



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

Comprehensive Annual Financial Report

Included in the Enterprise Funds of the State of South Carolina

For the Year Ended June 30, 2008

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

For the Year Ended June 30, 2008

Prepared by the Controller's Office

TABLE OF CONTENTS

Introductory Section

| | |
|---|----|
| President's Letter | 3 |
| Transmittal Letter | 4 |
| Certificate of Achievement for Excellence in Financial Reporting, June 30, 2007 | 8 |
| Board of Trustees and Principal University Officials | 9 |
| Organization Chart..... | 10 |
| The Medical University of South Carolina and Affiliated Organizations Chart | 11 |

Financial Section

| | |
|---|----|
| Independent Auditors' Report | 13 |
| Management's Discussion and Analysis □ Required Supplementary Information (unaudited)..... | 15 |
| Basic Financial Statements: | |
| Statement of Net Assets | 24 |
| Statement of Revenues, Expenses and Changes in Net Assets..... | 25 |
| Statement of Cash Flows | 26 |
| Statement of Financial Position □ Medical University of South Carolina Foundation..... | 28 |
| Statement of Activities □ Medical University of South Carolina Foundation | 29 |
| Statement of Financial Position □ MUSC Foundation for Research Development | 30 |
| Statement of Activities □ MUSC Foundation for Research Development..... | 31 |
| Notes to Financial Statements | 32 |
| Combining Statement of Net Assets □ Nonmajor Enterprise Funds | 68 |
| Combining Statement of Revenues, Expenses and Changes in Net Assets □ Nonmajor Enterprise Funds | 69 |
| Combining Statement of Cash Flows □ Nonmajor Enterprise Funds | 70 |

Statistical Section (Unaudited)

| | |
|--|----|
| Contents | 71 |
| Accreditation Statement | 73 |
| Schedule of Revenue by Source | 74 |
| Schedule of Expenses by Use | 76 |
| Schedule of Expenses by Function □ University | 78 |
| Schedule of Net Assets..... | 80 |
| Schedule of Changes in Net Assets | 81 |
| Schedule of Bond Coverage □ University..... | 82 |
| Schedule of Ratios of Outstanding Debt □ University..... | 83 |
| Schedule of Pledged Revenue Coverage □ UMA | 84 |
| Schedule of Ratios of Outstanding Debt □ UMA | 85 |
| Enrollment Statistics □ University | 86 |
| Admissions and Degree Statistics □ University | 88 |
| Annual Tuition by College □ University | 90 |
| Clinical Activity □ Authority | 91 |
| Outpatient Visits by Specialty □ UMA | 92 |
| Sources of Gross Clinical Service Charges □ UMA..... | 93 |
| Employee Statistics □ University and Authority | 94 |
| Employee Statistics □ UMA..... | 95 |
| Schedule of Capital Asset Information □ University..... | 96 |
| Demographic Statistics □ State of South Carolina..... | 97 |
| Ten Largest Employers □ State of South Carolina | 98 |

Introductory Section

PRESIDENT'S LETTER

Office of the President
Colcock Hall
179 Ashley Ave.
MSC 001
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 filled with important information about the institution. If I were asked to summarize it all in a few words, I would say: "enduring." Every one of our components is operating at record or near-record performance. This is a tribute to the more than 12,000 employees who are working tirelessly to build excellence on this campus.

As a public institution, we exist to provide services to the people of our state. Most South Carolinians would be surprised to learn, however, that less than 7 percent of our operating budget comes from State appropriations. Over 90% of the funds available to the University are earned through the hard work of our faculty and staff. Private philanthropy also is playing an increasingly important role and we are in the midst of a \$300 million capital campaign.

While the imperative to "pay our own way" puts great pressure on the institution, it does result in a remarkable economic return for the State of South Carolina. For every \$1 of state investment, we generate more than \$16 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 \$2.5 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 future of South Carolina as we shift towards a "knowledge based" economy. Despite a declining federal budget for biomedical research, MUSC's research-related funding is at an all-time high of \$202,082,662 for fiscal year 2008, with \$101,177,122 of that amount received from prestigious National Institutes of Health (NIH) grants and awards. NIH funding increased by 17% between 2006 to 2008 - a time when overall NIH funding was flat nationally. While local and state economies struggle with signs of downturn, MUSC's research growth positively impacts the economy as new faculty and staff move to the area and new jobs become available.

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 black ink that reads "Raymond S. Greenberg". The signature is written in a cursive, flowing style.

Raymond S. Greenberg, MD, PhD
President

TRANSMITTAL LETTER

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

October 22, 2008
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, 2008.

The Comprehensive Annual Financial Report includes the audited financial statements for the year ended June 30, 2008, 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, 2008 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, 2008 are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report. Information on the Single Audit of federal financial assistance programs is included in a separately issued Single Audit Report.

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

Factors Affecting Financial Condition

The University employs approximately 5,000 faculty and staff and, when combined with the Medical University Hospital Authority and University Medical Associates, the university system, with more than 12,000 employees, is one of the largest employers in the State system and a major employer in the Charleston Tri-County area. The size of the University's student body is relatively stable, with fiscal year 2008 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 2008, 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 received additional appropriations of \$7.5 million for the construction of the College of Dental Medicine Building.

At the close of the 2008 fiscal year, the State's revenue collections were \$266 million less than the 2007 fiscal year, a decline of 4%. Capital and general fund reserves were used to offset the shortfall. The 2009 fiscal year revenue collections-to-date have not shown significant improvement with revenue collections for July, 2008 being down 2.9% from collections made for July, 2007. As a result, the State Budget and Control Board approved a 3% across-the-board general fund budget reduction from the University in August, 2008.

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 was awarded reaffirmation of accreditation with no recommended changes by the Commission on Colleges, Southern Association of Colleges and Schools (SACS).
- ◆ Construction continued 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.
- ◆ The interprofessional Simulated Clinical Laboratory on campus opened in January after its sister laboratory in Greenville.

Research

- ◆ The University far exceeded the record set in the prior fiscal year, receiving over \$202 million of extramural grant awards, setting a new record. 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 Renal Biomarker Discovery, Cancer Cell Stem Biology and Therapy, and Advanced Biofabrication. Four outstanding Center of Economic Excellence Endowed Professors were recruited by the University.
- ◆ Recruited and appointed faculty chairs for Centers of Economic Excellence including Robert J Adams, Ph D, Stroke; Iain G. Sanderson, BMB Ch, Medical Informatics; Paul S. Morgan, Ph D, Brain Imaging; Mark Chimowitz, ChB, Neuroscience.
- ◆ Appointed University endowed chairs in several areas, including Robert M. Gemmill, Ph D, Berlinsky Cancer Research; Harry A. Drabkin, MD, Gilbreth Clinical Oncology; William P. Moran, MD, McNight Geriatrics; and Inderjit Singh, Ph D, Sherman Neurosciences.
- ◆ Having received approval for funding through the South Carolina Life Sciences Act, the University completed the construction planning phase of the Drug Discovery and Development Building and completed a schematic design of the Bioengineering/Cancer Genomics Building.

Patient Care

- ◆ Construction of Phase I of the Ashley River Tower hospital replacement project was completed with an on-schedule opening of the facility for clinical operations in January, 2008.
- ◆ The National Research Corporation 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 with a top 10 recognition for Emergency Services.
- ◆ U.S. News and World Report named the Children's Hospital among America's top 20 for pediatric cardiac care and heart surgery.
- ◆ U.S. News and World Report named the Authority among America's best hospitals for digestive disorders, rheumatology, and nephrology.
- ◆ The Authority continued its expansion of distributed ambulatory care sites around the Charleston Tri-Country area.

General

- ◆ Private philanthropic support of the University reached a record \$67 million in fiscal year 2008, and the University entered the second phase of a \$300 million "A Partnership of Promise" Capital Campaign, with \$225 million already pledged.
- ◆ The MUSC Foundation grew total assets to more than \$300 million.
- ◆ The University's recycling program ranked 5th among 400 national colleges and universities in a national competition.
- ◆ The University was selected the first recipient of the Charleston Chamber of Commerce 1773 Chamber Award for Best Health Care Business and Best Overall Business.
- ◆ Received the Charleston Trident Urban League Chairman's Award for Equal Opportunity and Diversity for 2007-2008.
- ◆ MUSCHealth.com recognized as one of the best healthcare web sites in the nation with 5 top awards.

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, 2007. This was the fifteenth consecutive year that the University has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our 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.

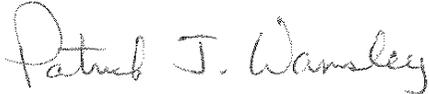
Acknowledgements

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 F. Edwards, CPA
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Medical University of South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



Handwritten signature of Charles S. Cox in black ink.

President

Handwritten signature of Jeffrey R. Erwin in black ink.

Executive Director

**BOARD OF TRUSTEES AND
PRINCIPAL UNIVERSITY OFFICIALS**

July 1, 2007 – June 30, 2008

Board of Trustees

The Hon. Mark Sanford
Governor

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

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

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

Melvyn Berlinsky
Charleston, SC

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

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

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

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

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

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

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

Charles W. Schulze, CFE CPA
Greenwood, SC

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

James E. Wiseman, DMD
Prosperity, SC

Margaret M. Addison, M.Ed.
Emeritus
Holly Hill, SC

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

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

Claudia W. Peebles, B.A.
Emeritus
Barnwell, SC

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

Allen E. Stalvey, MBA
Emeritus

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

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

Officers of The Medical University of South Carolina

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

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

Lisa P. Montgomery, MHA
Vice President
Finance and Administration

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

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

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

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

Deans

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

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

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

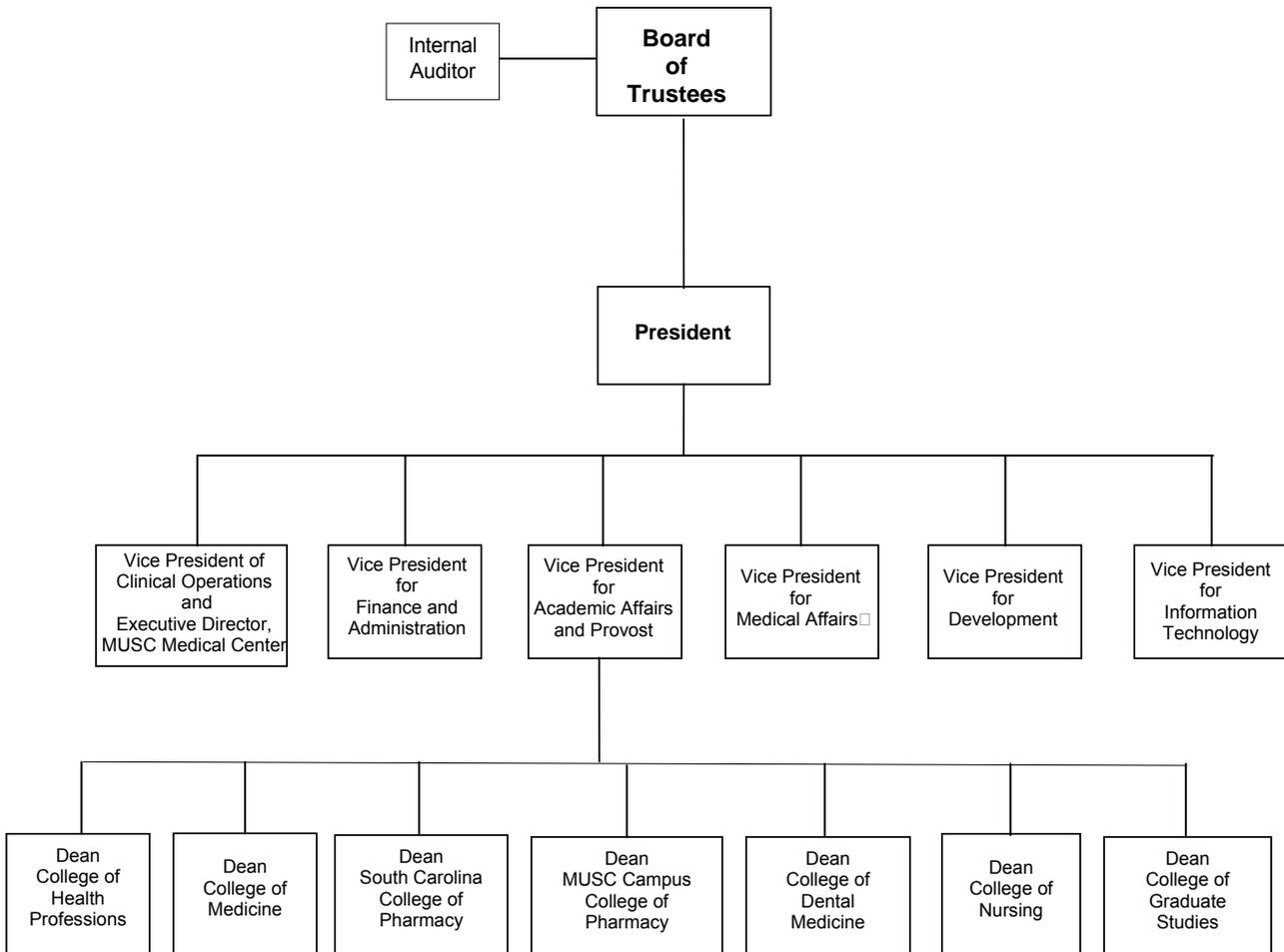
Gail W. Stuart, Ph.D., RN, FAAN, CS
College of Nursing

