the 1994 and 1999A SAVRS and 5.82% on the 1999B SAVRS.

The SAVRS and related swap agreements mature on May 15, 2024 for the 1994 and 1999A and on May 15, 2027 for the 1999B. The notional amounts as of June 30, 2007 are as follows: Series 1994 SAVRS - \$8.65 million, Series 1999A SAVRS - \$33.65 million, and Series 1999B - \$39.3 million which agrees to principal outstanding under the various issues except for Series 1994 which has outstanding principal of \$9.95 million. Under the swap agreements, UMA pays the counterparty a fixed interest payment of 6.82% on the 1994 and 1999A SAVRS and 5.82% on the 1999B SAVRS and receives a variable payment based upon the auction rate determined every 35 days. The variable rates in effect at June 30, 2007 were 3.75% for the 1994 SAVRS, 3.75% for the 1999A SAVRS, and 3.84% for the 1999B SAVRS. On May 1, 2000, UMA and Lehman Brothers amended these swap agreements to mitigate adverse income tax consequences to Lehman Brothers should certain triggering events occur in the future resulting in a payment to UMA of \$1.85 million for the remaining life of the agreements. This amount is recorded as deferred revenue and is being amortized as a reduction of interest expense over the terms of the related obligations on the straight-line method. For the year ended June 30, 2007 interest expense was reduced by \$77,083.

Interest rates have declined since execution of the swap agreements resulting in the swaps having a negative fair value as of June 30, 2007 of (\$1,769,986) for the 1994 SAVRS, (\$6,561,358) for the 1999A SAVRS, and (\$5,130,683) for the 1999B SAVRS. Because the interest payments on UMA's variable rate debt adjust to changing interest rates, the SAVRS do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swaps, 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 swaps.

The swap agreements may be terminated if the counterparty's credit quality rating falls below "A3" as issued by Moody's Investors Service or "A-" as issued by Fitch Ratings or Standard & Poor's. Termination of these agreements would subject UMA to the risk of fluctuating interest rates of the variable rate debt agreements.

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Using rates in effect as of June 30, 2007, aggregate debt service requirements of variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	SAVRS Principal	SAVRS Interest	Swap Payments, Net	Total Debt Service
2008	\$ 2,450,000	\$ 3,083,148	\$ 2,069,603	\$ 7,602,751
2009	2,850,000	2,988,495	2,004,359	7,842,854
2010	2,950,000	2,879,936	1,931,591	7,761,527
2011	3,150,000	2,767,480	1,851,477	7,768,957
2012	2,950,000	2,648,926	1,772,266	7,371,192
2013 - 2017	18,850,000	11,220,788	7,458,398	37,529,186
2018 - 2022	25,550,000	7,386,198	4,852,866	37,789,064
2023 - 2027	22,850,000	2,080,375	1,211,865	26,142,240
Totals	<u>\$ 81,600,000</u>	<u>\$ 35,055,346</u>	<u>\$ 23,152,425</u>	<u>\$ 139,807,771</u>

**Notes Payable**

UMA had a line of credit with Wachovia Bank with a maximum borrowing limit of \$10 million, on which UMA could draw on for working capital. The loan bears interest at the 30 day LIBOR rate plus 1.35% and was secured by all unrestricted accounts receivable and expired in July 2007. There were no advances under this line of credit during the year ended June 30, 2007. In July 2007, UMA renewed this line of credit with basically the same terms except the interest rate changed to LIBOR plus 1.15%.

The Authority financed the acquisition of certain medical equipment in 2007 with promissory notes payable to GE Capital Public Finance payable in variable amounts through January 2013.

The scheduled maturities are as follows.

Fiscal Year Ending June 30,	GE Capital Notes	
	Principal	Interest
2008	\$ 1,902,306	\$ 512,482
2009	1,988,103	426,686
2010	2,077,875	336,913
2011	2,171,815	242,973
2012	2,270,122	144,667
2013 - 2014	<u>2,076,059</u>	<u>59,310</u>
Totals	<u>\$ 12,486,280</u>	<u>\$ 1,723,031</u>

In November 2004, the Authority entered into an agreement with Bank of America for a funding commitment of \$36.8 million to purchase equipment for the new hospital. The Authority began to access the funding commitment in December 2006. During fiscal 2007, the Authority drew \$6.2 million on the available line of credit for purchases of equipment for the new hospital. The term of the financing facility is 5 years from May 1, 2008 with semi-annual payments of principal and interest.

Debt service requirements related to the line of credit provided by Bank of America will be determined during fiscal 2008 upon completion of purchases of equipment for the new hospital using the credit line funding.

On May 21, 2003, the South Carolina Jobs-Economic Development Authority (JEDA) issued Tax-Exempt Adjustable Mode Economic Development Revenue Bonds (Medical University Facilities Corporation) Series 2003 in the amount of \$13,500,000 with final maturity on January 1, 2013. The proceeds were loaned to MUFC and used to currently refund the certificates of participation dated December 1, 1991. Pursuant to the loan agreement, MUFC is obligated to make payments in amounts sufficient to pay the principal and interest on the bonds and certain other fees and expenses. The payment of the principal and interest is secured by an irrevocable, direct-pay letter of credit issued by Wachovia Bank, NA. In July 2003, the net proceeds of the JEDA loan as well as funds from the certificates of participation trustee accounts were used to pay the scheduled principal and interest due on the certificates of participation, to redeem the remaining aggregate principal amount of \$13,525,000, and to pay the redemption premium of \$270,500. As a result of the refunding, MUFC experienced an economic gain (defined as the difference between the present values of the old and new debt service payments) of \$1,345,420 and decreased its total required debt service payments by \$3,126,281.

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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, 2007, was \$9,355,000 and the variable rate in effect at that date was 3.77 percent. The 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 loan and the related swap agreement mature on January 1, 2013.

As of June 30, 2007, the swap had a positive fair value of \$174,727. 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.

Using rates as of June 30, 2007, 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.

	Variable-Rate Notes		Interest Rate	
	Principal	Interest	Swaps, Net	Total
2008	\$ 1,145,000	\$ 334,697	\$ (35,485)	\$ 1,444,212
2009	1,195,000	290,746	(30,834)	1,454,912
2010	1,245,000	244,909	(26,017)	1,463,892
2011	1,300,000	197,108	(20,913)	1,476,195
2012	1,360,000	147,156	(15,603)	1,491,553
2013	3,110,000	68,394	(7,242)	3,171,152
	<u>\$ 9,355,000</u>	<u>\$ 1,283,010</u>	<u>\$ (136,094)</u>	<u>\$ 10,501,916</u>

MUFC paid \$1,095,000 in principal and incurred \$333,000 in interest expense on these notes for the year ended June 30, 2007.

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 are as follows:

Year Ending June 30,	CHS Development Company Project Series 2003		
	Principal	Interest	Total
2008	\$ 1,165,000	\$ 1,401,350	\$ 2,566,350
2009	1,200,000	1,366,400	2,566,400
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 - 2017	7,790,000	5,045,338	12,835,338
2018 - 2022	9,690,000	3,146,091	12,836,091
2023 - 2025	7,010,000	697,225	7,707,225
Total	<u>\$ 30,755,000</u>	<u>\$ 15,459,104</u>	<u>\$ 46,214,104</u>

For the year ended June 30, 2007, CHS Development Company incurred \$1,412,974 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, 2007, were as follows.

The capital leases with blended component units are reported on the statement of net assets as interfund payables.

Year Ending June 30	Capital Leases with		Operating Leases with		
	Blended Component Units	External Parties	Blended Component Units	Discretely Presented Component Units	External Parties
2008	\$ 4,599,200	\$ 1,724,116	\$ 3,279,179	\$ 364,596	\$ 1,438,416
2009	4,609,898	1,640,011	2,185,663	298,596	1,218,437
2010	4,618,878	1,549,829	1,006,405	261,517	405,877
2011	4,631,181	356,779	985,385	258,146	117,287
2012	4,574,540	-	1,014,947	223,802	15,991
2013-2017	15,791,098	-	1,045,395	-	9,800
2018-2022	9,714,633	-	-	-	-
2023-2028	6,883,493	-	-	-	-
Total minimum lease payments	55,422,921	5,270,735	\$ 9,516,974	\$ 1,406,657	\$ 3,205,808
Less interest	(15,205,232)	(209,503)			
Present value of minimum lease payments	\$ 40,217,689	\$ 5,061,232			

Authority equipment with original cost totaling approximately \$26.1 million and related accumulated amortization of approximately \$13.2 million is held under the Authority capital leases. Future minimum lease payments due under these capital leases, by year and in the aggregate follow.

Year Ending June 30	Capital Leases with		Operating Leases with		
	External Parties	Blended Component Unit	Discretely Presented Component Unit	External Parties	
2008	\$ 686,187	\$ 10,474,464	\$ 2,064,840	\$ 5,829,224	
2009	30,472	701,410	2,064,840	5,679,447	
2010	-	429,234	2,064,840	5,169,781	
2011	-	350,565	2,064,840	4,789,851	
2012	-	219,285	414,840	4,730,211	
2013-2017	-	116,305	-	920,536	
2018-2022	-	89,675	-	-	
2023-2028	-	-	-	-	
Total minimum lease payments	716,659	\$ 12,380,938	\$ 8,674,200	\$ 27,119,050	
Less interest	(12,904)				
Present value of minimum lease payments	\$ 703,755				

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 2007 was \$6,347,335 for the University and \$14,284,854 for the Authority. The University and the Authority have an annual operating lease agreement with each other that covers space each uses in real property owned by the other. During the fiscal year the University paid the Authority \$1,105,340 and the Authority paid the University \$2,892,146 under this lease agreement. 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, 2007, the University and the Authority had certain other operating leases with related parties. In the current fiscal year, in addition to the operating lease expense above, the University incurred expenses of \$677,994 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 \$6,088,956 in fiscal year 2007.