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

John J. Sanders, DDS
College of Dental Medicine

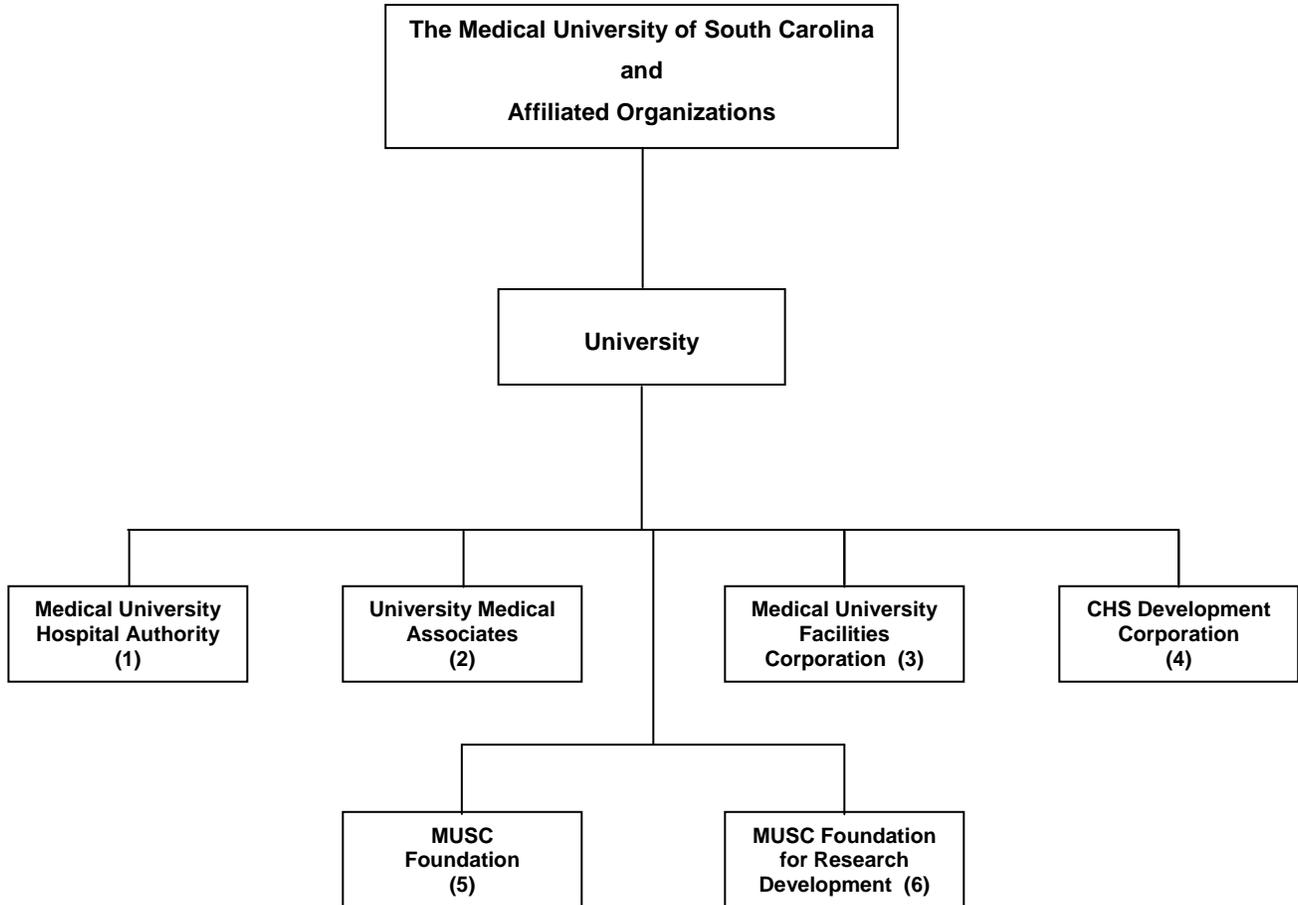
Mark S. Sothmann, Ph.D.
College of Health Professions

ORGANIZATION CHART



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

THE MEDICAL UNIVERSITY AND
AFFILIATED ORGANIZATIONS



Notes:

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

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Financial Section



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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Medical University of South Carolina (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, is based on the reports of the other auditors.

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

As discussed in note 1, the financial statements of the University are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2008, 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, 2008, 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 20, 2008 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

KPMG LLP

October 22, 2008

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, 2008 with comparative information for the year ended June 30, 2007. 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, 2008, total assets reported by the University were \$690.5 million and total liabilities were \$250.4 million. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased \$42.5 million in fiscal year 2008 from \$397.6 to \$440.1 million. Of the total net assets, \$50.2 million represents unrestricted net assets, which may be used to meet the University's ongoing obligations.

At June 30, 2008, the Authority's total assets of \$909.2 million exceeded its liabilities of \$671.3 million by \$237.9 million. Net assets, the residual interest in the assets after liabilities are deducted, decreased \$19.7 million, as compared to an increase of \$26.4 million in 2007. The Authority reported an operating loss in 2008 of \$4.7 million, as compared to an operating income of \$35.3 million in 2007, a decrease of \$40.0 million. Net non-operating expenses were \$14.4 million for 2008 as compared to \$6.7 million in 2007, an increase of \$7.7 million. Payments of non-operating expenses to the University in support of academic programs were \$0.6 million in 2008 and 2007.

At June 30, 2008, UMA reported total assets of \$230.9 million and total liabilities of \$106 million. Net assets were \$125.0 million, an increase of \$9.7 million, or 8.4 percent, from the previous year. Of this amount, \$98.4 million represents unrestricted net assets that are available to meet UMA's ongoing obligations. UMA's operating revenues for the year ended June 30, 2008, increased \$18.8 million, or 7.9 percent, over the fiscal year ended June 30, 2007 to \$254.8 million. Operating expenses increased by \$24.4 million, or 13.4 percent, over fiscal year 2007 to \$206.9 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 are reported at historical cost less an allowance for depreciation. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the current year. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the entity and how much is owed to vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure.

Net assets are classified as follows:

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Summary of Net Assets

Amounts in thousands

| | The University | | Medical University Hospital Authority | | University Medical Associates | |
|--|----------------------------------|------------------|---------------------------------------|------------------|-------------------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Assets | | | | | | |
| Current assets | □ 158,569 | □ 139,589 | □ 236,574 | □ 240,184 | □ 115,586 | □ 135,526 |
| Noncurrent assets | | | | | | |
| Capital assets, net | 439,435 | 387,271 | 586,317 | 461,759 | 44,768 | 46,515 |
| Other noncurrent assets | 92,476 | 89,479 | 86,282 | 146,035 | 70,593 | 39,751 |
| Total assets | <u>690,480</u> | <u>616,339</u> | <u>909,173</u> | <u>847,978</u> | <u>230,947</u> | <u>221,792</u> |
| Liabilities | | | | | | |
| Current liabilities | 109,553 | 71,298 | 153,322 | 100,022 | 22,224 | 19,784 |
| Noncurrent liabilities | 140,799 | 147,486 | 517,999 | 490,451 | 83,771 | 86,757 |
| Total liabilities | <u>250,352</u> | <u>218,784</u> | <u>671,321</u> | <u>590,473</u> | <u>105,995</u> | <u>106,541</u> |
| Net Assets (Deficit) | | | | | | |
| Invested in capital assets, net of related debt | 320,983 | 288,316 | 80,805 | 56,689 | 2,290 | 2,952 |
| Restricted | | | | | | |
| Nonexpendable | 31,712 | 23,609 | - | - | - | - |
| Expendable | 37,191 | 40,734 | 78,306 | 71,975 | 24,256 | 22,448 |
| Unrestricted | 50,242 | 44,896 | 78,741 | 128,841 | 98,406 | 89,851 |
| Total net assets | <u>□ 440,128</u> | <u>□ 397,555</u> | <u>□ 237,852</u> | <u>□ 257,505</u> | <u>□ 124,952</u> | <u>□ 115,251</u> |
| | Nonmajor Enterprise Funds | | Total Primary Government | | | |
| | 2008 | 2007 | 2008 | 2007 | | |
| Assets | | | | | | |
| Current assets | □ 5,411 | □ 3,340 | □ 516,140 | □ 518,639 | | |
| Noncurrent assets | | | | | | |
| Capital assets, net | - | - | 1,070,520 | 895,545 | | |
| Other noncurrent assets | 42,664 | 48,005 | 292,015 | 323,270 | | |
| Total assets | <u>48,075</u> | <u>51,345</u> | <u>1,878,675</u> | <u>1,737,454</u> | | |
| Liabilities | | | | | | |
| Current liabilities | 3,967 | 4,078 | 289,066 | 195,182 | | |
| Noncurrent liabilities | 42,833 | 45,922 | 785,402 | 770,616 | | |
| Total liabilities | <u>46,800</u> | <u>50,000</u> | <u>1,074,468</u> | <u>965,798</u> | | |
| Net Assets (Deficit) | | | | | | |
| Invested in capital assets, net of related debt | - | - | 404,078 | 347,957 | | |
| Restricted | | | | | | |
| Nonexpendable | - | - | 31,712 | 23,609 | | |
| Expendable | 1,344 | 1,345 | 141,097 | 136,502 | | |
| Unrestricted | (69) | - | 227,320 | 263,588 | | |
| Total net assets | <u>□ 1,275</u> | <u>□ 1,345</u> | <u>□ 804,207</u> | <u>□ 771,656</u> | | |

The University's increase in total assets of □74.1 million resulted primarily from additions to capital assets, increases in receivables from external entities and the Authority, net of a decrease in cash. Significant capital additions in fiscal year 2008 included expenditures related to the construction of the Bee Street Parking Garage and the College of Dental Medicine Building. Total liabilities increased by □31.6 million from 2007 to 2008, primarily due to the issuance of State bond anticipation notes.

The Authority's total assets increased by 7.2 percent from 2007 to 2008. Patient accounts receivable, net of estimated uncollectible amounts, increased from □118.7 million to □130.4 million, primarily as a result of increases in patient activity and a price increase. Net capital assets increased during the fiscal year by □124.6 million primarily due to the construction and opening of a new hospital facility. Total liabilities increased by □80.8 million. Long-term liabilities, including current installments, increased by □43.0 million. During fiscal year 2008, the Authority drew □48.8 million on a line of credit provided by Bank of America related to the purchase of new equipment for the new hospital facility. Payables and accrued liabilities increased by □30.4 million due to increased spending and personnel costs associated with the opening of the new hospital facility.

UMA's total assets increased □9.2 million in 2008 while liabilities decreased □0.5 million. Unrestricted net assets increased □8.5 million from □89.9 million in 2007 to □98.4 million in 2008.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the entity. Non-operating revenues are revenues received for which goods and services are generally not provided. A public University's dependence on state aid and gifts usually results in operating deficits because state

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life.

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

Summary of Revenues, Expenses and Changes in Net Assets

Amounts in thousands

| | The University | | Medical University Hospital Authority | | University Medical Associates | |
|---|------------------|------------------|---------------------------------------|------------------|-------------------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Operating revenues | □ 341,526 | □ 313,178 | □ 821,882 | □ 749,050 | □ 254,768 | □ 236,009 |
| Operating expenses | (510,173) | (469,075) | (826,541) | (713,796) | (206,881) | (182,474) |
| Operating income (loss) | <u>(168,647)</u> | <u>(155,897)</u> | <u>(4,659)</u> | <u>35,254</u> | <u>47,887</u> | <u>53,535</u> |
| Nonoperating revenues | 151,772 | 150,421 | 3,440 | 3,164 | 4,922 | 9,533 |
| Nonoperating expenses | (6,032) | (5,326) | (17,881) | (9,829) | (12,358) | (8,963) |
| Net nonoperating revenues (expenses) | <u>145,740</u> | <u>145,095</u> | <u>(14,441)</u> | <u>(6,665)</u> | <u>(7,436)</u> | <u>570</u> |
| Income (loss) before other revenues, expenses, gains, losses, and transfers | (22,907) | (10,802) | (19,100) | 28,589 | 40,451 | 54,105 |
| Capital appropriations | 11,382 | 6,808 | - | - | - | - |
| Capital grants and gifts | 14,863 | 11,350 | - | - | - | - |
| Additions to permanent endowments | 8,080 | 3,418 | - | - | - | - |
| Transfers | 31,155 | 27,989 | (553) | (2,210) | (30,750) | (26,393) |
| Special item | - | - | - | - | - | (105) |
| Increase in net assets | <u>42,573</u> | <u>38,763</u> | <u>(19,653)</u> | <u>26,379</u> | <u>9,701</u> | <u>27,607</u> |
| Net assets at beginning of year | <u>397,555</u> | <u>358,792</u> | <u>257,505</u> | <u>231,126</u> | <u>115,251</u> | <u>87,644</u> |
| Net assets at end of year | <u>□ 440,128</u> | <u>□ 397,555</u> | <u>□ 237,852</u> | <u>□ 257,505</u> | <u>□ 124,952</u> | <u>□ 115,251</u> |

| | Nonmajor Enterprise Funds | | Total Primary Government | |
|---|---------------------------|----------------|--------------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Operating revenues | □ 2,357 | □ 2,380 | □ 1,420,533 | □ 1,300,617 |
| Operating expenses | (2,575) | (2,696) | (1,546,170) | (1,368,041) |
| Operating income (loss) | <u>(218)</u> | <u>(316)</u> | <u>(125,637)</u> | <u>(67,424)</u> |
| Nonoperating revenues | - | - | 160,134 | 163,118 |
| Nonoperating expenses | - | - | (36,271) | (24,118) |
| Net nonoperating revenues (expenses) | <u>-</u> | <u>-</u> | <u>123,863</u> | <u>139,000</u> |
| Income (loss) before other revenues, expenses, gains, losses, and transfers | (218) | (316) | (1,774) | 71,576 |
| Capital appropriations | - | - | 11,382 | 6,808 |
| Capital grants and gifts | - | - | 14,863 | 11,350 |
| Additions to permanent endowments | - | - | 8,080 | 3,418 |
| Transfers | 148 | 614 | - | - |
| Special item | - | - | - | (105) |
| Increase in net assets | <u>(70)</u> | <u>298</u> | <u>32,551</u> | <u>93,047</u> |
| Net assets at beginning of year | <u>1,345</u> | <u>1,047</u> | <u>771,656</u> | <u>678,609</u> |
| Net assets at end of year | <u>□ 1,275</u> | <u>□ 1,345</u> | <u>□ 804,207</u> | <u>□ 771,656</u> |

Revenues

The University's daily operations are funded primarily from grants and contracts, sales of services, and State and capital appropriations. These three sources account for 77 percent of the total fiscal year 2008 revenues of \$558.8 million and 78 percent of the total fiscal year 2007 revenues of \$513.2 million. The following table and chart illustrate the University's revenues by source.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

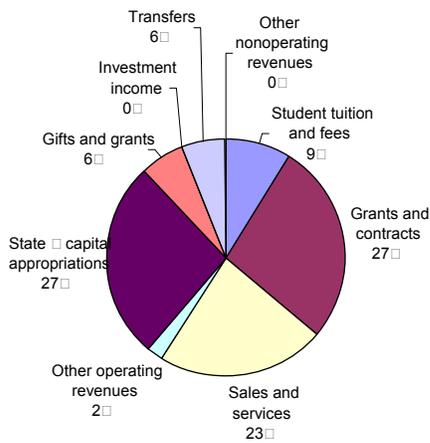
Unaudited

Revenues by Source – The University

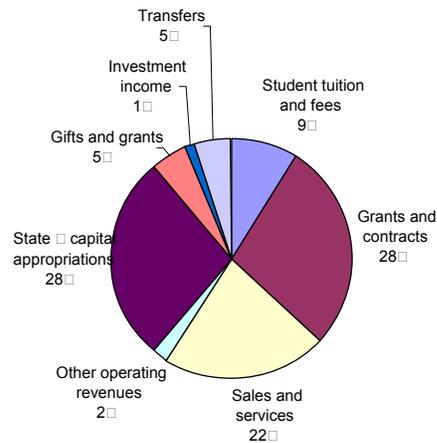
Amounts in thousands

| | 2008 | Percent Of Total | 2007 | Percent Of Total |
|--|----------------|---------------------|----------------|---------------------|
| Operating revenues | | | | |
| Student tuition and fees | 49,199 | 9% | 46,341 | 9% |
| Grants and contracts | 153,945 | 27% | 142,613 | 28% |
| Sales and services | 128,481 | 23% | 114,114 | 22% |
| Other operating revenues | 9,901 | 2% | 10,110 | 2% |
| Total operating revenues | 341,526 | 61% | 313,178 | 61% |
| Nonoperating and other revenues | | | | |
| State capital appropriations | 149,539 | 27% | 143,318 | 28% |
| Gifts and grants | 33,929 | 6% | 23,131 | 5% |
| Investment income | 2,472 | 0% | 5,548 | 1% |
| Transfers | 31,154 | 6% | 27,989 | 5% |
| Other nonoperating revenues | 158 | 0% | - | 0% |
| Total nonoperating and other revenues | 217,252 | 39% | 199,986 | 39% |
| Total revenues | 558,778 | 100% | 513,164 | 100% |

2008



2007



In fiscal year 2008, the University's total revenues increased by \$45.6 million from the previous fiscal year. Tuition revenues increased \$2.9 million as a result of tuition rate increases. State appropriations, capital and non capital, increased \$6.2 million. In both years, State appropriations included \$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 \$14.4 million primarily due to an increase in services provided to the Authority.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Operating Revenue by Source for the Component Units

Amounts in thousands

| | Medical University Hospital Authority | | University Medical Associates | |
|-----------------------------|---------------------------------------|-----------|-------------------------------|-----------|
| | 2008 | 2007 | 2008 | 2007 |
| Net patient service revenue | □ 802,380 | □ 733,302 | □ 234,901 | □ 217,320 |
| Educational agreements | - | - | 8,354 | 8,409 |
| Other operating revenue | 19,502 | 15,748 | 11,513 | 10,280 |
| Total operating revenue | □ 821,882 | □ 749,050 | □ 254,768 | □ 236,009 |

Compared to fiscal year 2007, the Authority's net patient service revenue increased by approximately □69.1 million, or 9.4 percent. Gross patient charges increased by □159.9 million, or 11.1 percent, from 2007 to 2008 due to increases in patient activity and comprehensive rate increases. Net revenue received from the Disproportionate Share (DSH) Program administered by the state Department of Health and Human Services decreased in 2008 to □76.8 million from □87.1 million in 2007. The DSH Program is an important source of patient care financing for the Authority, and any material reduction in such funding would have a correspondingly material adverse effect on the Authority's operations. There can be no assurance that the Authority will continue to qualify for future participation in the DSH program or that the DSH program will not ultimately be discontinued or materially modified.

UMA's net patient service revenue increased □17.6 million primarily due to an increase in patient volume. Approximately □200,000 of this increase is due to additional reimbursements under the Supplemental Medicaid Program over the prior year. Educational agreement revenue in support from the Authority for the ambulatory care and primary care programs decreased slightly in 2008.

Expenses

The University's total expenses were □516.2 million in fiscal year 2008, up 41.8 million from □474.4 million in fiscal year 2007. Non-operating expenses of □6.0 million and □5.3 million in fiscal year 2008 and 2007, respectively, account for approximately 1□ of the total expenses in each year.

The University's operating expenses were □510.2 million for the fiscal year ended June 30, 2008, an increase of □41.1 million from fiscal year 2007. The increase of 8.8 percent resulted primarily from increases in compensation and benefits of □25.4 million (9.6 percent) and services and supplies of □13.8 million (8.4 percent). These increases are the result of a combination of growth in programs and inflation.

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

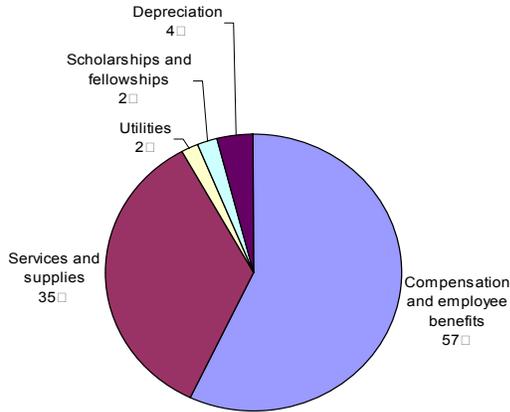
Amounts in thousands

| | 2008 | Percent Of Total | 2007 | Percent Of Total |
|------------------------------------|-----------|------------------|-----------|------------------|
| Compensation and employee benefits | □ 289,327 | 57□ | □ 263,954 | 56□ |
| Services and supplies | 179,097 | 35□ | 165,251 | 35□ |
| Utilities | 9,358 | 2□ | 9,360 | 2□ |
| Scholarships and fellowships | 9,104 | 2□ | 8,897 | 2□ |
| Depreciation | 23,287 | 4□ | 21,613 | 5□ |
| Total operating expenses | □ 510,173 | 100□ | □ 469,075 | 100□ |

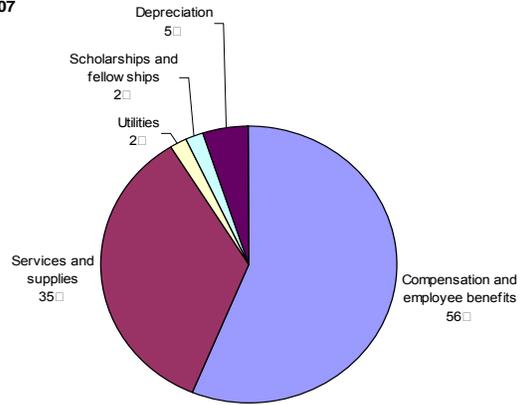
MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

2008



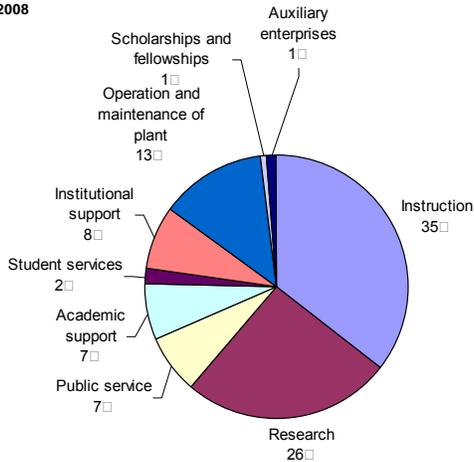
2007



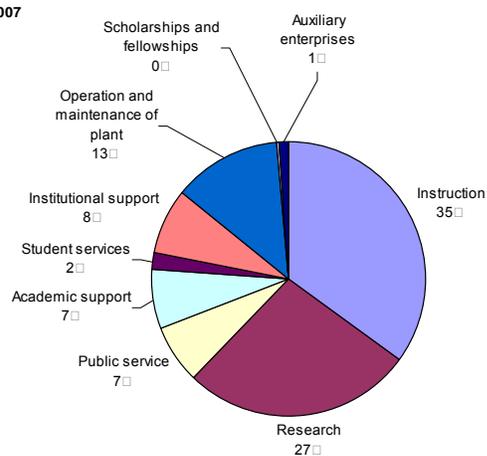
Operating Expenses by Function – The University
Amounts in thousands

| | 2008 | Percent Of Total | 2007 | Percent Of Total |
|------------------------------------|----------------|---------------------|----------------|---------------------|
| Instruction | 180,898 | 35% | 164,547 | 35% |
| Research | 130,597 | 26% | 126,864 | 27% |
| Public service | 37,434 | 7% | 33,089 | 7% |
| Academic support | 35,235 | 7% | 32,210 | 7% |
| Student services | 9,605 | 2% | 9,028 | 2% |
| Institutional support | 40,052 | 8% | 36,669 | 8% |
| Operation and maintenance of plant | 66,775 | 13% | 59,770 | 13% |
| Scholarships and fellowships | 3,747 | 1% | 2,022 | 0% |
| Auxiliary enterprises | 5,830 | 1% | 4,876 | 1% |
| Total operating expenses | 510,173 | 100% | 469,075 | 100% |

2008



2007



MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

The Authority's operating expenses increased by \$112.7 million, from \$713.8 million in 2007 to \$826.5 million in 2008. This 15.8 percent increase is primarily the result of increases in compensation and employee benefits of \$74.3 million, or 23.6 percent, and in service and supplies, utilities, and interfund services used of \$29.0 million, or 7.7 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 \$24.4 million primarily due to an increase in departmental expenses of \$23.6 million for additional physician and staff compensation for new providers and pension costs. Net nonoperating expense increased \$8.0 million primarily due to the net effect of increases in interfund transfers to the University and gifts to the Medical University of South Carolina Foundation, and a decrease in investment income.