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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:

Year Ending June 30,	
2008	\$ 5,947,369
2009	5,536,992
2010	4,715,908
2011	4,102,038
2012	3,759,854
2013 – 2017	9,562,349
2018 – 2019	<u>603,090</u>
Total	<u>\$ 34,227,600</u>

UMA subleases various properties to the University, the Authority, and external parties. Under these lease agreements for the fiscal year ended June 30, 2007, UMA received rent of \$5,173,922, composed of \$3,862,140 from the University, \$762,733 from the Authority, and \$549,049 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 rents from external parties are associated with subleases of property leased by UMA. The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows:

Year Ending June 30,	University & Authority	External Parties
2008	\$ 4,960,705	\$ 378,643
2009	1,885,513	288,726
2010	1,188,715	-
2011	1,191,785	-
2012	638,588	-
Total	<u>\$ 9,865,306</u>	<u>\$667,369</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.

The following is a summary of the carrying value of assets held under capital leases at June 30, 2007:

	Capital leases with <u>blended component units</u>	Capital leases with <u>external parties</u>
Equipment	\$ -	\$ 8,155,104
Land	2,335,580	-
Buildings	<u>72,720,046</u>	<u>-</u>
Total	75,055,626	8,155,104
Less accumulated amortization	<u>(25,539,142)</u>	<u>(1,381,795)</u>
Total assets acquired under capital leases, net	<u>\$ 49,516,484</u>	<u>\$ 6,773,309</u>

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University Medical Associates 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.

Following is an analysis of the leased property under capital leases at June 30, 2007:

	<u>Capitalized Costs</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computers and equipment	\$ 114,314	\$ (38,740)	\$ 75,574
Prepaid maintenance expense	<u>96,221</u>	<u>(10,023)</u>	<u>86,198</u>
Total	<u>\$ 210,535</u>	<u>\$ (48,763)</u>	<u>\$ 161,772</u>

Depreciation and amortization expense related to these assets was \$32,886 for the year ended June 30, 2007.

The future UMA minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, are as follows:

Year Ending	
<u>June 30,</u>	
2008	\$ 47,996
2009	47,996
2010	47,996
2011	<u>27,999</u>
Total minimum lease payments	171,987
Less interest	<u>(16,110)</u>
Present value of minimum lease payments	155,877
Less current portion	<u>(40,483)</u>
Long term portion	<u>\$ 115,394</u>

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. This agreement was entered into because UMA's charter prohibits it from owning real estate. The lease term expires on June 30, 2027 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 2007. The following schedule reflects the remaining basis of assets acquired under this capital lease as of June 30, 2007.

<u>Description</u>	<u>Capitalized Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Prepaid rent – MUSCF	\$ 19,052,400	\$ (8,319,360)	\$ 10,733,040
Building under capital lease	13,989,600	(5,927,797)	8,061,803
Equipment under capital lease	<u>2,958,000</u>	<u>(2,958,000)</u>	<u>–</u>
Totals	<u>\$ 36,000,000</u>	<u>\$ 17,205,157</u>	<u>\$ 18,794,843</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 5MA-MB of Part IA of the 2006-2007 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, 2007.

### Non-capital appropriations

Current year's appropriations:

Original appropriations per Annual Appropriations Act (includes \$250,000 for Rural Dentist Initiative)	\$ 101,156,578
College of Dental Medicine Building (Proviso 73.14)	7,000,000
MRR Parity (Proviso 73.14)	3,057,883
Hollings Cancer Center (Proviso 73.14)	500,000

State Budget and Control Board Allocations:

Employee Base Pay Increases and Related Employee Benefits (Proviso 63.32)	2,586,857
For Employer Contributions (SC Code of Law Section 1-11-475)	618,549

Interagency transfer:

From Commission on Higher Education:	
Academic Endowment	61,163
Appropriation Transfer from the Department of Health and Human Services:	
Disproportionate Share	21,292,776
Appropriation Transfer from Clemson University:	
Agromedicine Program	<u>235,722</u>

Total non-capital appropriations recorded as current year revenue	<u><u>\$ 136,509,528</u></u>
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### Capital appropriations

Capital Improvement bond proceeds	\$ 2,909,535
Research Infrastructure bond proceeds	<u>3,898,742</u>

Total capital appropriations recorded as current year revenue	<u><u>\$ 6,808,277</u></u>
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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. The University has authorized state capital improvement bond funds at June 30, 2007, of \$3,590,397 and Research Infrastructure bond funds of \$13,916,063. In fiscal year 2007, the University received capital improvement bond proceeds of \$2,909,535 and research infrastructure bond proceeds of \$3,898,742.

Proviso 72.30 of the 2006-2007 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 \$165,565 and AHEC carried forward \$27,833 to fiscal year 2008.

## 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. 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 2001.

Revenue from the Medicare program accounted for approximately 26.6% of the Authority's net patient service revenue for the year ended June 30, 2007.

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 available to certain qualifying hospitals in the South Carolina Medicaid program. The net reimbursement benefits associated with this program totaled approximately \$87.1 million in fiscal 2007 and are recognized as reductions in related contractual adjustments in the accompanying financial statements. 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.

At June 30, 2007, because of the program funding level changes which impact the timing of historical net revenue and cash flows to the Authority under the program, the Authority was required to recognize deferred revenue related to the program totaling approximately \$4.9 million in recognition of net revenue received but not earned in fiscal year 2007. Additionally, a related hospital license tax payment was required to be prepaid at June 30, 2007 as a condition of program participation.

Revenue from the Medicaid program including net disproportionate share payments described above, accounted for approximately 27.2% of the Authority's net patient service revenue for the year ended June 30, 2007.

## 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 \$31,810,733 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: \$166,277 in 2011, \$8,178,430 in 2012, \$9,848,472 in 2013, \$9,502,366 in 2019, \$1,379,533 in 2020, \$536,668 in 2021, \$1,591,411 in 2022, \$606,307 in 2023, \$1,108 in 2025, and \$161 in 2026. Income tax expense of \$37,907 resulted from the limitation on use of net operating losses for alternative minimum tax purposes. No provision for deferred income tax expense or benefit has 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, 2007.

	<u>Due From</u>	<u>Due To</u>
<b>The University</b>		
Medical University Hospital Authority	\$ 7,818,105	\$ -
University Medical Associates	-	6,614,021
	<u>\$ 7,818,105</u>	<u>\$ 6,614,021</u>
Medical University Facilities Corporation - current		\$ 1,689,237
CHS Development Company - current		887,350
		<u>\$ 2,576,587</u>
Medical University Facilities Corporation - noncurrent		\$ 15,434,901
CHS Development Company - noncurrent		22,206,201
		<u>\$ 37,641,102</u>
<b>Medical University Hospital Authority</b>		
The University	\$ -	\$ 7,818,105
University Medical Associates	1,582,658	-
	<u>\$ 1,582,658</u>	<u>\$ 7,818,105</u>
<b>University Medical Associates</b>		
The University	\$ 6,614,021	\$ -
Medical University Hospital Authority	-	1,582,658
	<u>\$ 6,614,021</u>	<u>\$ 1,582,658</u>
<b><u>Nonmajor Enterprise Funds</u></b>		
<b>Medical University Facilities Corporation</b>		
The University - current	<u>\$ 1,689,237</u>	
The University - noncurrent	<u>\$ 15,434,901</u>	
<b>CHS Development Company</b>		
The University - current	<u>\$ 887,350</u>	
The University - noncurrent	<u>\$ 22,206,201</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 \$70,959,536 during the fiscal year ended June 30, 2007 for 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 Authority made nonmandatory transfers to the University of \$552,241 for academic support and \$1,658,394 for architectural and engineering services for the design and development of a University parking garage. The University paid the Authority approximately \$4,042,000 during the fiscal year ended June 30, 2007 for rent, various administrative and support services. The Authority owed the University \$7,818,105 at June 30, 2007.

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, 2007, the University reported State appropriations revenue of \$21,292,776 and an operating expense to the Authority of \$21,292,776. 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. For the year ended June 30, 2007, pursuant to this practice, UMA provided support to the University which totaled \$26,393,152. This amount is reported as interfund transfers.

The University, the Authority, and UMA have entered into agreements whereby UMA will be reimbursed an annual fixed amount for providing an environment for clinical education and research for University residents and students. UMA shall be entitled to reimbursement for, but not limited to expenses for facilities necessary to perform these agreements, personnel 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. For the fiscal year ending June 30, 2007, the University paid UMA \$800,000 and the Authority paid UMA \$7,609,268.

The University and UMA entered into an agreement on April 20, 2003 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 the State 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, 2007, the University reported income of \$24,767,208 from SC DHHS and expense to UMA of \$24,767,208.

Carolina Health Management Services, Inc. (CHMS), a blended component unit of UMA, has a managed care contract and reimbursement agreement with the Authority. CHMS 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 can be terminated by either party by 30 days prior to the expiration of the term in effect. All costs from these operations of the managed care services are shared between UMA (40%), CHMS (10%) and the Authority (50%).

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 any 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 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 \$38,225,000 and \$36,185,000 in fiscal 2007 and 2006, respectively. The amounts collected and remitted by UMA to the Authority with respect to these billings amounted to approximately \$11,380,000 and \$10,540,000 in fiscal 2007 and 2006, respectively. The administrative fees paid by the Authority to UMA amounted to approximately \$1,078,000 and \$1,000,000 in fiscal 2007 and 2006, 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 over 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, 2007, this academic support to be received from the Authority has not been determined.

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UMA amounts due (to) from the University as of June 30, 2007, are as follows:

Agency Fund – amount in excess of prepaid	\$	202,651
Rental income		185,469
Supplemental Medicaid payments		6,333,240
Parking fees		( 34,207)
Other receivables		77,977
Other payables		<u>( 151,109)</u>
Net due (to) from the University	\$	<u>6,614,021</u>

UMA amounts due (to) from the Authority as of June 30, 2007, are as follows:

Ambulatory Care Clinical Education Agreement	\$	13,937
Psychiatry Clinical Enterprise Agreement		(762,451)
Patient receivables		(239,109)
Receivables under various billing agreements		(1,158,997)
Managed Care contract		16,373
Emergency Medicine Services Agreement		6,378
Salary reimbursement		6,875
Rental income		63,311
Rutledge Tower renovations		430,753
Other receivables		81,382
Other payables		<u>(41,110)</u>
Total amounts due to the Authority	\$	<u>(1,582,658)</u>

### **Medical University Facilities Corporation**

For the year ended June 30, 2007, pursuant to the trust agreements, MUFC transferred \$74,109 of excess funds on deposit to the University.

### **CHS Development Company**

On November 1, 2003, CHS Development Company entered into a ground lease agreement with MUSC Foundation 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, 2007. The lease terminates on the earlier of December 1, 2035, or the payment in full on the bonds. 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 commenced on March 1, 2005, and ends on January 1, 2025. In fiscal year 2007, the University transferred \$688,484 to CHS Development Company 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 \$7,361,133 in fiscal year 2007. The University records this revenue as gifts. In addition, the University received from MUSCF in fiscal year 2007, \$392,540 in donated capitalized equipment and \$274,783 in capital project gifts. The amount due the University for gifts from MUSCF at June 30, 2007 was \$2,357,650. During fiscal year 2007, MUSCF leased various properties to the University, to the Authority, and to UMA.

MUSCF has an agreement with the University which provides for periodic deposits to MUSCF of corpus for endowments which are primarily from the South Carolina Commission on Higher Education under the Centers of Economic Excellence Matching Endowment. MUSCF will provide earnings at the investment earnings rate, net of investment fees, of its pooled investments to the University. 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, 2007 is \$22,429,591 plus accrued interest and net appreciation of \$3,932,656.

MUSCF acquired the Rutledge Tower building in 1993 and leased the properties to University Medical Associates. 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 has 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***

MUSC Foundation for Research Development's (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 2007, the value of the State resources utilized by MFRD is estimated to be \$154,136. This amount was reimbursed to the University. The value is 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. The contract provides for an annual payment of \$750,664. For the fiscal year ended June 30, 2007, MFRD recognized income of \$750,664 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 include providing subawards to support the Healthy South Carolina Initiative Program, pursuing intellectual properties and service opportunities emanating from the research, and reporting health benefits inured to South Carolinians.

MFRD recorded the corpus of the Healthy South Carolina funds as a liability to the University, and the University has this amount of \$436,985 recorded as due from MFRD at June 30, 2007. 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.

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.

The University and the Authority obtain coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. The University also obtains coverage through a commercial insurer for losses related to aircraft.

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, a creation of the State of South Carolina, 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 compensation benefits;
2. Long-term disability benefits for employees;
3. Theft of assets;
4. Damage to property;
5. Tort liability claims including error and omissions.

## MEDICAL UNIVERSITY OF SOUTH CAROLINA

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.

UMA also purchases a portion of its medical malpractice insurance coverage for healthcare providers through the State's insurance enterprise, the Medical Malpractice Patients' Compensation fund and the Joint Underwriters Association. Private insurance companies cover the component units. 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. The estimated claims liability at June 30, 2007 was \$649,637. This amount is included as other accrued liabilities on the Statement of Net Assets.

Changes in the incurred but not reported claims liability for fiscal years ended June 30, 2007 and 2006 were as follows:

	2007	2006
Liability balance - beginning	\$ 349,313	\$ 562,052
Claims and changes in estimate	5,408,557	5,139,780
Claims payments	<u>(5,108,233)</u>	<u>(5,352,519)</u>
Liability balance - ending	<u>\$ 649,637</u>	<u>\$ 349,313</u>

## 20. OPERATING EXPENSES BY FUNCTION

Operating expenses of the University by functional classification for the year ended June 30, 2007, are as follows:

	Compensation and Employee Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 90,783,437	\$ 72,857,191	\$ 1,623	\$ 905,243	\$ -	\$ 164,547,494
Research	80,599,505	41,984,452	10,079	4,269,931	-	126,863,967
Public service	24,841,695	8,223,618	5	23,470	-	33,088,788
Academic support	22,963,608	9,192,905	9,094	44,885	-	32,210,492
Student services	7,118,168	1,843,469	504	65,517	-	9,027,658
Institutional support	20,296,703	14,695,921	110,131	1,565,796	-	36,668,551
Operation and maintenance of plant	15,941,482	13,257,558	8,957,943	-	21,612,992	59,769,975
Scholarships and fellowships	-	-	-	2,022,018	-	2,022,018
Auxiliary enterprises	1,409,655	3,195,704	271,131	-	-	4,876,490
	<u>\$ 263,954,253</u>	<u>\$ 165,250,818</u>	<u>\$ 9,360,510</u>	<u>\$ 8,896,860</u>	<u>\$ 21,612,992</u>	<u>\$ 469,075,433</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. At June 30, 2007, net appreciation of \$3,932,656 is available to be spent, and is reported in the Statement of Net Assets as restricted, expendable for education.

In fiscal year 2007, the University received funding totaling \$3,102,432 from the South Carolina Commission on Higher Education under the Centers of Economic Excellence Matching Endowment (COEE). This program funds endowed 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 2007, \$315,616 for other endowed purposes.

## 22. SUBSEQUENT EVENTS

The University has authorization to issue up to \$30 million of bonds to help fund the construction of the College of Dental Medicine Building. The University plans to issue a \$10 million State Institution Bond Anticipation Note (BAN) later this calendar year and an additional \$10 million BAN in June 2008, both reflecting initial one-year terms with three renewals permitted.

The University received Board of Trustee and State Budget and Control Board approval to sell approximately 0.11 acre of land near the intersection of Spring Street and Lockwood Boulevard to the MUSC Foundation for \$180,000. The land is included in the SC Jobs-Economic Development Authority Tax-Exempt Adjustable Mode Economic Development Revenue Bonds, Series 2003. The prerequisite releases have been received from the applicable bond trustees and the sale is expected to take place in November 2007.

On July 2, 2007, Carolina Family Care, Inc. (CFC), a component unit of UMA, reached an agreement with one of its primary care practices to leave the network. The agreement calls for a net payment of \$5,727 to CFC for the purchase of all active patient medical records after deducting the agreed upon cost of custodianship for the non-active patient records. UMA has recorded a special item at June 30, 2007 of \$105,111 for the write-off of intangible assets related to the original acquisition of the practice by CFC.

## 23. INFORMATION FOR STATEMENT OF ACTIVITIES

The following information is presented with comparative fiscal year 2006 amounts for use in the State's government-wide Statement of Activities.

	2007	2006	Increase/ (Decrease)
<b>The University</b>			
Charges for services	\$ 303,067,674	\$ 289,684,598	\$ 13,383,076
Operating grants and contributions	24,021,723	17,632,062	6,389,661
Capital grants and contributions	11,350,216	13,660,288	(2,310,072)
Less: expenses	(473,591,620)	(420,944,410)	(52,647,210)
Net program revenue (expense)	(135,152,007)	(99,967,462)	(35,184,545)
Additions to permanent endowments	3,418,048	10,443,101	(7,025,053)
Transfers:			
State appropriations	136,509,528	103,013,799	33,495,729
Capital improvement bond proceeds	6,808,277	5,270,749	1,537,528
Other transfers in from state agencies/funds	27,989,412	21,059,433	6,929,979
Less: transfers out to state agencies/funds	(810,073)	(251,960)	(558,113)
Total general revenue and transfers	173,915,192	139,535,122	34,380,070
Change in net assets	38,763,185	39,567,660	(804,475)
Net assets - beginning	358,792,081	319,224,421	39,567,660
Net assets - ending	\$ 397,555,266	\$ 358,792,081	\$ 38,763,185
<b>The Authority</b>			
Charges for services	\$ 733,301,465	\$ 681,348,573	\$ 51,952,892
Operating grants and contributions	18,912,775	18,552,806	359,969
Less: expenses	(723,624,936)	(668,723,679)	(54,901,257)
Net program revenue (expense)	28,589,304	31,177,700	(2,588,396)
Transfers:			
Transfers out to state agencies/funds	(2,210,635)	(552,241)	(1,658,394)
Total general revenue and transfers	(2,210,635)	(552,241)	(1,658,394)
Change in net assets	26,378,669	30,625,459	(4,246,790)
Net assets - beginning	231,125,884	200,500,425	30,625,459
Net assets - ending	\$ 257,504,553	\$ 231,125,884	\$ 26,378,669

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

	2007	2006	Increase/ (Decrease)
<b>University Medical Associates</b>			
Charges for services	\$ 225,729,696	\$ 202,719,145	\$ 23,010,551
Operating grants and contributions	19,812,717	13,166,496	6,646,221
Less: expenses	(191,436,981)	(171,385,848)	(20,051,133)
Net program revenue (expense)	54,105,432	44,499,793	9,605,639
Special item	(105,111)	-	(105,111)
Transfers:			
Transfers out to state agencies/funds	(26,393,152)	(21,215,995)	(5,177,157)
Total general revenue and transfers	(26,498,263)	(21,215,995)	(5,282,268)
Change in net assets	27,607,169	23,283,798	4,323,371
Net assets - beginning	87,643,847	64,360,049	23,283,798
Net assets - ending	\$ 115,251,016	\$ 87,643,847	\$ 27,607,169
<b>Nonmajor Enterprise Funds</b>			
<b>Medical University Facilities Corporation</b>			
Operating grants and contributions	\$ 1,215,589	\$ 1,277,620	\$ (62,031)
Less: expenses	(1,066,019)	(1,150,980)	84,961
Net program revenue (expense)	149,570	126,640	22,930
Transfers:			
Transfers out to state agencies/funds	(74,109)	(56,115)	(17,994)
Total general revenue and transfers	(74,109)	(56,115)	(17,994)
Change in net assets	75,461	70,525	4,936
Net assets - beginning	1,235,134	1,164,609	70,525
Net assets - ending	\$ 1,310,595	\$ 1,235,134	\$ 75,461
<b>CHS Development Company</b>			
Operating grants and contributions	\$ 1,164,652	\$ 1,244,977	\$ (80,325)
Less: expenses	(1,630,030)	(1,864,038)	234,008
Net program revenue (expense)	(465,378)	(619,061)	153,683
Transfers:			
Transfers in from state agencies/funds	688,484	689,434	(950)
Total general revenue and transfers	688,484	689,434	(950)
Change in net assets	223,106	70,373	152,733
Net assets - beginning	(188,492)	(258,865)	70,373
Net assets - ending	\$ 34,614	\$ (188,492)	\$ 223,106
<b>Pharmaceutical Education and Development Foundation</b>			
Operating revenues	\$ -	\$ 17	\$ (17)
Less: expenses	-	(20,695)	20,695
Net program revenue (expense)	-	(20,678)	20,678
Liquidation gain	-	8,038,316	(8,038,316)
Change in net assets	-	8,017,638	(8,017,638)
Net assets - beginning	-	(8,017,638)	8,017,638
Net assets - ending	\$ -	\$ -	\$ -