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 2008 were state appropriations, grants and contracts, sales and services of educational and other activities, and tuition and fees. Primary uses of these cash sources were salaries and benefits for faculty, staff, and student employees and payments to suppliers of goods and services.

The statement is divided into five sections.

- ◆ The University's cash flows from operating activities include cash received for tuition and research grants and salaries paid to employees or payments to vendors. Since State appropriations and gifts are not considered operating revenues, operating activities of the University produced a net cash outflow of \$166.4 million.
- ◆ The University's non-capital financing activities, which include State appropriations received for operations and noncapital gifts and transfers, generated a net cash inflow of \$184.4 million.
- ◆ The University's capital and related financing activities include the proceeds received from the issuance of long-term debt obligations, capital grants and gifts received, repayment of debt, and acquisition of capital assets. Bond proceeds, capital appropriations, grants and gifts received in the current year were more than offset by capital expenditures and payments on debt, resulting in a net cash outflow of \$32.3 million.
- ◆ The University's investing activities consisted of \$3.8 million of earnings on investments and \$4.8 million of endowment corpus deposited with the Medical University of South Carolina Foundation.
- ◆ The last section of the statement reconciles the net cash provided or used by operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital Asset and Debt Activities

The following is a summary of capital asset and long-term debt activity for fiscal year 2008. More detailed information can be found in Note 5 (Capital Assets), Note 12 (Bonds and Notes Payable) and Note 13 (Lease Obligations) of the Notes to the Financial Statements.

Capital Assets, Net of Depreciation

Amounts in thousands

| | The University | | Medical University Hospital Authority | | University Medical Associates | |
|----------------------------|-------------------|-------------------|---------------------------------------|-------------------|-------------------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Land | \$ 11,646 | \$ 11,646 | \$ 6,093 | \$ 6,093 | \$ - | \$ - |
| Construction in progress | 99,058 | 81,558 | 32,682 | 218,178 | 39 | - |
| Land improvements | 1,848 | 2,090 | - | - | - | - |
| Buildings and improvements | 250,704 | 217,447 | 413,623 | 167,193 | 41,147 | 42,393 |
| Machinery and equipment | 75,486 | 73,496 | 133,605 | 70,190 | 3,182 | 3,625 |
| Vehicles | 693 | 1,034 | 314 | 105 | - | - |
| Intangible assets | - | - | - | - | 400 | 497 |
| | <u>\$ 439,435</u> | <u>\$ 387,271</u> | <u>\$ 586,317</u> | <u>\$ 461,759</u> | <u>\$ 44,768</u> | <u>\$ 46,515</u> |

The University

Capital additions, other than construction in progress, totaled \$59.0 million in fiscal year 2008. The Hollings Cancer Center expansion was completed for approximately \$20.0 million and a new campus high voltage system was built for \$9.0 million. In addition, there were major renovations to administrative and laboratory space and significant investments in medical, scientific and laboratory equipment.

Significant items included in construction in progress are the College of Dental Medicine Building, the Bee Street Parking Garage and the replacement of the Thurmond building chillers. The University had outstanding commitments under construction contracts related to these and other projects of approximately \$40.8 million at June 30, 2008. These projects are being funded by bond proceeds, federal grants, state appropriations, restricted gifts, and unrestricted university funds.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Construction in Progress – The University

Amounts in thousands

| | | |
|--|---|---------------|
| College buildings exterior waterproofing | □ | 62 |
| Pharmacology renovations | | 4,428 |
| College of Dental Medicine Building | | 23,606 |
| Thurmond Building chillers replacement | | 12,472 |
| Drug Discovery Building construction | | 3,963 |
| Bee Street Garage construction | | 36,259 |
| Bioengineering Building construction | | 1,071 |
| Other | | 17,197 |
| | □ | <u>99,058</u> |

Medical University Hospital Authority

At the end of 2008 the Authority had □586.3 million invested in capital assets, net of accumulated depreciation. Total capital additions of □157.0 million in fiscal year 2008 increased by □51.5 million from fiscal year 2007 capital additions of □105.5 million.

University Medical Associates

UMA's investment in capital assets, net of accumulated depreciation as of June 30, 2008 was □44.8 million. This □1.7 million decrease from 2007 was due to depreciation exceeding UMA's 2008 capital additions.

The following table shows the amounts and types of bonds, notes, and capital leases outstanding as of June 30, 2008.

Bonds, Notes, Capital Lease Obligations, and Interfund Payables

Amounts in thousands

| | The University | | Medical University Hospital Authority | | University Medical Associates | |
|-------------------------------|------------------|------------------|---------------------------------------|------------------|-------------------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| State institution bonds, net | □ 43,016 | □ 46,071 | □ - | □ - | □ - | □ - |
| State bond anticipation notes | 30,000 | - | - | - | - | - |
| Revenue bonds, net | 38,000 | 38,000 | 470,791 | 475,246 | - | - |
| Notes | - | - | 63,415 | 18,662 | - | - |
| Direct note obligations, net | - | - | - | - | 85,524 | 88,201 |
| Capital lease obligations | 4,569 | 5,061 | 3,441 | 704 | 151 | 156 |
| Interfund payables | 37,641 | 40,218 | - | - | - | - |
| | <u>□ 153,226</u> | <u>□ 129,350</u> | <u>□ 537,647</u> | <u>□ 494,612</u> | <u>□ 85,675</u> | <u>□ 88,357</u> |

The University

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

State Institution Bonds (SIB)

These bonds require the University to pledge revenue from student tuition for the repayment of this debt. If the University fails to repay this debt, the State would repay the debt because these bonds are backed by the State's full faith, credit and taxing power. The proceeds from SIBs provided a portion of the funding for the Harper Student Center, the site for the Strom Thurmond Biomedical Research Facility, the Storm Eye Institute addition, the Children's Research Institute, and a number of major renovation projects. The University's SIBs are general obligation bonds of the State of South Carolina. Moody's Investors Services rates them as □Aaa□. At June 30, 2008, the net SIB payable totaled □73.0 million and included □30 million in State Bond Anticipation Notes issued in 2008 to help fund the construction of the School of Dental Medicine Building.

Revenue Bonds

University parking and other revenues are pledged toward the repayment of a □38 million revenue bond issued in fiscal year 2007. The proceeds from this revenue bond are being used to finance a new parking garage scheduled to open in October 2008.

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, 2008, the lease liability totaled □15.4 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, 2008 the lease liability was □22.2 million. The leases with these blended component units are considered Interfund Payables. In addition, the University has □4.6 million in capital leases payable at June 30, 2008 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, 2008 the University had approximately \$600 thousand of State capital improvement bond monies 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 in the University's financial statements.
- ◆ *Private Gifts and Grants.* Cash and other resources donated to the MUSC Foundation are periodically transferred to the University for capital projects.

Medical University Hospital Authority

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

University Medical Associates

At year-end, UMA had \$85.7 million in outstanding bonds, notes and capital lease obligations compared to \$88.4 million outstanding in the prior year. UMA added no new bonds or notes in FY2008.

The recent downgrade of MBIA and the bankruptcy filing by Lehman Brothers have reduced the effectiveness of UMA's swap agreements in converting the Select Auction Variable Rate Securities (SAVRS) to a fixed rate. UMA is currently evaluating its alternatives to refinance these debt obligations and terminate the swap agreements, which may include a termination payment of approximately \$17 million that is expected to be included in the refinancing. UMA has received letter of credit commitments from several local banks to refinance this debt.

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, 2008

| | The University | Medical University Hospital Authority | University Medical Associates | Nonmajor Enterprise Funds | Total Primary Government |
|--|----------------------|--|----------------------------------|------------------------------|-----------------------------|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | □ 73,490,251 | □ 14,558,099 | □ 59,764,713 | □ - | □ 147,813,063 |
| Investments | - | - | 5,759,090 | - | 5,759,090 |
| Receivables, net | 54,953,369 | 165,292,911 | 31,467,222 | 9,608 | 251,723,110 |
| Due from other funds | 18,561,234 | - | 16,338,801 | - | 34,900,035 |
| Due from component units | 2,248,621 | - | 31,195 | - | 2,279,816 |
| Inventories | - | 20,414,157 | - | - | 20,414,157 |
| Prepaid items | 2,642,204 | 11,710,947 | 631,355 | 156,349 | 15,140,855 |
| Restricted assets | | | | | |
| Cash and cash equivalents | 3,017,958 | 24,597,950 | - | 1,477,411 | 29,093,319 |
| Investments | - | - | - | 921,162 | 921,162 |
| Due from component units | 2,760,763 | - | - | - | 2,760,763 |
| Interfund receivables | - | - | - | 2,721,576 | 2,721,576 |
| Student loans receivable | 858,721 | - | - | - | 858,721 |
| Other current assets | 35,768 | - | 1,593,844 | 124,610 | 1,754,222 |
| Total current assets | <u>158,568,889</u> | <u>236,574,064</u> | <u>115,586,220</u> | <u>5,410,716</u> | <u>516,139,889</u> |
| Noncurrent Assets | | | | | |
| Investments | - | - | 29,948,500 | - | 29,948,500 |
| Student loans receivable | 786,764 | - | - | - | 786,764 |
| Restricted assets | | | | | |
| Cash and cash equivalents | 50,484,818 | 30,689,377 | 8,001,515 | 4,094,611 | 93,270,321 |
| Investments | - | 35,737,148 | 16,254,570 | 213,000 | 52,204,718 |
| Due from component units | 27,263,478 | - | - | - | 27,263,478 |
| Interfund receivables | - | - | - | 34,919,526 | 34,919,526 |
| Student loans receivable | 13,109,514 | - | - | - | 13,109,514 |
| Prepaid items | - | - | 10,058,263 | 2,271,595 | 12,329,858 |
| Investment in partnerships | - | - | 2,545,935 | - | 2,545,935 |
| Capital assets, net of accumulated depreciation | 439,434,786 | 586,316,688 | 44,767,680 | - | 1,070,519,154 |
| Other noncurrent assets | 831,914 | 19,855,592 | 3,784,105 | 1,165,362 | 25,636,973 |
| Total noncurrent assets | <u>531,911,274</u> | <u>672,598,805</u> | <u>115,360,568</u> | <u>42,664,094</u> | <u>1,362,534,741</u> |
| Total assets | <u>690,480,163</u> | <u>909,172,869</u> | <u>230,946,788</u> | <u>48,074,810</u> | <u>1,878,674,630</u> |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Payables and accrued liabilities | 25,283,143 | 113,540,582 | 17,237,579 | 854,885 | 156,916,189 |
| Due to other funds | 14,766,827 | 20,133,208 | - | - | 34,900,035 |
| Deferred revenues | 16,249,952 | - | - | 23,162 | 16,273,114 |
| Interfund payables | 2,721,576 | - | - | - | 2,721,576 |
| Long-term liabilities | 47,945,748 | 19,647,864 | 4,986,739 | 3,089,326 | 75,669,677 |
| Other current liabilities | 2,585,585 | - | - | - | 2,585,585 |
| Total current liabilities | <u>109,552,831</u> | <u>153,321,654</u> | <u>22,224,318</u> | <u>3,967,373</u> | <u>289,066,176</u> |
| Noncurrent liabilities | | | | | |
| Interfund payables | 34,919,526 | - | - | - | 34,919,526 |
| Federal loan program liability | 13,457,955 | - | - | - | 13,457,955 |
| Long-term liabilities | 92,422,004 | 517,998,806 | 83,770,593 | 42,832,381 | 737,023,784 |
| Total noncurrent liabilities | <u>140,799,485</u> | <u>517,998,806</u> | <u>83,770,593</u> | <u>42,832,381</u> | <u>785,401,265</u> |
| Total liabilities | <u>250,352,316</u> | <u>671,320,460</u> | <u>105,994,911</u> | <u>46,799,754</u> | <u>1,074,467,441</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | 320,983,288 | 80,805,409 | 2,289,651 | - | 404,078,348 |
| Restricted | | | | | |
| Nonexpendable | 31,712,378 | - | - | - | 31,712,378 |
| Expendable for | | | | | |
| Education | 12,386,976 | - | - | - | 12,386,976 |
| Loans | 3,645,504 | - | - | - | 3,645,504 |
| Capital projects | 13,559,680 | - | - | - | 13,559,680 |
| Debt service | 7,598,263 | 78,306,062 | 24,256,085 | 1,343,847 | 111,504,257 |
| Unrestricted | <u>50,241,758</u> | <u>78,740,938</u> | <u>98,406,141</u> | <u>(68,791)</u> | <u>227,320,046</u> |
| Total net assets | <u>□ 440,127,847</u> | <u>□ 237,852,409</u> | <u>□ 124,951,877</u> | <u>□ 1,275,056</u> | <u>□ 804,207,189</u> |

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, 2008

| | <u>The University</u> | <u>Medical University Hospital Authority</u> | <u>University Medical Associates</u> | <u>Nonmajor Enterprise Funds</u> | <u>Total Primary Government</u> |
|--|-----------------------|--|--|--------------------------------------|-------------------------------------|
| Operating revenues | | | | | |
| Student tuition and fees (net of scholarship allowances of □ 2,777,742) | □ 49,199,180 | □ - | □ - | □ - | □ 49,199,180 |
| Federal operating grants and contracts | 117,733,459 | - | - | - | 117,733,459 |
| State operating grants and contracts | 6,158,033 | - | - | - | 6,158,033 |
| Local government operating grants and contracts | 65,279 | - | - | - | 65,279 |
| Nongovernmental operating grants and contracts | 29,987,828 | - | - | - | 29,987,828 |
| Interfund services provided | 83,160,926 | - | - | - | 83,160,926 |
| Sales and services of educational and other activities | 37,849,890 | - | - | - | 37,849,890 |
| Net patient service revenue | - | 802,380,410 | 234,901,456 | - | 1,037,281,866 |
| Ambulatory care and primary care agreements | - | - | 8,354,055 | - | 8,354,055 |
| Auxiliary enterprises | 7,470,263 | - | - | - | 7,470,263 |
| Interest income (used as security for revenue bonds and notes) | - | - | - | 2,272,699 | 2,272,699 |
| Other operating revenues | 9,901,218 | 19,501,645 | 11,512,537 | 84,464 | 40,999,864 |
| Total operating revenues | 341,526,076 | 821,882,055 | 254,768,048 | 2,357,163 | 1,420,533,342 |
| Operating expenses | | | | | |
| Compensation and employee benefits | 289,326,847 | 388,990,663 | 153,815,171 | - | 832,132,681 |
| Services and supplies | 179,096,307 | 309,111,611 | 50,070,583 | - | 538,278,501 |
| Utilities | 9,358,253 | 12,898,489 | 316,937 | - | 22,573,679 |
| Interfund services used | - | 83,160,926 | - | - | 83,160,926 |
| Scholarships and fellowships | 9,104,239 | - | - | - | 9,104,239 |
| Interest expense | - | - | - | 2,294,340 | 2,294,340 |
| Depreciation and amortization | 23,287,172 | 32,378,733 | 2,678,590 | 280,959 | 58,625,454 |
| Total operating expenses | 510,172,818 | 826,540,422 | 206,881,281 | 2,575,299 | 1,546,169,820 |
| Operating income (loss) | (168,646,742) | (4,658,367) | 47,886,767 | (218,136) | (125,636,478) |
| Nonoperating revenues (expenses) | | | | | |
| State appropriations | 138,156,476 | - | - | - | 138,156,476 |
| Gifts and grants | 10,985,289 | - | - | - | 10,985,289 |
| Gifts made | - | - | (6,923,816) | - | (6,923,816) |
| Refunds to grantors | (239,713) | - | - | - | (239,713) |
| Investment income | 2,471,778 | 3,439,530 | 862,077 | - | 6,773,385 |
| Interest expense | (4,550,752) | (17,881,066) | (5,678,975) | - | (28,110,793) |
| Gain (loss) on sale of capital assets | (983,957) | - | 245,270 | - | (738,687) |
| Transfers to other state funds | (257,403) | - | - | - | (257,403) |
| Other nonoperating revenues | 157,940 | - | 4,059,514 | - | 4,217,454 |
| Net nonoperating revenues (expenses) | 145,739,658 | (14,441,536) | (7,435,930) | - | 123,862,192 |
| Income (loss) before other revenues, expenses, gains, losses, and transfers | (22,907,084) | (19,099,903) | 40,450,837 | (218,136) | (1,774,286) |
| Capital appropriations | 11,381,976 | - | - | - | 11,381,976 |
| Capital grants and gifts | 14,863,269 | - | - | - | 14,863,269 |
| Additions to permanent endowments | 8,080,186 | - | - | - | 8,080,186 |
| Interfund transfers | 31,154,234 | (552,241) | (30,749,976) | 147,983 | - |
| Increase (decrease) in net assets | 42,572,581 | (19,652,144) | 9,700,861 | (70,153) | 32,551,145 |
| Net assets at beginning of year | 397,555,266 | 257,504,553 | 115,251,016 | 1,345,209 | 771,656,044 |
| Net assets at end of year | □ 440,127,847 | □ 237,852,409 | □ 124,951,877 | □ 1,275,056 | □ 804,207,189 |

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, 2008

| | The University | Medical University Hospital Authority | University Medical Associates | Nonmajor Enterprise Funds | Total Primary Government |
|--|----------------------|--|----------------------------------|------------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Student tuition and fees | □ 49,895,731 | □ - | □ - | □ - | □ 49,895,731 |
| Grants and contracts | 143,338,971 | - | - | - | 143,338,971 |
| Auxiliary enterprise charges | 7,482,715 | - | - | - | 7,482,715 |
| Receipts from interfund services provided | 73,683,135 | - | - | - | 73,683,135 |
| Receipts from services of educational activities | 27,849,986 | - | - | - | 27,849,986 |
| Receipts from patients and third-party payors | - | 766,862,496 | 223,971,130 | - | 990,833,626 |
| Payments to employees | (285,725,087) | (377,445,815) | (124,278,250) | - | (787,449,152) |
| Payments to suppliers | (180,674,422) | (314,679,246) | (77,826,985) | - | (573,180,653) |
| Payments for scholarships and fellowships | (9,104,239) | - | - | - | (9,104,239) |
| Payments for interfund services provided | - | (73,683,135) | - | - | (73,683,135) |
| Loans issued to students | (2,677,435) | - | - | - | (2,677,435) |
| Collection of loans to students | 1,866,822 | - | - | - | 1,866,822 |
| Student loan program receipts | 29,114,284 | - | - | - | 29,114,284 |
| Student loan program disbursements | (29,114,284) | - | - | - | (29,114,284) |
| Other receipts | 9,723,951 | 20,881,532 | 25,117,458 | - | 55,722,941 |
| Other payments | (2,061,946) | - | (53,153) | - | (2,115,099) |
| Net cash provided (used) by operating activities | <u>(166,401,818)</u> | <u>21,935,832</u> | <u>46,930,200</u> | <u>-</u> | <u>(97,535,786)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| State appropriations | 138,156,476 | - | - | - | 138,156,476 |
| Interfund transfers received | 30,715,324 | - | - | 685,837 | 31,401,161 |
| Interfund transfers paid | - | (552,241) | (30,749,976) | (98,944) | (31,401,161) |
| Transfers to other state funds | (266,036) | - | - | - | (266,036) |
| Gifts made | - | - | (6,923,816) | - | (6,923,816) |
| Gifts and grants received | 16,245,585 | - | - | - | 16,245,585 |
| Refunds to grantors | (239,713) | - | - | - | (239,713) |
| Interest paid on noncapital debt | (223,158) | - | - | - | (223,158) |
| Principal paid on bonds and notes payable | - | - | (1,350,175) | - | (1,350,175) |
| Interest paid on bonds and notes payable | - | - | (2,760,079) | - | (2,760,079) |
| Payment of agent fees and bond issuance costs | - | - | (17,469) | - | (17,469) |
| Net cash provided (used) by noncapital financing activities | <u>184,388,478</u> | <u>(552,241)</u> | <u>(41,801,515)</u> | <u>586,893</u> | <u>142,621,615</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Proceeds from capital debt | 30,000,000 | 48,796,090 | - | - | 78,796,090 |
| Capital appropriations | 8,810,234 | - | - | - | 8,810,234 |
| Capital grants and gifts received | 14,863,269 | - | - | - | 14,863,269 |
| Proceeds from sale of capital assets | 15,984 | 2,808 | 274,483 | - | 293,275 |
| Purchases of capital assets | (74,582,053) | (139,796,674) | (1,578,367) | (30,556) | (215,987,650) |
| Principal paid on capital debt and leases | (7,426,878) | (9,302,595) | (1,356,645) | (2,950,000) | (21,036,118) |
| Interest paid on capital debt and leases | (3,975,515) | (28,209,639) | (2,649,144) | (2,336,888) | (37,171,186) |
| Payment of fees and issuance cost | - | (2,527,899) | (27,505) | - | (2,555,404) |
| Net cash provided (used) by capital and related financing activities | <u>(32,294,959)</u> | <u>(131,037,909)</u> | <u>(5,337,178)</u> | <u>(5,317,444)</u> | <u>(173,987,490)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Collection of interfund receivables | - | - | - | 2,576,587 | 2,576,587 |
| Interest received on interfund receivables | - | - | - | 2,040,555 | 2,040,555 |
| Purchases of investments | - | (2,491,184) | (8,803,433) | (4,196,842) | (15,491,459) |
| Proceeds from sales and maturities of investments | - | 6,094,516 | 44,222,807 | 4,178,557 | 54,495,880 |
| Distributions from investments | - | - | 117,821 | - | 117,821 |
| Deposits of endowment corpus with MUSC Foundation | (4,833,887) | - | - | - | (4,833,887) |
| Interest on investments | 3,777,180 | 6,130,715 | 5,696,334 | 335,431 | 15,939,660 |
| Net cash provided (used) by investing activities | <u>(1,056,707)</u> | <u>9,734,047</u> | <u>41,233,529</u> | <u>4,934,288</u> | <u>54,845,157</u> |
| Net increase (decrease) in cash and cash equivalents | (15,365,006) | (99,920,271) | 41,025,036 | 203,737 | (74,056,504) |
| Cash and cash equivalents at beginning of year | 142,358,033 | 169,765,697 | 26,741,192 | 5,368,285 | 344,233,207 |
| Cash and cash equivalents at end of year | □ <u>126,993,027</u> | □ <u>69,845,426</u> | □ <u>67,766,228</u> | □ <u>5,572,022</u> | □ <u>270,176,703</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, 2008