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
JUNE 30, 2007

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables, net	7,231	-	7,231
Prepaid items	-	156,349	156,349
Restricted assets			
Cash and cash equivalents	114,306	44,424	158,730
Investments	316,197	-	316,197
Interfund receivables	1,689,237	887,350	2,576,587
Other current assets	63,903	60,707	124,610
Total current assets	<u>2,190,874</u>	<u>1,148,830</u>	<u>3,339,704</u>
<b>Noncurrent Assets</b>			
Restricted assets			
Cash and cash equivalents	1,350,000	3,859,555	5,209,555
Investments	213,000	584,718	797,718
Interfund receivables	15,434,901	22,206,201	37,641,102
Prepaid items	-	2,427,943	2,427,943
Other noncurrent assets	347,252	1,581,631	1,928,883
Total noncurrent assets	<u>17,345,153</u>	<u>30,660,048</u>	<u>48,005,201</u>
Total assets	<u>19,536,027</u>	<u>31,808,878</u>	<u>51,344,905</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and accrued liabilities	191,432	731,231	922,663
Due to component unit	-	200,000	200,000
Long-term liabilities	1,785,000	1,170,326	2,955,326
Total current liabilities	<u>1,976,432</u>	<u>2,101,557</u>	<u>4,077,989</u>
<b>Noncurrent liabilities</b>			
Long-term liabilities	16,249,000	29,672,707	45,921,707
Total noncurrent liabilities	<u>16,249,000</u>	<u>29,672,707</u>	<u>45,921,707</u>
Total liabilities	<u>18,225,432</u>	<u>31,774,264</u>	<u>49,999,696</u>
<b>NET ASSETS</b>			
Restricted			
Expendable for			
Capital projects	-	-	-
Debt service	1,310,595	34,614	1,345,209
Unrestricted	-	-	-
Total net assets	<u>\$ 1,310,595</u>	<u>\$ 34,614</u>	<u>\$ 1,345,209</u>

See accompanying independent auditors' report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	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)	\$ 1,115,629	\$ 1,164,652	\$ 2,280,281
Other operating revenues	99,960	-	99,960
Total operating revenues	<u>1,215,589</u>	<u>1,164,652</u>	<u>2,380,241</u>
<b>Operating expenses</b>			
Interest expense	1,002,116	1,412,974	2,415,090
Amortization	63,903	217,056	280,959
Total operating expenses	<u>1,066,019</u>	<u>1,630,030</u>	<u>2,696,049</u>
Operating income (loss)	<u>149,570</u>	<u>(465,378)</u>	<u>(315,808)</u>
Income (loss) before other revenues, expenses gains, losses, and transfers	149,570	(465,378)	(315,808)
Interfund transfers	<u>(74,109)</u>	<u>688,484</u>	<u>614,375</u>
<b>Increase in net assets</b>	75,461	223,106	298,567
<b>Net assets at beginning of year (deficit)</b>	<u>1,235,134</u>	<u>(188,492)</u>	<u>1,046,642</u>
<b>Net assets at end of year</b>	<u>\$ 1,310,595</u>	<u>\$ 34,614</u>	<u>\$ 1,345,209</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, 2007**

	Medical University Facilities Corporation	CHS Development Company	Pharmaceutical Education and Development Foundation	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Payments to suppliers	\$ -	\$ -	\$ -	\$ -
Other payments	-	-	(1,563)	(1,563)
Net cash (used) by operating activities	-	-	(1,563)	(1,563)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Interfund transfers	(74,109)	688,484	-	614,375
Principal paid on bonds and notes payable	(1,690,000)	(1,130,000)	-	(2,820,000)
Interest paid on bonds and notes payable	(1,017,272)	-	-	(1,017,272)
Net cash (used) by noncapital financing activities	(2,781,381)	(441,516)	-	(3,222,897)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	-	(138,252)	-	(138,252)
Interest paid on capital debt	-	(1,435,250)	-	(1,435,250)
Net cash (used) by capital and related financing activities	-	(1,573,502)	-	(1,573,502)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Collection of interfund receivables	1,588,880	849,534	-	2,438,414
Interest received on interfund receivables	1,115,629	1,027,782	-	2,143,411
Purchases of investments	(1,301,065)	(3,606,518)	-	(4,907,583)
Proceeds from sales and maturities of investments	1,301,061	3,307,639	-	4,608,700
Interest on investments	100,012	134,217	-	234,229
Net cash provided by investing activities	2,804,517	1,712,654	0	4,517,171
Net increase (decrease) in cash and cash equivalents	23,136	(302,364)	(1,563)	(280,791)
Cash and cash equivalents at beginning of year	1,441,170	4,206,343	1,563	5,649,076
Cash and cash equivalents at end of year	\$ 1,464,306	\$ 3,903,979	\$ -	\$ 5,368,285
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 149,570	\$ (465,378)	\$ -	\$ (315,808)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Amortization	63,903	217,056	-	280,959
Interest income	(1,215,589)	(1,164,652)	-	(2,380,241)
Interest expense	1,002,116	1,412,974	-	2,415,090
Changes in assets and liabilities				
Payables and accrued liabilities	-	-	(1,563)	(1,563)
Net cash (used) by operating activities	\$ -	\$ -	\$ (1,563)	\$ (1,563)

See accompanying independent auditors' report.

# **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.

<u>Contents</u>	<u>Page(s)</u>
<b><u>Financial Trends</u></b>	
These schedules contain trend information to help understand how the financial performance and well-being of MUSC have changed over time.	
Schedule of Expenses By Use.....	78-79
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<b><u>Revenue Capacity</u></b>	
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<b><u>Debt Capacity</u></b>	
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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 SIX FISCAL YEARS**

Revenues	For the Year Ended June 30,					
	<i>(amounts expressed in thousands)</i>					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>The University</b>						
Student tuition and fees (net of scholarship allowances)	\$ 46,341	\$ 39,934	\$ 34,985	\$ 27,217	\$ 22,587	\$ 21,100
Federal grants and contracts	116,302	120,472	121,834	115,469	103,271	83,239
State grants and contracts	5,368	4,343	5,066	3,392	2,765	3,292
Local grants and contracts	67	93	105	170	228	247
Nongovernmental grants and contracts	20,876	18,176	17,342	14,711	15,116	19,239
Interest on student loans receivable	-	-	-	-	-	130
Interfund services	70,960	66,973	62,602	60,086	55,822	51,425
Sales and services of educational and other activities	36,256	34,179	30,842	27,396	31,279	10,979
Auxiliary enterprises	6,898	5,514	5,248	5,838	5,971	5,178
Other operating revenues	10,110	8,797	8,304	9,505	10,141	9,302
Operating revenues	<u>313,178</u>	<u>298,481</u>	<u>286,328</u>	<u>263,784</u>	<u>247,180</u>	<u>204,131</u>
State appropriations	136,510	103,014	97,656	96,526	108,201	121,242
Gifts and grants	8,363	7,281	7,905	14,452	10,769	11,845
Investment income	5,548	1,554	1,448	605	2,727	2,667
Nonoperating revenues	<u>150,421</u>	<u>111,849</u>	<u>107,009</u>	<u>111,583</u>	<u>121,697</u>	<u>135,754</u>
<b>Total Revenues -- The University</b>	<b><u>\$ 463,599</u></b>	<b><u>\$ 410,330</u></b>	<b><u>\$ 393,337</u></b>	<b><u>\$ 375,367</u></b>	<b><u>\$ 368,877</u></b>	<b><u>\$ 339,885</u></b>
<b>Medical University Hospital Authority</b>						
Net patient service revenue	\$ 733,302	\$ 681,349	\$ 624,942	\$ 578,827	\$ 535,211	\$ 507,631
Other operating revenues	15,748	16,743	13,084	9,568	13,113	10,097
Operating revenues	<u>749,050</u>	<u>698,092</u>	<u>638,026</u>	<u>588,395</u>	<u>548,324</u>	<u>517,728</u>
Investment income	3,164	1,810	2,826	216	64	777
Nonoperating revenues	<u>3,164</u>	<u>1,810</u>	<u>2,826</u>	<u>216</u>	<u>64</u>	<u>777</u>
<b>Total Revenues -- Medical University Hospital Authority</b>	<b><u>\$ 752,214</u></b>	<b><u>\$ 699,902</u></b>	<b><u>\$ 640,852</u></b>	<b><u>\$ 588,611</u></b>	<b><u>\$ 548,388</u></b>	<b><u>\$ 518,505</u></b>
<b>University Medical Associates</b>						
Net patient service revenue	\$ 217,320	\$ 194,387	\$ 171,898	\$ 160,682	\$ 172,294	\$ 138,588
Ambulatory care and primary care agreements	8,409	8,332	8,382	8,547	12,159	38,162
Other operating revenues	10,280	7,094	4,608	4,320	3,718	6,155
Operating revenues	<u>236,009</u>	<u>209,813</u>	<u>184,888</u>	<u>173,549</u>	<u>188,171</u>	<u>182,905</u>
Investment income	5,540	1,904	1,904	395	1,615	1,419
Other nonoperating revenues	3,993	4,164	4,071	3,778	4,568	4,725
Nonoperating revenues	<u>9,533</u>	<u>6,068</u>	<u>5,975</u>	<u>4,173</u>	<u>6,183</u>	<u>6,144</u>
<b>Total Revenues -- University Medical Associates</b>	<b><u>\$ 245,542</u></b>	<b><u>\$ 215,881</u></b>	<b><u>\$ 190,863</u></b>	<b><u>\$ 177,722</u></b>	<b><u>\$ 194,354</u></b>	<b><u>\$ 189,049</u></b>
<b>Total Revenues</b>	<b><u>\$ 1,461,355</u></b>	<b><u>\$ 1,326,113</u></b>	<b><u>\$ 1,225,052</u></b>	<b><u>\$ 1,141,700</u></b>	<b><u>\$ 1,111,619</u></b>	<b><u>\$ 1,047,439</u></b>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2007 are available.  
Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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

Revenues	For the Year Ended June 30,					
	<i>(percent of total revenue)</i>					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>The University</b>						
Student tuition and fees (net of scholarship allowances)	3.2%	3.0%	2.9%	2.4%	2.1%	2.0%
Federal grants and contracts	8.0%	9.1%	9.9%	10.1%	9.3%	7.9%
State grants and contracts	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%
Nongovernmental grants and contracts	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%
Interfund Services	4.9%	5.1%	5.1%	5.3%	5.0%	4.9%
Sales and services of educational and other activities	2.5%	2.6%	2.5%	2.4%	2.8%	1.0%
Auxiliary enterprises	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%
Other operating revenues	0.6%	0.6%	0.8%	0.8%	1.0%	1.0%
Operating revenues	<u>21.5%</u>	<u>22.5%</u>	<u>23.5%</u>	<u>23.1%</u>	<u>22.3%</u>	<u>19.4%</u>
State appropriations	9.3%	7.8%	8.0%	8.5%	9.7%	11.6%
Gifts and grants	0.6%	0.5%	0.6%	1.3%	1.0%	1.1%
Investment income	0.3%	0.1%	0.1%	0.1%	0.2%	0.3%
Non-operating revenues	<u>10.2%</u>	<u>8.4%</u>	<u>8.7%</u>	<u>9.8%</u>	<u>10.9%</u>	<u>13.0%</u>
<b>Total Revenues -- The University</b>	<u><u>31.7%</u></u>	<u><u>30.9%</u></u>	<u><u>32.2%</u></u>	<u><u>32.9%</u></u>	<u><u>33.2%</u></u>	<u><u>32.4%</u></u>
<b>Medical University Hospital Authority</b>						
Net patient service revenue	50.2%	51.4%	51.0%	50.7%	48.1%	48.5%
Other operating revenues	1.1%	1.3%	1.1%	0.8%	1.2%	1.0%
Operating revenues	<u>51.3%</u>	<u>52.6%</u>	<u>52.1%</u>	<u>51.5%</u>	<u>49.3%</u>	<u>49.5%</u>
Investment income	0.2%	0.1%	0.2%	0.0%	0.0%	0.1%
Non-operating revenues	<u>0.2%</u>	<u>0.1%</u>	<u>0.2%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.1%</u>
<b>Total Revenues -- Medical University Hospital Authority</b>	<u><u>51.5%</u></u>	<u><u>52.8%</u></u>	<u><u>52.3%</u></u>	<u><u>51.6%</u></u>	<u><u>49.3%</u></u>	<u><u>49.6%</u></u>
<b>University Medical Associates</b>						
Net patient service revenue	14.9%	14.7%	14.0%	14.1%	15.5%	13.2%
Ambulatory care and primary care agreements	0.6%	0.6%	0.7%	0.7%	1.1%	3.6%
Other operating revenues	0.7%	0.5%	0.4%	0.4%	0.3%	0.6%
Operating revenues	<u>16.2%</u>	<u>15.8%</u>	<u>15.1%</u>	<u>15.2%</u>	<u>16.9%</u>	<u>17.4%</u>
Investment income	0.4%	0.1%	0.2%	0.0%	0.1%	0.1%
Other nonoperating revenues	0.2%	0.3%	0.3%	0.3%	0.5%	0.5%
Non-operating revenues	<u>0.6%</u>	<u>0.5%</u>	<u>0.5%</u>	<u>0.4%</u>	<u>0.6%</u>	<u>0.6%</u>
<b>Total Revenues -- University Medical Associates</b>	<u><u>16.8%</u></u>	<u><u>16.3%</u></u>	<u><u>15.6%</u></u>	<u><u>15.6%</u></u>	<u><u>17.5%</u></u>	<u><u>18.0%</u></u>
<b>Total Revenues</b>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2007 are available.  
Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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

Expenses	For the Year Ended June 30,					
	2007	2006	2005	2004	2003	2002
	<i>(amounts expressed in thousands)</i>					
<b>The University</b>						
Compensation and employee benefits	\$ 263,954	\$ 252,358	\$ 240,221	\$ 224,889	\$ 219,996	\$ 213,753
Services and supplies	165,251	128,468	121,604	115,544	122,597	99,000
Utilities	9,360	8,915	7,785	5,525	5,983	6,153
Scholarships and fellowships	8,897	8,287	8,087	5,750	5,094	5,065
Depreciation	21,613	18,667	14,065	11,761	11,953	12,089
Operating expenses	<u>469,075</u>	<u>416,695</u>	<u>391,762</u>	<u>363,469</u>	<u>365,623</u>	<u>336,060</u>
Refunds to grantors	314	462	381	647	422	403
Interest expense	3,675	3,508	3,161	3,059	4,211	4,271
(Gain) Loss on disposal of capital assets	286	279	739	(1,415)	37	316
Transfers to other state funds	810	327	321	255	128	-
Other nonoperating expenses	241	-	-	35	38	90
Nonoperating expenses	<u>5,326</u>	<u>4,576</u>	<u>4,602</u>	<u>2,581</u>	<u>4,836</u>	<u>5,080</u>
<b>Total Expenses -- The University</b>	<u>\$ 474,401</u>	<u>\$ 421,271</u>	<u>\$ 396,364</u>	<u>\$ 366,050</u>	<u>\$ 370,459</u>	<u>\$ 341,140</u>
<b>Medical University Hospital Authority</b>						
Compensation and employee benefits	\$ 314,692	\$ 283,432	\$ 255,474	\$ 241,757	\$ 225,216	\$ 357,729
Services and supplies	294,724	277,941	251,996	236,809	219,184	96,992
Utilities	10,474	9,721	8,958	7,059	6,429	4,857
Interfund services used	70,960	66,973	62,602	60,086	55,822	-
Interest expense	-	-	-	-	-	3,894
Provision for bad debt	-	-	-	-	-	24,239
Depreciation	22,946	21,158	20,260	19,524	17,365	16,987
Operating expenses	<u>713,796</u>	<u>659,225</u>	<u>599,290</u>	<u>565,235</u>	<u>524,016</u>	<u>504,698</u>
Interest expense	9,829	9,499	10,037	6,681	5,846	-
Nonoperating expenses	9,829	9,499	10,037	6,681	5,846	-
<b>Total Expenses -- Medical University Hospital Authority</b>	<u>\$ 723,625</u>	<u>\$ 668,724</u>	<u>\$ 609,327</u>	<u>\$ 571,916</u>	<u>\$ 529,862</u>	<u>\$ 504,698</u>
<b>University Medical Associates</b>						
Compensation and employee benefits	\$ 132,499	\$ 116,631	\$ 104,277	\$ 97,980	\$ 89,059	\$ 104,961
Services and supplies	48,364	45,830	42,150	38,057	37,767	42,225
Provision for bad debt	-	-	-	-	21,603	16,432
Amortization	-	-	-	-	216	132
Depreciation	1,611	2,127	2,355	2,616	2,564	3,049
Operating expenses	<u>182,474</u>	<u>164,588</u>	<u>148,782</u>	<u>138,653</u>	<u>151,209</u>	<u>166,799</u>
Gifts made	3,162	937	156	138	367	775
Interest expense	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	2	(4)	(133)	114	499	483
Nonoperating expenses	8,963	6,793	5,824	6,220	8,374	9,065
<b>Total Expenses -- University Medical Associates</b>	<u>\$ 191,437</u>	<u>\$ 171,381</u>	<u>\$ 154,606</u>	<u>\$ 144,873</u>	<u>\$ 159,583</u>	<u>\$ 175,864</u>
<b>Total Expenses</b>	<u>\$ 1,389,463</u>	<u>\$ 1,261,376</u>	<u>\$ 1,160,297</u>	<u>\$ 1,082,839</u>	<u>\$ 1,059,904</u>	<u>\$ 1,021,702</u>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2007 are available.

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

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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

Expenses	For the Year Ended June 30,					
	<i>(percent of total expenses)</i>					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>The University</b>						
Compensation and employee benefits	19.0%	20.0%	20.7%	20.8%	20.8%	20.9%
Services and supplies	11.9%	10.2%	10.5%	10.7%	11.6%	9.7%
Utilities	0.7%	0.7%	0.7%	0.5%	0.6%	0.6%
Scholarships and fellowships	0.6%	0.7%	0.7%	0.5%	0.5%	0.5%
Depreciation	1.6%	1.5%	1.2%	1.1%	1.1%	1.2%
Operating expenses	<u>33.8%</u>	<u>33.1%</u>	<u>33.8%</u>	<u>33.6%</u>	<u>34.6%</u>	<u>32.9%</u>
Refunds to grantors	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expense	0.3%	0.2%	0.3%	0.3%	0.4%	0.4%
(Gain) Loss on disposal of capital assets	0.0%	0.0%	0.1%	-0.1%	0.0%	0.0%
Transfers to other state funds	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%
Nonoperating expenses	<u>0.4%</u>	<u>0.2%</u>	<u>0.4%</u>	<u>0.2%</u>	<u>0.4%</u>	<u>0.4%</u>
<b>Total Expenses -- The University</b>	<u><b>34.2%</b></u>	<u><b>33.3%</b></u>	<u><b>34.2%</b></u>	<u><b>33.8%</b></u>	<u><b>35.0%</b></u>	<u><b>33.3%</b></u>
<b>Medical University Hospital Authority</b>						
Compensation and employee benefits	22.6%	22.5%	22.0%	22.3%	21.3%	35.0%
Services and supplies	21.2%	22.0%	21.7%	21.9%	20.7%	9.5%
Utilities	0.8%	0.8%	0.8%	0.7%	0.6%	0.5%
Interfund services used	5.1%	5.3%	5.4%	5.6%	5.3%	0.0%
Interest expense	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%	2.4%
Depreciation	1.7%	1.7%	1.7%	1.7%	1.6%	1.7%
Operating expenses	<u>51.4%</u>	<u>52.3%</u>	<u>51.6%</u>	<u>52.2%</u>	<u>49.5%</u>	<u>49.5%</u>
Interest expense	0.7%	0.8%	0.9%	0.6%	0.6%	0.0%
Nonoperating expenses	<u>0.7%</u>	<u>0.8%</u>	<u>0.9%</u>	<u>0.6%</u>	<u>0.6%</u>	<u>0.0%</u>
<b>Total Expenses -- Medical University Hospital Authority</b>	<u><b>52.1%</b></u>	<u><b>53.1%</b></u>	<u><b>52.5%</b></u>	<u><b>52.8%</b></u>	<u><b>50.1%</b></u>	<u><b>49.5%</b></u>
<b>University Medical Associates</b>						
Compensation and employee benefits	9.5%	9.2%	9.0%	9.1%	8.4%	10.3%
Services and supplies	3.5%	3.6%	3.6%	3.5%	3.6%	4.1%
Provision for bad debt	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%
Depreciation	0.1%	0.2%	0.2%	0.2%	0.2%	0.3%
Operating expenses	<u>13.1%</u>	<u>13.0%</u>	<u>12.8%</u>	<u>12.8%</u>	<u>14.2%</u>	<u>16.3%</u>
Gifts made	0.2%	0.1%	0.0%	0.0%	0.0%	0.1%
Interest expense	0.4%	0.5%	0.5%	0.6%	0.6%	0.7%
Depreciation on rental property	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%
Nonoperating expenses	<u>0.6%</u>	<u>0.6%</u>	<u>0.5%</u>	<u>0.6%</u>	<u>0.7%</u>	<u>0.9%</u>
<b>Total Expenses -- University Medical Associates</b>	<u><b>13.7%</b></u>	<u><b>13.6%</b></u>	<u><b>13.3%</b></u>	<u><b>13.4%</b></u>	<u><b>14.9%</b></u>	<u><b>17.2%</b></u>
<b>Total Expenses</b>	<u><b>100.0%</b></u>	<u><b>100.0%</b></u>	<u><b>100.0%</b></u>	<u><b>100.0%</b></u>	<u><b>100.0%</b></u>	<u><b>100.0%</b></u>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2007 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 SIX FISCAL YEARS