| | The University | Medical University Hospital Authority | University Medical Associates | Nonmajor Enterprise Funds | Total Primary Government |
|--|------------------------|--|----------------------------------|------------------------------|-----------------------------|
| Cash and cash equivalents as reported in the following Statement of Net Assets captions | | | | | |
| Current Assets | □ 73,490,251 | □ 14,558,099 | □ 59,764,713 | □ - | □ 147,813,063 |
| Restricted assets | 3,017,958 | 24,597,950 | - | 1,477,411 | 29,093,319 |
| Noncurrent restricted assets | 50,484,818 | 30,689,377 | 8,001,515 | 4,094,611 | 93,270,321 |
| Total cash and cash equivalents | <u>□ 126,993,027</u> | <u>□ 69,845,426</u> | <u>□ 67,766,228</u> | <u>□ 5,572,022</u> | <u>□ 270,176,703</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | | |
| Operating income (loss) | □ (168,646,742) | □ (4,658,367) | □ 47,886,767 | □ (218,136) | □ (125,636,478) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | | |
| Depreciation and amortization | 23,287,172 | 32,378,733 | 2,678,590 | 280,959 | 58,625,454 |
| Provision for bad debts | - | 89,852,733 | 42,482,731 | - | 132,335,464 |
| Rental income, net | - | - | 4,958,192 | - | 4,958,192 |
| Other | - | - | 31,821 | - | 31,821 |
| Interest income | - | - | - | (2,357,163) | (2,357,163) |
| Interest expense | - | - | - | 2,294,340 | 2,294,340 |
| Loss on sale of equipment | - | 36,786 | - | - | 36,786 |
| Changes in assets and liabilities | | | | | |
| Receivables | (21,019,101) | (122,123,025) | (43,514,456) | - | (186,656,582) |
| Student loans receivable | (800,476) | - | - | - | (800,476) |
| Due from other funds | (10,743,129) | - | (11,307,438) | - | (22,050,567) |
| Due from component unit | 3,590,772 | - | 25,659 | - | 3,616,431 |
| Inventories | - | (6,095,636) | - | - | (6,095,636) |
| Prepaid items | 609,359 | (1,810,589) | 631,355 | - | (569,875) |
| Other assets | - | - | (364,178) | - | (364,178) |
| Payables and accrued liabilities | 1,721,943 | 25,382,290 | 3,134,052 | - | 30,238,285 |
| Accrued compensated absences | 1,773,365 | - | 287,105 | - | 2,060,470 |
| Deferred revenues | (5,786,962) | (4,924,854) | - | - | (10,711,816) |
| Due to other funds | 8,152,806 | 13,897,761 | - | - | 22,050,567 |
| Federal loan program liability | 181,410 | - | - | - | 181,410 |
| Other liabilities | 1,277,765 | - | - | - | 1,277,765 |
| Net cash provided (used) by operating activities | <u>□ (166,401,818)</u> | <u>□ 21,935,832</u> | <u>□ 46,930,200</u> | <u>□ -</u> | <u>□ (97,535,786)</u> |
| Noncash transactions | | | | | |
| Equipment acquired through capital leases | □ 1,223,405 | □ 3,411,740 | □ 52,088 | □ - | □ 4,687,233 |
| Donated equipment | 1,552,848 | - | - | - | 1,552,848 |
| Non cash transfers | 438,910 | - | - | (438,910) | - |
| Increase (decrease) in fair market value of investments | - | 498,885 | (4,786,863) | - | (4,287,978) |
| Total noncash transactions | <u>□ 3,215,163</u> | <u>□ 3,910,625</u> | <u>□ (4,734,775)</u> | <u>□ (438,910)</u> | <u>□ 1,952,103</u> |

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF FINANCIAL POSITION
MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION
Nongovernmental Discretely Presented Component Unit
June 30, 2008

ASSETS

| | | |
|---------------------------------------|---|--------------------|
| Cash and cash equivalents | □ | 6,804,160 |
| Receivables: | | |
| Accounts and other receivables | | 227,143 |
| Contributions receivable, net | | 13,674,139 |
| Investments | | 203,940,685 |
| Funds held in trust by the Foundation | | 3,801,117 |
| Funds held in trust by others | | 2,474,946 |
| Income producing property | | 83,716,982 |
| Property and equipment, net | | 513,446 |
| Other assets | | 15,425 |
| | | <hr/> |
| Total assets | □ | <u>315,168,043</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|---|--------------------|
| Liabilities: | | |
| Accounts payable and accrued expenses | □ | 6,861,451 |
| Annuities payable | | 4,326,599 |
| Note payable to primary government | | 27,263,478 |
| Long-term debt | | 54,137,135 |
| Unearned income | | 12,494,886 |
| Contributions payable to primary government | | 17,852,400 |
| | | <hr/> |
| Total liabilities | | <u>122,935,949</u> |
| Net Assets: | | |
| Unrestricted: | | |
| Undesignated | | 7,581,409 |
| Designated for primary government programs | | 18,954,924 |
| Total unrestricted | | <hr/> |
| Temporarily restricted | | 90,487,330 |
| Permanently restricted | | 75,208,431 |
| | | <hr/> |
| Total net assets | | <u>192,232,094</u> |
| | | <hr/> |
| Total liabilities and net assets | □ | <u>315,168,043</u> |

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF ACTIVITIES
MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION
Nongovernmental Discretely Presented Component Unit
For the Year Ended June 30, 2008

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|----------------------|
| Revenues, gains, and other support | | | | |
| Contributions | □ 2,348,755 | □ 14,613,188 | □ 7,696,297 | □ 24,658,240 |
| Interest and dividends | 2,328,981 | 6,331,792 | - | 8,660,773 |
| Net unrealized and realized gain (loss) | (1,703,371) | (9,944,001) | - | (11,647,372) |
| Special events revenue | - | 625,611 | - | 625,611 |
| Rental income | 4,955,140 | - | 29,755 | 4,984,895 |
| Other income | - | 2,666,228 | 4,533,000 | 7,199,228 |
| | <u>7,929,505</u> | <u>14,292,818</u> | <u>12,259,052</u> | <u>34,481,375</u> |
| Net assets released from restrictions: | | | | |
| Program restrictions satisfied | 11,580,522 | (13,670,938) | 2,090,416 | - |
| Total revenues, gains, and other support | <u>19,510,027</u> | <u>621,880</u> | <u>14,349,468</u> | <u>34,481,375</u> |
| Expenses and losses | | | | |
| Program expenses | 17,506,352 | - | - | 17,506,352 |
| Supporting services | | | | |
| General and administrative | 1,402,670 | - | - | 1,402,670 |
| Fundraising and promotion | 2,028,707 | - | - | 2,028,707 |
| Total expenses | <u>20,937,729</u> | <u>-</u> | <u>-</u> | <u>20,937,729</u> |
| Changes in net assets | (1,427,702) | 621,880 | 14,349,468 | 13,543,646 |
| Net assets at beginning of year | 27,964,035 | 89,865,450 | 60,858,963 | 178,688,448 |
| Net assets at end of year | <u>□ 26,536,333</u> | <u>□ 90,487,330</u> | <u>□ 75,208,431</u> | <u>□ 192,232,094</u> |

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF FINANCIAL POSITION
MUSC FOUNDATION FOR RESEARCH DEVELOPMENT
Nongovernmental Discretely Presented Component Unit
June 30, 2008

ASSETS

| | | |
|--|---|----------------|
| Cash and cash equivalents | □ | 43,873 |
| Interest receivable | | 6,197 |
| Accounts receivable | | 149,319 |
| Prepaid expense | | 28,855 |
| Investments | | 439,657 |
| Property and equipment (at cost less accumulated depreciation) | | 25,681 |
| Total assets | □ | <u>693,582</u> |

LIABILITIES AND NET ASSETS

Liabilities

| | | |
|-------------------------------|---|----------------|
| Accounts payable | □ | 185,075 |
| Capital lease payable | | 7,902 |
| Accrued expenses | | 40,167 |
| Due to primary government | | 317,380 |
| Unearned revenue and deposits | | 70,580 |
| Total liabilities | | <u>621,104</u> |

Net Assets

| | | |
|----------------------------------|---|----------------|
| Unrestricted | | 72,478 |
| Total liabilities and net assets | □ | <u>693,582</u> |

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF ACTIVITIES
MUSC FOUNDATION FOR RESEARCH DEVELOPMENT
 Nongovernmental Discretely Presented Component Unit
 For the Year Ended June 30, 2008

| | Unrestricted | Temporarily Restricted | Total |
|---|--------------|---------------------------|-----------|
| Revenues, gains, and other support | | | |
| State grants and contracts | □ 993,062 | □ - | □ 993,062 |
| Corporate contracts and awards | 7,607 | 65,392 | 72,999 |
| Program contributions and private grants | 479,733 | 3,867 | 483,600 |
| License fees and royalties | 872,107 | - | 872,107 |
| Interest and dividend income | 38,139 | - | 38,139 |
| Net unrealized and realized gain on investments | 15,465 | - | 15,465 |
| Registration and seminar fees | 85,430 | - | 85,430 |
| Miscellaneous income | 583 | - | 583 |
| Subtotal | 2,492,126 | 69,259 | 2,561,385 |
| Net assets released from restrictions | | | |
| Program restrictions satisfied | 69,259 | (69,259) | - |
| Total revenues, gains, and other support | 2,561,385 | - | 2,561,385 |
| Expenses | | | |
| Program services | | | |
| Research | 21,145 | - | 21,145 |
| Training | 327,540 | - | 327,540 |
| Public service | 10,138 | - | 10,138 |
| Technology transfer activity | 1,643,831 | - | 1,643,831 |
| Residuals | 195,906 | - | 195,906 |
| Total program expenses | 2,198,560 | - | 2,198,560 |
| Supporting services | | | |
| Management and general | | | |
| Operations | 536,859 | - | 536,859 |
| Total supporting services | 536,859 | - | 536,859 |
| Total expenses | 2,735,419 | - | 2,735,419 |
| Changes in net assets | (174,034) | - | (174,034) |
| Net assets at beginning of year | 246,512 | - | 246,512 |
| Net assets at end of year | □ 72,478 | □ - | □ 72,478 |

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

Reporting Entity

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

Blended Component Units

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

Major Funds

The Medical University Hospital Authority (the Authority) was created on June 16, 2000, for the purpose of managing and operating the Medical University Hospitals and Clinics. The Authority is a component unit of the University as defined by the provisions of GASB Statement No. 14. The Authority's component unit relationship to the University arises principally from the Authority's financial accountability to the University. In particular, the legislation establishing the Authority as a stand-alone healthcare system requires that the members of the University's Board of Trustees also constitute the Board of Trustees of the Authority. As required by GASB Statement No. 14, the Authority's financial activity is blended with the University's activity. Copies of the separately issued financial statements of the Authority can be obtained by sending a request to the following address: Medical University Hospital Authority, Fiscal Services Office, P.O. Box 250603, Charleston, SC 29425-6030.

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

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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. Since these companies serve an essentially identical purpose, all financial activities of these companies are blended into the financial statements of UMA. Some of UMA's component units are income taxable under state and federal law. UMA's component units do not issue separate financial statements.

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

Nonmajor Funds

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

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

Discretely Presented Component Units

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

The Medical University of South Carolina Foundation (MUSCF) was incorporated in July 1966 under the laws of South Carolina as an educational, charitable, eleemosynary foundation to promote educational, research, clinical and other facilities and programs of the University. 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 by the donors for support of the activities of the University.

The MUSCF reporting entity includes the Parking Garage Associates, LLC, (PGA), 135 Cannon Street, LLC, and 55 Bee Street, LLC, all of which are single member limited liability companies and wholly-owned subsidiaries of MUSCF. PGA owns and leases a parking garage to the Authority. 135 Cannon Street, LLC owns and leases an office building and parking to the Authority and UMA. 55 Bee Street, LLC is in the start-up phase and is to be used to facilitate the acquisition and provision of needed properties by the University and its component units.

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 29425-4500.

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

Based on its close relationship with the University, MFRD is deemed to be financially integrated with the University; therefore, MFRD is reported as a discretely presented component unit of the University. Copies of the separately issued financial statements of MFRD can be obtained by ending a request to the following address: MUSC Foundation for Research Development, P.O. Box 250828, 19 Hagood Avenue, Suite 909, Charleston, SC 29425-8280.

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 (FASB) pronouncements issued on or before November 30, 1989 which do not conflict with GASB standards.

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

Cash and Cash Equivalents

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

Investments and Investment Income

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

Receivables

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

Pursuant to an amendment to the South Carolina Medicaid Plan, approved by the US Department of Health and Human Services on September 20, 2002 to be effective retroactive to October 1, 2001, the University receives certain supplemental Medicaid payments for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. As of June 30, 2008, the University has recorded a receivable from Medicaid of \$16,357,919.

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

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

Inventories

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

Prepaid Items

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, if received as a gift, at fair market value at the date of donation. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years, and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. The University and the Authority capitalize, as a component of construction in progress, interest cost in excess of earnings on debt associated with the capital projects. Interest amounts capitalized in fiscal year 2008 were \$1,798,363 for the University and approximately \$6,370,000 for the Authority. Financing costs and a deferred accounting loss on refunding are amortized by the Authority over the terms of the related indebtedness using the interest method. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expense in the year in which the expense was incurred.

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

Compensated Absences

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

Deferred Revenues

Deferred revenues include net tuition and fees received prior to the end of the fiscal year which relate to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned 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 primarily consist of payments of compensation and employee benefits and purchases of services and supplies.

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

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

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

Scholarship Allowances

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

Net Patient Service Revenue

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

Sales and Services of Educational and Other Activities

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

Interfund Transfers and Balances

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

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

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

Use of Estimates

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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.