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

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2007 are available.  
Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY  
LAST SIX FISCAL YEARS

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

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2007 are available.  
Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

SCHEDULE OF NET ASSETS  
LAST SIX FISCAL YEARS

	For the Year Ended June 30,					
	<i>(amounts expressed in thousands)</i>					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>The University</b>						
Invested in capital assets, net of related debt	\$ 288,316	\$ 270,028	\$ 247,812	\$ 184,822	\$ 154,987	\$ 138,621
Restricted - nonexpendable	23,609	20,669	10,209	943	925	909
Restricted - expendable	40,734	26,207	21,324	29,747	25,418	15,974
Unrestricted	44,896	41,888	39,879	39,996	22,506	20,818
Net assets -- The University	<u>397,555</u>	<u>358,792</u>	<u>319,224</u>	<u>255,508</u>	<u>203,836</u>	<u>176,322</u>
<b>Medical University Hospital Authority</b>						
Invested in capital assets, net of related debt	56,689	61,407	42,700	98,459	78,816	58,047
Restricted - expendable	71,975	67,782	71,189	17,556	-	-
Unrestricted	128,841	101,937	86,611	64,149	85,206	93,259
Net assets -- Medical University Hospital Authority	<u>257,505</u>	<u>231,126</u>	<u>200,500</u>	<u>180,164</u>	<u>164,022</u>	<u>151,306</u>
<b>University Medical Associates</b>						
Invested in capital assets, net of related debt	772	(1,869)	(2,414)	(518)	(1,329)	826
Restricted - expendable	9,081	9,081	9,081	9,081	9,081	9,081
Unrestricted	105,398	80,432	57,693	35,266	18,969	(7,671)
Net assets -- University Medical Associates (restated)	<u>115,251</u>	<u>87,644</u>	<u>64,360</u>	<u>43,829</u>	<u>26,721</u>	<u>2,236</u>
Net assets	<u>\$ 770,311</u>	<u>\$ 677,562</u>	<u>\$ 584,084</u>	<u>\$ 479,501</u>	<u>\$ 394,579</u>	<u>\$ 329,864</u>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2007 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 SIX FISCAL YEARS

	For the Year Ended June 30,					
	<i>(amounts expressed in thousands)</i>					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>The University</b>						
Income before other revenues, expenses, gains or losses	\$ (10,802)	\$ (10,941)	\$ (3,027)	\$ 9,317	\$ (1,582)	\$ (1,255)
State capital appropriations	6,808	5,271	2,868	239	2,341	1,164
Capital grants and gifts	11,350	13,660	28,182	25,781	10,154	6,259
Additions to permanent endowments	3,418	10,443	9,250	-	-	-
Interfund transfers	27,989	21,135	26,444	16,334	16,602	9,071
Changes in net assets -- The University	<u>38,763</u>	<u>39,568</u>	<u>63,717</u>	<u>51,671</u>	<u>27,515</u>	<u>15,239</u>
<b>Medical University Hospital Authority</b>						
Income before other revenues, expenses, gains or losses	28,589	31,178	31,525	16,695	18,526	13,807
Interfund transfers	(2,210)	(552)	(11,189)	(552)	(5,810)	(3,751)
Changes in net assets -- Medical University Hospital Authority	<u>26,379</u>	<u>30,626</u>	<u>20,336</u>	<u>16,143</u>	<u>12,716</u>	<u>10,056</u>
<b>University Medical Associates</b>						
Income before other revenues, expenses, gains or losses	54,105	44,499	36,257	32,849	34,771	13,185
Interfund transfers	(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	<u>27,607</u>	<u>23,283</u>	<u>20,531</u>	<u>17,108</u>	<u>24,484</u>	<u>3,089</u>
Total changes in net assets	92,749	93,477	104,584	84,922	64,715	28,384
Net assets, beginning	677,562	584,085	479,501	394,579	329,864	301,480
Net assets, ending (2003 and 2005 restated)	<u>\$ 770,311</u>	<u>\$ 677,562</u>	<u>\$ 584,085</u>	<u>\$ 479,501</u>	<u>\$ 394,579</u>	<u>\$ 329,864</u>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2007 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	
2007	\$ 8,400	\$ 8,400	\$ 3,495	\$ 2,162	\$ 5,657	1.48
2006	8,400	8,400	3,475	2,300	5,775	1.45
2005	7,200	7,200	3,120	2,624	5,744	1.25
2004	6,776	6,776	2,565	2,534	5,099	1.33
2003	6,549	6,549	2,090	2,117	4,207	1.56
2002	5,627	5,627	1,645	2,035	3,680	1.53
2001	4,830	4,830	1,565	1,754	3,319	1.46
2000	1,453	1,453	870	545	1,415	1.03
1999	4,420	4,420	1,117	594	1,711	2.58
1998	3,114	3,114	785	640	1,425	2.19

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	
2007	\$ -	\$ -	\$ -	\$ -	\$ -	-
2006	-	-	-	-	-	-
2005	-	-	-	-	-	-
2004	2,234	2,234	2,155	79	2,234	1.00
2003	855	855	525	186	711	1.20
2002	855	855	490	221	711	1.20
2001	855	855	455	254	709	1.21
2000	855	855	425	284	709	1.21
1999	855	855	395	312	707	1.21
1998	855	855	375	338	713	1.20

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 SIX FISCAL YEARS

	<b>For the Year Ended June 30,</b>					
	<i>(dollars expressed in thousands except for outstanding debt per student)</i>					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General obligation bonds payable, net	\$ 47,095	\$ 49,485	\$ 52,880	\$ 55,985	\$ 46,550	\$ 40,640
Revenue bonds, net	38,000	-	-	-	2,155	2,680
Capital lease obligations	5,061	3,912	1,102	638	861	231
Interfund payables	40,218	42,656	44,968	21,848	23,461	24,122
<b>Total outstanding debt</b>	<u>\$ 130,374</u>	<u>\$ 96,053</u>	<u>\$ 98,950</u>	<u>\$ 78,471</u>	<u>\$ 73,027</u>	<u>\$ 67,673</u>
<b>Full-time equivalent students</b>	2,777	2,734	2,577	2,381	2,321	2,275
<b>Outstanding debt per student</b>	\$ 46,948	\$ 35,133	\$ 38,397	\$ 32,957	\$ 31,469	\$ 29,746

Note: Outstanding debt per student calculated using full-time equivalent student enrollment data.  
Source: Medical University of South Carolina Comprehensive Annual Financial Report and Office of Enrollment Services.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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SCHEDULE OF PLEDGED REVENUE COVERAGE – UMA  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Net Clinical Service Revenues	Less Operating Expenses	Net Available Revenue	Select Auction Variable Rate Securities			Coverage
				Principal	Interest	Total	
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)
1999	114,812,220	118,262,717	(3,450,497)	-	7,917,568	7,917,568	(0.44)
1998	101,471,311	111,147,444	(9,676,133)	-	6,324,691	6,324,691	(1.53)

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>Select Auction Variable Rate Securities</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>	
2007	\$ 87,750,000	\$ 155,877	\$ -	\$ -	\$ 87,905,877	\$ 217,320,428	40.45%	0.07%	\$ 20
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
1999	95,000,000	2,094,936	197,720	-	97,292,656	114,812,220	84.74%	0.11%	25
1998	95,000,000	2,060,316	-	-	97,060,316	101,471,311	95.65%	0.12%	25

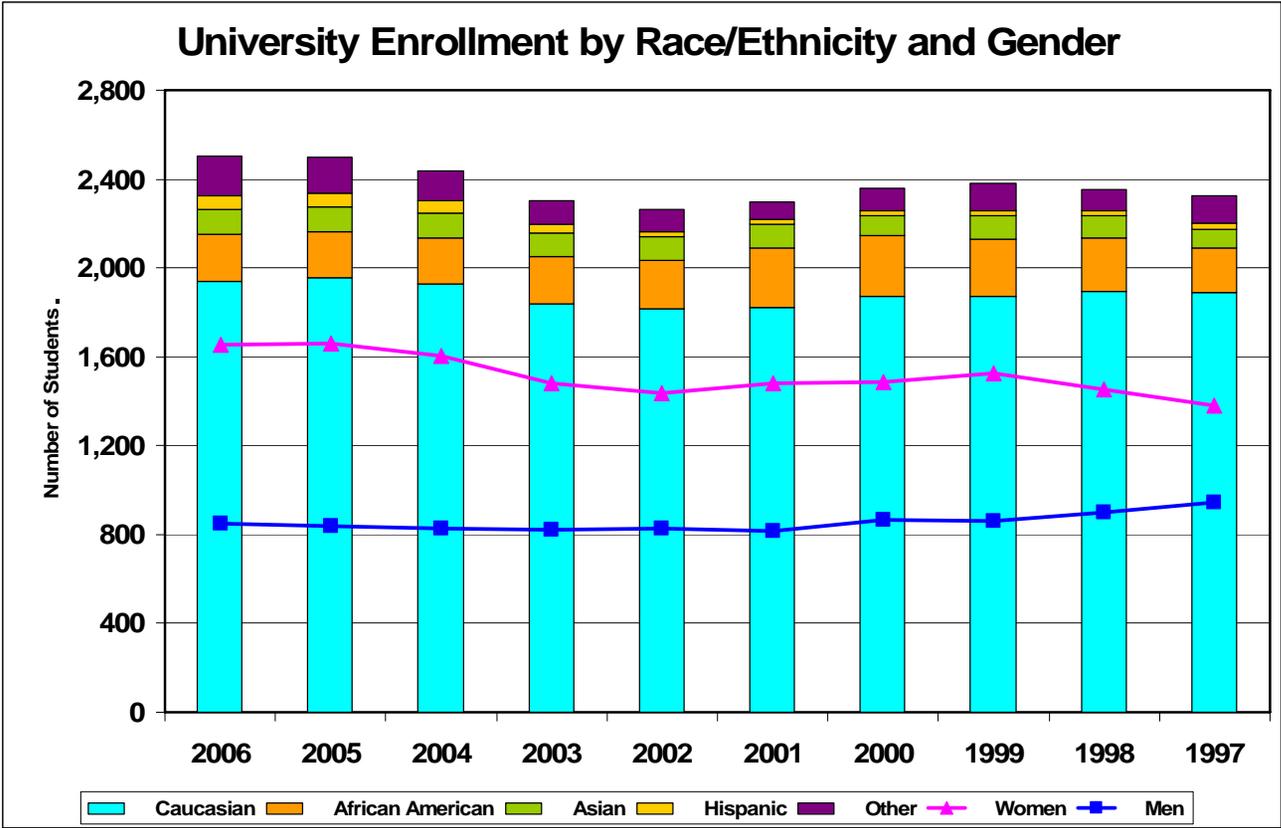
Source: University Medical Associates Comprehensive Annual Financial Reports.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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

	<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>1998</b>	<b>1997</b>
<b>ENROLLMENT</b>										
<b>LEVEL</b>										
Undergraduate	289	285	353	322	357	400	409	422	505	596
Graduate	1,061	1,082	973	898	865	888	944	993	931	860
First Professional	1,152	1,133	1,108	1,085	1,041	1,009	1,004	968	919	870
<b>STATUS</b>										
Full-Time	2,234	2,046	2,171	2,034	1,989	1,899	2,055	1,792	1,949	1,895
Part-Time	268	454	263	271	274	398	302	591	406	431
<b>ORIGIN</b>										
In State	1,943	1,954	1,974	1,901	1,878	1,941	1,979	1,966	1,946	1,932
Out of State	522	495	415	363	348	318	341	387	369	340
Foreign	37	51	45	41	37	38	37	30	40	54
<b>RACE/ETHNICITY</b>										
Caucasian	1,942	1,958	1,928	1,836	1,816	1,821	1,873	1,873	1,892	1,888
African American	208	204	209	214	218	267	273	255	245	201
Asian	112	113	108	110	106	108	91	108	99	86
Hispanic	64	61	57	35	25	20	20	24	21	26
Other	176	164	132	110	98	81	100	123	98	125
<b>GENDER</b>										
Women	1,653	1,660	1,605	1,481	1,438	1,482	1,488	1,523	1,454	1,383
Men	849	840	829	824	825	815	869	860	901	943
<b>COLLEGES</b>										
Medicine	609	598	594	604	585	574	580	580	576	584
Pharmacy	319	315	297	265	242	227	210	176	185	181
Nursing	339	368	390	364	324	374	372	399	408	407
Graduate Studies	210	238	247	218	214	176	178	221	225	222
Dental Medicine	224	220	217	216	214	208	214	212	209	204
Health Professions	781	735	675	613	661	695	747	726	705	617
Non-Degree Seeking	20	26	14	25	23	43	56	69	47	111
<b>Total enrollment</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>	<b>2,355</b>	<b>2,326</b>

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



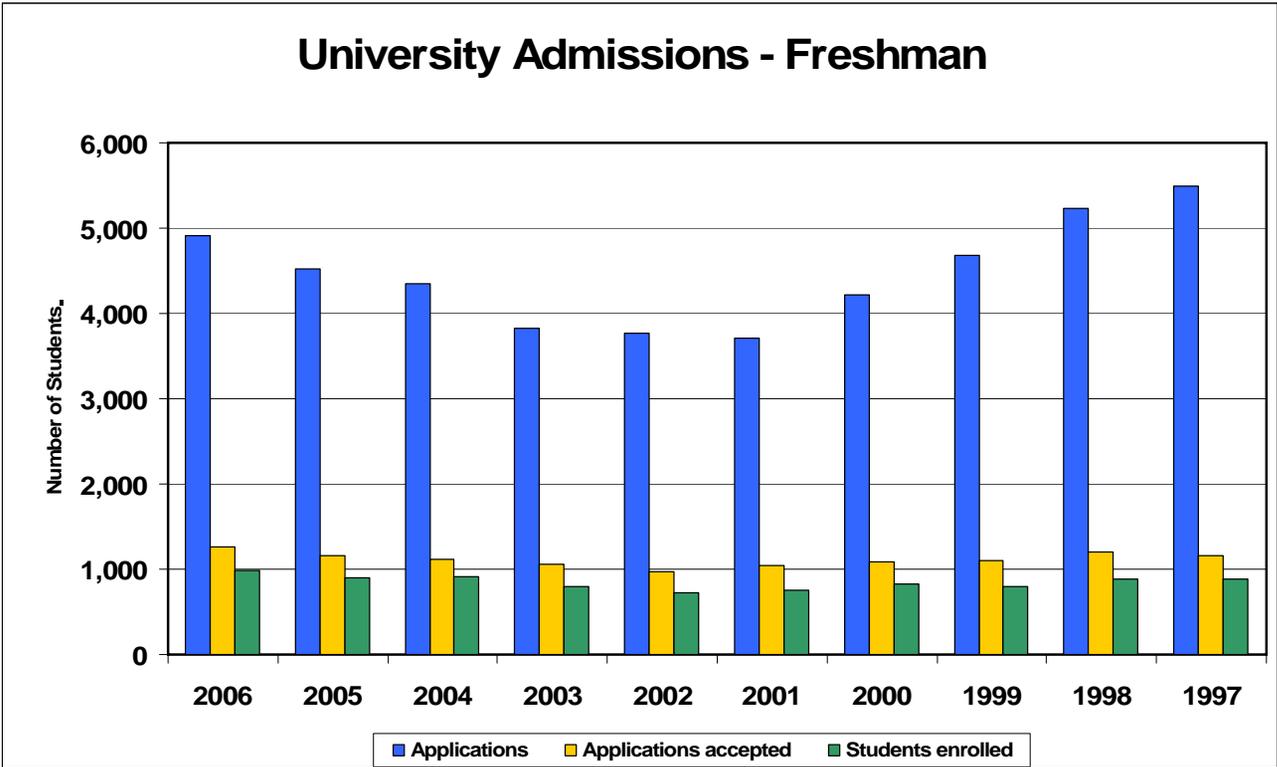
**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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

	<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>1998</b>	<b>1997</b>
<b>ADMISSIONS - FRESHMAN *</b>										
Applications	4,919	4,528	4,346	3,829	3,770	3,717	4,216	4,679	5,229	5,492
Applications accepted	1,256	1,164	1,122	1,064	969	1,039	1,090	1,107	1,210	1,159
Percentage of applications accepted	25.5%	25.7%	25.8%	27.8%	25.7%	28.0%	25.9%	23.7%	23.1%	21.1%
Students enrolled	982	902	909	803	726	755	830	792	882	879
Enrolled as a percentage of accepted	78.2%	77.5%	81.0%	75.5%	74.9%	72.7%	76.1%	71.5%	72.9%	75.8%
<b>DEGREES GRANTED</b>										
Bachelor's	190	188	161	168	222	192	209	283	357	362
Master's	306	255	243	245	248	283	286	205	192	142
First Professional	266	243	235	232	232	224	214	200	213	197
Doctoral	29	32	21	40	29	45	23	43	20	30
Total	791	718	660	685	731	744	732	731	782	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



**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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

<b>RESIDENT</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>1998</b>	<b>1997</b>
<b>Undergraduate</b>										
Health Professions	\$ 15,747	\$ 14,316	\$ 8,646	\$ 7,146	\$ 6,382	\$ 9,183	\$ 8,004	\$ 4,674	\$ 5,979	\$ 4,843
Nursing	15,084	13,590	12,135	10,029	9,117	8,289	7,536	6,776	5,979	4,843
<b>Graduate</b>										
Dental Medicine	22,500	19,068	16,024	12,972	11,913	11,199	10,182	8,020	7,335	5,212
Graduate Studies	12,861	12,121	11,664	10,085	8,769	7,840	7,374	5,736	5,318	5,000
Health Professions	16,245	14,316	13,131	11,309	9,693	9,300	8,133	6,818	6,108	3,963
Medicine	27,314	24,321	23,425	22,446	19,953	18,138	15,771	11,279	10,252	9,156
Nursing	16,245	14,766	13,185	10,896	9,906	9,006	8,187	6,965	5,640	3,963
Pharmacy	14,460	13,144	11,878	10,089	9,180	8,700	7,908	6,367	5,688	5,850
<b>NON-RESIDENT</b>										
<b>Undergraduate</b>										
Health Professions	\$ 42,417	\$ 38,562	\$ 36,204	\$ 29,922	\$ 26,715	\$ 25,827	\$ 22,599	\$ 19,460	\$ 17,601	\$ 14,528
Nursing	41,310	37,215	33,228	27,462	24,966	22,695	20,631	18,989	17,082	12,812
<b>Graduate</b>										
Dental Medicine	62,754	53,181	44,690	36,084	33,105	31,125	28,296	22,784	21,005	18,942
Graduate Studies	16,195	15,296	14,319	13,370	11,641	10,579	10,011	7,860	7,323	7,000
Health Professions	32,391	29,445	27,480	23,657	20,277	19,575	17,394	13,343	10,596	9,905
Medicine	76,884	69,895	65,938	63,489	56,433	51,303	44,610	32,345	29,408	26,580
Nursing	26,202	23,604	21,075	17,418	15,831	14,391	13,083	10,406	8,508	7,688
Pharmacy	34,333	32,270	29,336	27,330	24,870	22,073	21,828	17,611	16,008	13,977

Note: Calculation includes three full semesters: Fall, Spring, and Summer.  
Source: Medical University of South Carolina Student Accounting Department.