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> | ---- Nonmajor Enterprise Funds ---- | |
|--|-----------------------|----------------------|----------------------|-------------------------------------|--------------------|
| | | | | <u>MUFC</u> | <u>CHS</u> |
| Statement of Net Assets: | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | □ 73,490,251 | □ 14,558,099 | □ 59,764,713 | □ - | □ - |
| Investments | - | - | 5,759,090 | - | - |
| Restricted assets | | | | | |
| Cash and cash equivalents | 3,017,958 | 24,597,950 | - | 1,466,765 | 10,646 |
| Investments | - | - | - | 316,169 | 604,993 |
| Noncurrent assets | | | | | |
| Investments | - | - | 29,948,500 | - | - |
| Restricted assets | | | | | |
| Cash and cash equivalents | 50,484,818 | 30,689,377 | 8,001,515 | - | 4,094,611 |
| Investments | - | 35,737,148 | 16,254,570 | 213,000 | - |
| Total Statement of Net Assets | <u>□ 126,993,027</u> | <u>□ 105,582,574</u> | <u>□ 119,728,388</u> | <u>□ 1,995,934</u> | <u>□ 4,710,250</u> |
| | | | | | |
| Disclosure, Deposits and Investments plus reconciling items: | | | | | |
| Carrying value of deposits | | | | | |
| Held by State Treasurer | □ 126,944,172 | □ - | □ - | □ - | □ - |
| Other | - | 14,558,099 | 14,561,707 | 1,466,765 | 4,105,257 |
| Investments, reported amount | | | | | |
| Unrestricted | - | - | 80,874,101 | - | - |
| Restricted | - | 91,024,475 | 24,256,085 | 529,169 | 604,993 |
| Cash on hand | 48,855 | - | 36,495 | - | - |
| Total Notes plus reconciling items | <u>□ 126,993,027</u> | <u>□ 105,582,574</u> | <u>□ 119,728,388</u> | <u>□ 1,995,934</u> | <u>□ 4,710,250</u> |

Deposits Held by State Treasurer

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

Other Deposits

The Authority's bank balances at June 30, 2008 follow:

| | |
|--|---------------------|
| Insured (FDIC □SIPC) | □ 713,011 |
| 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>15,396,137</u> |
| Total | <u>□ 16,109,148</u> |
| Carrying amount (cash and cash equivalents) | <u>□ 14,558,099</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, 2008, the carrying amount of unrestricted deposits was □14,561,707. Bank balances before reconciling items were □18,112,296. Of these unrestricted bank balances, □646,146 was insured by the FDIC, and the remainder was uninsured and uncollateralized.

On October 3, 2008, FDIC deposit insurance was temporarily increased from □100,000 to □250,000 per depositor. This temporary increase expires December 31, 2009.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Investments

As of June 30, 2008, 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 | □ 342,612 | 0.4□ | N/A | N/A | N/A |
| US Treasury Note | 6,634,979 | 7.3□ | 2.15.2011 | 5.00□ | AAA |
| US Treasury Tri-party Repurchase Agreement | 29,102,169 | 31.9□ | N/A | N/A | N/A |
| Guaranteed Investment Contract | 4,607,668 | 5.1□ | N/A | 3.08□ | AAA |
| Guaranteed Investment Contract | 4,603,780 | 5.1□ | N/A | 2.21□ | AAA |
| Commercial Paper | 32,943,477 | 36.2□ | 8.15.2008 | N/A | A1 |
| Money Market Funds | 12,789,790 | 14.0□ | N/A | N/A | N/A |
| Total Hospital Authority investments | □ 91,024,475 | | | | |
| University Medical Associates, unrestricted | | | | | |
| PA Higher Education Assistance Revenue Bonds | □ 10,693,200 | | 10.01.2040 | 8.64□ | AAA/Aaa |
| PA Higher Education Taxable Bond | 4,300,000 | | 11.01.2028 | 2.819□ | AAA/Aaa |
| Auction rate debt securities - Merrill Lynch | 8,407,300 | | 12.01.2026 | 5.50□ | A1/A- |
| Auction rate debt securities - J. P. Morgan | 5,640,000 | | 02.02.2037 | 4.49□ | A/Aa3 |
| Auction rate debt securities - J. P. Morgan | 5,208,000 | | 05.15.2047 | 5.41□ | A/Aa3 |
| Money Market Funds: | | | | | |
| Dreyfus Fund □670 | 15,122,317 | | average 51 days | 2.41□ | AAA |
| Morgan Stanley Fund □341 | 15,121,997 | | average 41 days | 2.36□ | AAA |
| Federated Fund □854 | 15,122,197 | | average 54 days | 2.41□ | AAA |
| Mutual Funds: | | | | | |
| Fixed Income Funds | 391,452 | | average 4.05 years | 4.78□ | AA |
| Equity Funds | 867,638 | | N/A | 1.36□ | N/A |
| Total UMA investments, unrestricted | □ 80,874,101 | | | | |
| University Medical Associates, restricted | | | | | |
| NC Educational Assistance Authority Bonds | □ 5,400,000 | | 7.1.2036 | 5.269□ | AAA |
| Philadelphia, PA Authority for Industrial Dev. Pension Bonds | 4,711,822 | | 4.15.2028 | 6.35□ | AAA |
| US Treasury Notes | 2,049,143 | | average 15 months | 4.00□ - 6.50□ | AAA |
| Federal National Mortgage Association Debentures | 1,768,247 | | average 11.5 months | 6.375□ | AAA |
| Federal National Mortgage Association Preassigned Issues | 1,035,620 | | average 1.05 years | 3.25□ - 7.125□ | AAA |
| Mutual Funds: | | | | | |
| Fixed Income Funds | 1,289,738 | | average 3.45 years | 5.10□ | AA |
| Money Market Funds | 8,001,515 | | average 19 days | 1.60□ | AAA |
| Total UMA investments, restricted | □ 24,256,085 | | | | |
| Nonmajor Enterprise Funds | | | | | |
| Medical University Facilities Corporation | | | | | |
| Berkshire Hathaway Investment | □ 316,169 | | open-ended | 5.78□ | NA |
| Berkshire Hathaway Investment | 213,000 | | open-ended | 6.20□ | NA |
| Total MUFC investments | □ 529,169 | | | | |
| CHS Development Company | | | | | |
| Federal National Mortgage Association Discount Notes | □ 402,237 | | 07.01.2008 - 09.02.2008 | 4.50□ - 4.57□ | AAA |
| Federal Home Loan Bank Discount Note | 202,756 | | 7.21.2008 | 4.57□ | AAA |
| Total CHS investments | □ 604,993 | | | | |

Custodial Credit Risk

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

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

Credit Risk

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

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

The investment policy adopted by the UMA board of directors 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.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

Except for restrictions imposed by its bond indenture agreements, the Authority places no limit on the amount that may be invested in any one issuer. As of June 30, 2008, more than 5% of the Authority's investments are held in commercial paper with Morgan Stanley and guaranteed investment contracts with JP Morgan Chase Bank.

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. Both of these limits may be exceeded with the approval of the UMA Executive Committee. UMA has investments in the following securities that comprise more than 10% of its total unrestricted portfolio: Pennsylvania Higher Education bonds (13.2%); and auction rate debt securities issued by Merrill Lynch (10.4%) and J. P. Morgan (13.4%); and money market funds with Dreyfus, Morgan Stanley, and Federated Funds (18.7%, each).

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

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. UMA, in accordance with its investment policy, manages its exposure to declines in fair value by limiting the maturities of investments to no longer than 48 months for any individual security and no longer than 12 months average for the entire portfolio. The policy also limits the ratio of equities to fixed income securities to no greater than 70% to 30%, respectively.

CHS has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at June 30, 2008, 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, but no other party has a controlling interest.

UMA's carrying value of LCMG and LCRP was adjusted in fiscal year 2008 to reflect the use of the equity method in accordance with GASB Statement No. 14, *The Financial Reporting Entity*. A reconciliation of UMA's beginning and ending partnership carrying values follows:

| | LCMG | LCRP |
|---|-------------|------------|
| UMA's carrying value reported at June 30, 2007 | \$2,679,665 | \$505,966 |
| Prior year impact of change to equity method | (242,313) | (27,918) |
| UMA's share of partnership income (loss) for fiscal year 2008 | (338,757) | 61,480 |
| Partnership distributions to UMA in fiscal year 2008 | (58,188) | (35,000) |
| UMA's carrying value at June 30, 2008 | \$2,040,407 | \$504,528 |

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 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 insignificant equity interest. On October 1, 2007, UMA received an additional five percent interest in GRTC as a result of accumulated earnings during the year.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

3. RECEIVABLES

Receivables at June 30, 2008, including applicable allowances, were as follows:

| | The University | The Authority | UMA | Nonmajor Enterprise Fund MUFC |
|--|----------------|---------------|--------------|-------------------------------|
| Student accounts | □ 1,455,347 | □ - | □ - | □ - |
| Patient accounts | - | 200,750,270 | 112,054,476 | - |
| Less allowances for: | | | | |
| Contractual adjustments | - | - | (64,083,236) | - |
| Uncollectibles | - | (70,400,000) | (17,186,704) | - |
| Third party payors | - | 15,957,000 | - | - |
| Federal grants and contracts | 15,539,546 | - | - | - |
| State grants and contracts | 233,164 | - | - | - |
| Nongovernmental grants and contracts | 6,101,292 | - | - | - |
| Capital improvement bond proceeds | - | - | - | - |
| Research infrastructure bond proceeds | - | - | - | - |
| Interest | 718,532 | - | - | 9,608 |
| Medicaid supplemental reimbursement | 16,357,919 | - | - | - |
| Medicaid Disproportionate Share Hospital program | - | 12,376,680 | - | - |
| COEE State match | 3,246,299 | - | - | - |
| State capital appropriation | 6,224,305 | - | - | - |
| SC Budget □ Control Board insurance refund | 1,206,042 | - | - | - |
| Other | 3,870,923 | 6,608,961 | 682,686 | - |
| Receivables, net | □ 54,953,369 | □ 165,292,911 | □ 31,467,222 | □ 9,608 |

4. RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2008 were as follows:

| Asset Restricted for | The University | The Authority | UMA | -- Nonmajor Enterprise Funds -- | |
|---------------------------------|----------------|---------------|--------------|---------------------------------|--------------|
| | | | | MUFC | CHS |
| Current: | | | | | |
| Cash and cash equivalents: | | | | | |
| Debt service | □ 1,638,263 | □ - | □ - | □ 1,466,765 | □ 10,646 |
| Research □ education | 1,379,695 | - | - | - | - |
| Capital projects | - | 24,597,950 | - | - | - |
| Total cash and cash equivalents | □ 3,017,958 | □ 24,597,950 | □ - | □ 1,466,765 | □ 10,646 |
| Investments: | | | | | |
| Debt service | □ - | □ - | □ - | □ 316,169 | □ 604,993 |
| Due from component units | | | | | |
| Earnings on endowments | □ 2,760,763 | □ - | □ - | □ - | □ - |
| Interfund receivables: | | | | | |
| Debt service | □ - | □ - | □ - | □ 1,794,728 | □ 926,848 |
| Student loans receivable: | | | | | |
| Student loan programs | □ 858,721 | □ - | □ - | □ - | □ - |
| Noncurrent: | | | | | |
| Cash and cash equivalents: | | | | | |
| Debt service | □ - | □ - | □ 8,001,515 | □ - | □ 4,094,611 |
| Capital projects | 47,143,419 | 30,689,377 | - | - | - |
| Student loan programs | 2,097,321 | - | - | - | - |
| Endowments | 1,244,078 | - | - | - | - |
| Total cash and cash equivalents | □ 50,484,818 | □ 30,689,377 | □ 8,001,515 | □ - | □ 4,094,611 |
| Investments | | | | | |
| Debt service | □ - | □ 35,737,148 | □ 16,254,570 | □ 213,000 | □ - |
| Due from component units | | | | | |
| Endowments | □ 27,263,478 | □ - | □ - | □ - | □ - |
| Interfund receivables: | | | | | |
| Debt service | □ - | □ - | □ - | □ 13,640,173 | □ 21,279,353 |
| Student loans receivable: | | | | | |
| Student loan programs | □ 13,109,514 | □ - | □ - | □ - | □ - |