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Licensed Beds	709	709	709	709	709	709	709	709	731	768
Patient Days	187,212	179,990	180,847	178,070	176,656	170,334	167,867	175,902	184,796	176,110
Average Census	513	493	495	487	484	467	460	481	506	482
Average Length of Stay	5.4	5.7	5.9	6.0	6.0	5.9	5.8	6.0	6.3	6.2
Admissions	33,567	31,578	30,646	29,630	29,242	29,002	28,736	29,156	29,434	28,613
Outpatient Registrations	773,045	737,789	696,544	645,418	610,373	592,112	573,381	601,007	608,424	543,604
Emergency/Trauma Visits	63,473	62,518	58,580	53,584	50,486	51,582	50,221	51,094	46,463	41,783
Surgical Procedures	20,961	20,412	18,654	18,183	17,444	16,146	16,306	17,299	17,880	17,059
Number of Deliveries	2,633	2,313	2,181	2,131	1,856	1,858	2,029	2,037	1,904	1,979
Medicare Case Mix Index	1.86	1.88	1.88	1.87	1.81	1.70	1.72	1.71	1.72	1.71
<b>Percent of Total Charges:</b>										
Blue Cross	17.1%	17.2%	16.3%	16.9%	16.3%	15.2%	14.5%	14.0%	12.2%	11.8%
Medicare	29.1%	30.2%	31.8%	31.3%	31.1%	30.8%	30.0%	29.1%	27.8%	27.3%
Medicaid	19.0%	22.2%	22.1%	21.0%	21.2%	22.0%	22.4%	21.8%	22.8%	22.4%
Private Insurance / Managed Care	15.6%	18.1%	19.3%	18.9%	20.6%	21.0%	21.8%	22.3%	23.8%	23.1%
Med. Ind./Self Pay/Other	<u>19.2%</u>	<u>12.3%</u>	<u>10.5%</u>	<u>11.9%</u>	<u>10.8%</u>	<u>11.0%</u>	<u>11.3%</u>	<u>12.8%</u>	<u>13.4%</u>	<u>15.4%</u>
Total	<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**

Fiscal Year Ended June 30,	Specialty							Total
	Medicine	Family Medicine	Obstetrics/ Gynecology	Pediatrics	Ophthalmology	Surgery	All Others	
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 26.03%	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 24.98%	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 25.36%	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 30.51%	509,592 100.00%
1999	124,694 23.93%	60,876 11.68%	61,140 11.73%	35,809 6.87%	31,180 5.98%	33,077 6.35%	174,279 33.45%	521,055 100.00%
1998	124,660 27.45%	51,345 11.31%	44,447 9.79%	31,678 6.98%	31,465 6.93%	22,888 5.04%	147,589 32.50%	454,072 100.00%

Source: University Medical Associates Medical Records System

MEDICAL UNIVERSITY OF SOUTH CAROLINA

SOURCES OF GROSS CLINICAL CHARGES – UMA  
LAST TEN FISCAL YEARS

Source	Fiscal Year Ended June 30,									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Medicare	30%	29%	29%	28%	27%	28%	27%	25%	26%	26%
Medicaid	20%	21%	22%	20%	21%	21%	21%	19%	19%	19%
Blue Cross/Blue Shield	25%	25%	24%	23%	22%	20%	19%	16%	14%	14%
Commercial insurance	2%	3%	3%	4%	5%	8%	10%	11%	12%	12%
All other (including Managed Care)	23%	22%	22%	25%	25%	23%	23%	29%	29%	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>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>1998</b>
<b>Employees</b>										
Permanent Full-time and Part-time Employees										
Full-time classified	1,494	1,522	1,476	1,541	1,594	1,603	1,646	4,045	4,386	4,238
Part-time classified	45	33	42	39	35	37	45	730	714	598
Full-time unclassified	1,084	1,039	1,005	945	909	911	961	1,028	1,008	943
Part-time unclassified	233	219	228	225	235	229	209	199	199	178
<b>Total</b>	<b>2,856</b>	<b>2,813</b>	<b>2,751</b>	<b>2,750</b>	<b>2,773</b>	<b>2,780</b>	<b>2,861</b>	<b>6,002</b>	<b>6,307</b>	<b>5,957</b>
Other Categories										
Residents	543	562	565	563	554	557	544	560	540	534
Pre/post doctoral fellows	172	188	203	180	205	198	160	167	146	113
Externs	-	-	-	-	-	-	-	-	-	1
Temporary	958	947	947	812	778	725	738	1,411	1,651	1,469
Contractual	-	-	-	-	-	-	-	-	-	-
Dual employment-other agencies	16	18	20	33	22	17	20	29	21	25
<b>Total</b>	<b>1,689</b>	<b>1,715</b>	<b>1,735</b>	<b>1,588</b>	<b>1,559</b>	<b>1,497</b>	<b>1,462</b>	<b>2,167</b>	<b>2,358</b>	<b>2,142</b>
<b>Total Employees</b>	<b>4,545</b>	<b>4,528</b>	<b>4,486</b>	<b>4,338</b>	<b>4,332</b>	<b>4,277</b>	<b>4,323</b>	<b>8,169</b>	<b>8,665</b>	<b>8,099</b>
<b>AUTHORITY</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	3,136	2,879	2,827	2,799	2,715	2,376	2,292			
Part-time classified	1,330	1,243	1,063	976	916	806	739			
Full-time unclassified	44	41	68	68	66	64	53			
Part-time unclassified	-	-	5	3	4	3	4			
<b>Total</b>	<b>4,510</b>	<b>4,163</b>	<b>3,963</b>	<b>3,846</b>	<b>3,701</b>	<b>3,249</b>	<b>3,088</b>			
Other Categories										
Classified	-	1	1	1	1	2	1			
Residents	-	1	-	1	1	-	0			
Students	15	23	24	28	33	32	38			
Temporary	741	772	765	788	684	582	491			
<b>Total</b>	<b>756</b>	<b>797</b>	<b>790</b>	<b>818</b>	<b>719</b>	<b>616</b>	<b>530</b>			
<b>Total Employees</b>	<b>5,266</b>	<b>4,960</b>	<b>4,753</b>	<b>4,664</b>	<b>4,420</b>	<b>3,865</b>	<b>3,618</b>			

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

**MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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

	Full-Time Equivalent Employees as of June 30,									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Departmental</b>										
Full-time	282	231	200	193	234	233	206	164	164	177
Part-time	31	28	24	23	28	28	25	20	20	21
Temporary	12	6	5	5	6	6	5	4	4	5
Total Departmental	<u>325</u>	<u>265</u>	<u>229</u>	<u>221</u>	<u>268</u>	<u>267</u>	<u>236</u>	<u>188</u>	<u>188</u>	<u>203</u>
<b>Corporate</b>										
Full-time	311	297	289	294	218	249	285	300	319	313
Part-time	7	7	7	7	5	6	7	7	8	7
Temporary	2	6	6	6	4	5	6	6	7	6
Total Corporate	<u>320</u>	<u>310</u>	<u>302</u>	<u>307</u>	<u>227</u>	<u>260</u>	<u>298</u>	<u>313</u>	<u>334</u>	<u>326</u>
<b>Ambulatory Care</b>										
Full-time	23	18	15	16	15	385	392	471	504	434
Part-time	1	-	-	-	-	28	28	34	37	32
Temporary	-	1	1	1	1	27	28	33	36	30
Total Ambulatory Care	<u>24</u>	<u>19</u>	<u>16</u>	<u>17</u>	<u>16</u>	<u>440</u>	<u>448</u>	<u>538</u>	<u>577</u>	<u>496</u>
Total Employees	669	594	547	545	511	967	982	1,039	1,099	1,025
Vacant Positions	79	41	31	19	56	27	90	41	54	51
<b>Total Authorized Positions</b>	<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>	<u><b>1,153</b></u>	<u><b>1,076</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

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SCHEDULE OF CAPITAL ASSET INFORMATION – UNIVERSITY  
LAST SIX FISCAL YEARS

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

Note: Prior fiscal year data is not available

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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DEMOGRAPHIC STATISTICS  
STATE OF SOUTH CAROLINA  
LAST TEN FISCAL YEARS

	<u>Population as of June 30</u>	<u>Total Personal Income (1)</u>	<u>Per Capita Income</u>	<u>Average Annual Unemployment Rate</u>
2006	4,321,249	\$ 127,543	\$ 29,515	6.5%
2005	4,246,933	120,123	28,285	6.7%
2004	4,194,694	113,632	27,090	6.8%
2003	4,142,356	107,203	25,880	6.7%
2002	4,102,122	104,046	25,370	5.9%
2001	4,060,728	101,468	24,988	5.2%
2000	4,023,565	98,270	24,424	3.6%
1999	3,974,682	91,716	23,075	4.1%
1998	3,919,235	86,854	22,161	3.6%
1997	3,859,696	81,004	20,987	4.4%

Note 1: Amounts expressed in millions  
Source: South Carolina Comptroller General's Office

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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TEN LARGEST EMPLOYERS  
STATE OF SOUTH CAROLINA  
LATEST COMPLETED FISCAL YEAR AND FIVE YEARS PRIOR  
*(listed alphabetically)*

<b>2006</b>	<b>2001</b>
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
Michelin Tire Corporation	Michelin Tire Corporation
Palmetto Health Alliance, Inc.	Springs Industries, Inc.
U.S. Department of Defense	U.S. Department of Defense
U.S. Postal Service	U.S. Postal Service
University of South Carolina	University of South Carolina
Wal-Mart Associates, Inc.	Wal-Mart Associates, Inc
Washington Savannah River Company	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 Comptroller General's Office