MEDICAL UNIVERSITY OF SOUTH CAROLINA

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|----------------------|----------------------|------------------------|------------------------|
| <u>The University</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land | □ 11,646,316 | □ - | □ - | □ 11,646,316 |
| Construction in progress | 81,558,365 | 65,030,139 | (47,530,336) | 99,058,168 |
| Total capital assets not being depreciated | <u>93,204,681</u> | <u>65,030,139</u> | <u>(47,530,336)</u> | <u>110,704,484</u> |
| Other capital assets | | | | |
| Depreciable land improvements | 6,754,501 | - | - | 6,754,501 |
| Buildings and improvements | 365,083,613 | 46,876,347 | - | 411,959,960 |
| Machinery and equipment | 124,428,674 | 12,036,311 | (6,961,402) | 129,503,583 |
| Vehicles | 4,745,291 | 38,790 | (292,500) | 4,491,581 |
| Total other capital assets at historical cost | <u>501,012,079</u> | <u>58,951,448</u> | <u>(7,253,902)</u> | <u>552,709,625</u> |
| Less accumulated depreciation for | | | | |
| Depreciable land improvements | (4,665,013) | (241,438) | - | (4,906,451) |
| Buildings and improvements | (147,636,569) | (13,619,590) | - | (161,256,159) |
| Machinery and equipment | (50,947,757) | (9,012,896) | 5,943,285 | (54,017,368) |
| Vehicles | (3,696,773) | (413,248) | 310,676 | (3,799,345) |
| Total accumulated depreciation | <u>(206,946,112)</u> | <u>(23,287,172)</u> | <u>6,253,961</u> | <u>(223,979,323)</u> |
| Other capital assets, net | <u>294,065,967</u> | <u>35,664,276</u> | <u>(999,941)</u> | <u>328,730,302</u> |
| University capital assets, net | <u>387,270,648</u> | <u>100,694,415</u> | <u>(48,530,277)</u> | <u>439,434,786</u> |
| <u>Medical University Hospital Authority</u> | | | | |
| Capital assets not being depreciated | | | | |
| Land and land improvements | 6,092,725 | - | - | 6,092,725 |
| Construction in progress | 218,178,492 | 63,082,770 | (248,579,002) | 32,682,260 |
| Total capital assets not being depreciated | <u>224,271,217</u> | <u>63,082,770</u> | <u>(248,579,002)</u> | <u>38,774,985</u> |
| Other capital assets | | | | |
| Buildings and improvements | 295,684,302 | 262,105,916 | - | 557,790,218 |
| Machinery and equipment | 175,872,009 | 80,056,329 | (10,514,270) | 245,414,068 |
| Vehicles | 2,012,260 | 309,977 | - | 2,322,237 |
| Total other capital assets at historical cost | <u>473,568,571</u> | <u>342,472,222</u> | <u>(10,514,270)</u> | <u>805,526,523</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (128,491,490) | (15,675,484) | - | (144,166,974) |
| Machinery and equipment | (105,682,370) | (16,601,702) | 10,474,676 | (111,809,396) |
| Vehicles | (1,906,903) | (101,547) | - | (2,008,450) |
| Total accumulated depreciation | <u>(236,080,763)</u> | <u>(32,378,733)</u> | <u>10,474,676</u> | <u>(257,984,820)</u> |
| Other capital assets, net | <u>237,487,808</u> | <u>310,093,489</u> | <u>(39,594)</u> | <u>547,541,703</u> |
| Authority capital assets, net | <u>461,759,025</u> | <u>373,176,259</u> | <u>(248,618,596)</u> | <u>586,316,688</u> |
| <u>University Medical Associates</u> | | | | |
| Capital assets not being depreciated | | | | |
| Construction in progress | - | 39,242 | - | 39,242 |
| Total capital assets not being depreciated | <u>-</u> | <u>39,242</u> | <u>-</u> | <u>39,242</u> |
| Other capital assets | | | | |
| Buildings and improvements | 61,525,667 | 846,936 | - | 62,372,603 |
| Machinery and equipment | 12,217,063 | 706,777 | (394,205) | 12,529,635 |
| Intangible assets | 3,273,243 | 37,500 | - | 3,310,743 |
| Total other capital assets at historical cost | <u>77,015,973</u> | <u>1,591,213</u> | <u>(394,205)</u> | <u>78,212,981</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (19,132,315) | (2,093,561) | - | (21,225,876) |
| Machinery and equipment | (8,592,271) | (1,121,013) | 364,992 | (9,348,292) |
| Intangible assets | (2,776,580) | (133,795) | - | (2,910,375) |
| Total accumulated depreciation | <u>(30,501,166)</u> | <u>(3,348,369)</u> | <u>364,992</u> | <u>(33,484,543)</u> |
| Other capital assets, net | <u>46,514,807</u> | <u>(1,757,156)</u> | <u>(29,213)</u> | <u>44,728,438</u> |
| UMA capital assets, net | <u>46,514,807</u> | <u>(1,717,914)</u> | <u>(29,213)</u> | <u>44,767,680</u> |
| Grand Total | <u>□ 895,544,480</u> | <u>□ 472,152,760</u> | <u>□ (297,178,086)</u> | <u>□ 1,070,519,154</u> |

6. PENSION PLANS

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

The employee contribution rates for fiscal years ending June 30, 2008, 2007 and 2006 were 6.50 percent, 6.50 percent and 6.25 percent, respectively. Including a surcharge to fund retiree health and dental insurance coverage, the employer contribution rates for fiscal years ending June 30, 2008, 2007 and 2006 were 12.48 percent, 11.40 percent and 10.80 percent, respectively. The University's actual contributions to the SCRS for the fiscal years ending June 30, 2008, 2007, and 2006, were approximately \$9,721,000, \$8,217,000, and \$8,189,000, respectively, and equaled the required contributions (excluding the surcharge) of 9.06 percent for fiscal year 2008, 8.05 percent for fiscal year 2007 and 7.55 percent for fiscal year 2006. The surcharge equaled 3.42 percent for fiscal year 2008, 3.35 percent for fiscal year 2007, and 3.25 percent for fiscal year 2006.

The Authority's contributions to SCRS for the years ending June 30, 2008, 2007, and 2006 were approximately \$27,300,000, \$22,300,000, and \$19,400,000, respectively.

The University paid employer group-life insurance contributions of approximately \$161,000 in the fiscal year 2008 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. The employer contribution rates for fiscal years ending June 30, 2008, 2007 and 2006 were 13.72 percent, 13.65 percent and 13.55 percent, respectively. The University's actual contributions to the PORS for the fiscal years ending June 30, 2008, 2007, and 2006, were approximately \$252,000, \$232,000, and \$232,000, respectively, and equaled the required contributions of 10.30 percent (excluding the surcharge) for each year. The surcharge equaled 3.42 percent for fiscal year 2008, 3.35 percent for fiscal year 2007, and 3.25 percent for fiscal year 2006.

Also, the University paid employer group-life insurance contributions of \$4,903 and accidental death insurance contributions of \$4,903 in fiscal year 2008 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. Employees must select ORP participation within thirty days of employment or becoming retirement benefits eligible. Employees may irrevocably change to the SCRS traditional plan during the designated open enrollment

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

Some of the University's employees have elected to be covered under the ORP. For fiscal year 2008, total contribution requirements to the ORP were approximately \$8,485,000 (excluding the surcharge) from the University as employer and \$6,087,000 from its employees as plan members. In addition, the University paid employer group-life insurance contributions of approximately \$140,000 in the fiscal year 2008. Employee contributions of 6.5 percent and 5 percent of the employer contribution were remitted directly to the respective annuity policy providers. The balance of the employer portion was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefits resides with the annuity policy providers.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows active members of the South Carolina Retirement System who are eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for a program period of up to five years. The length of the program period must be specified by the employee prior to retirement. Participants who entered the program prior to June 30, 2005 are entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon retirement and again at the end of the program period for annual vacation leave earned during the program period. Participants entering the program after June 30, 2005 maintain their current annual leave balance and are entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon ending participation in the TERI program. The University recorded expenses of \$313,324 for lump-sum vacation leave payments to its employees retiring under TERI in fiscal year 2008.

Component Unit Pension Plans

Effective July 1, 2002, the Authority established and began sponsoring a profit sharing plan and trust titled the Special Healthcare Alternative Retirement Plan (SHARP). The SHARP is qualified under Section 401(a) of the Internal Revenue Code. Certain employees, as defined in the SHARP, are eligible to participate at the commencement of employment. Contributions by the Authority to the SHARP are discretionary and vest ratably over four years after two years of service. Contributions by the Authority in fiscal year 2008 totaled approximately \$251,000.

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 three-tier percentage determined by the participant's compensation as follows: (a) eleven percent of compensation up to \$40,000; (b) fourteen percent of compensation from \$40,001 to \$80,000; and (c) twenty-five percent of compensation from \$80,001 to \$220,000. The maximum annual contribution per participant is \$45,000. Participants become fully vested in their accounts after five years of credited service. Contributions to this plan totaled \$18,642,288 in fiscal year 2008. Copies of the separately issued financial statements of the plan are available from the management of UMA.

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

7. POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

The State of South Carolina provides certain health care, dental, and life insurance benefits to certain active State employees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The University recorded expense of \$16,511,018 for the year ended June 30, 2008 for these insurance benefits for active employees.

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new employees hired May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Sections 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, require these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget which equaled 3.42%, 3.35%, and 3.25% of annual covered payroll for fiscal years 2008, 2007, and 2006, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid \$6,956,100, \$6,142,718, and \$5,863,892 applicable to the surcharge included with

MEDICAL UNIVERSITY OF SOUTH CAROLINA

the employer contribution for retirement benefits for the fiscal years ended June 30, 2008, 2007, and 2006, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2008 and 2007.

As the provider of postemployment benefits to State retirees, the State is responsible for implementing GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

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

University Medical Associates

UMA and its component units provide employee life and disability benefits through commercial insurance companies and have established an employee benefit plan to self-insure employees for health, accident, and dental expenses. UMA records an estimated liability for incurred but not reported claims based on estimates of the ultimate cost of reported claims using the gross method. The estimated claims liability at June 30, 2008 was \$563,997. This amount is included under the caption "Payables and accrued liabilities" on the Statement of Net Assets.

On July 1, 2007 UMA adopted the provisions of GASB Statement No. 45. UMA administers the Retiree Benefit Plan for Employees of University Medical Associates, a single-employer defined benefit healthcare plan to provide continuation of medical, dental and prescription drug benefits for certain retirees and their dependents through an irrevocable trust agreement adopted by the UMA Board with an effective date of June 26, 2008. The trust meets the definition of a qualifying trust as defined in GASB No. 45. Eligible employees are those reaching age 62 with 15 years of service. This coverage is considered primary until age 65 or until the employee is covered under Medicare, at which time it becomes the secondary payer. The plan may be amended by future actions of the UMA Board of Directors. The plan, which has a calendar year end, will issue a separate stand-alone financial report in the future.

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

UMA's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

| <u>Annual OPEB Cost</u> | <u>Fiscal Year Ending June 30, 2008</u> |
|--|---|
| Normal cost | \$ 33,106 |
| Amortization of Unfunded Accrued Liability | 40,067 |
| Interest | 2,000 |
| Annual Required Contribution (ARC) | \$ 75,173 |
| Interest on OPEB Obligation | - |
| Adjustment to ARC | - |
| OPEB expense | \$ 75,173 |
| Net OPEB contributions made during the year | (663,106) |
| Net (Prepaid) OPEB obligation at end of year | \$ (587,933) |

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

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net Prepaid OPEB Asset</u> |
|--------------------------|-------------------------|---|-----------------------------------|
| June 30, 2008 | \$ 75,173 | 882% | \$ 587,933 |

MEDICAL UNIVERSITY OF SOUTH CAROLINA

The most recent actuarial valuation was dated July 1, 2006. As of the valuation date, the unfunded actuarial accrued liability, (UAAL) amounted to \$630,000 which represents 1.78% of covered payroll. In June 2008, UMA made a contribution to the qualifying trust of \$663,106 to fund this actuarial accrued liability. The covered payroll (annual payroll of active employees covered by the plan) was \$35.4 million.

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

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

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

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.

Employees of Carolina Primary Care Physicians and Carolina Health Management Services participate in a deferred compensation plan under Internal Revenue Code Section 401(k) which allows employees to defer up to \$20,500 of compensation annually. The employer makes safe-harbor contributions for all employees of three percent of compensation up to \$225,000. A separate employer contribution of five percent for all physicians and eight percent for all non-physician employees is made for all eligible compensation. All employee and employer safe-harbor contributions are 100% vested at the time of contribution. The five and eight percent employer contributions vest ratably over a 5-year period. Total employer contributions to this plan for the fiscal year ending June 30, 2008 were \$472,661.

9. COMMITMENTS, CONTINGENCIES AND LITIGATION

The various federal programs administered by the University for fiscal year 2008 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 \$40,813,926 at June 30, 2008. 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.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

10. PAYABLES AND ACCRUED LIABILITIES

| | <u>The University</u> | <u>The Authority</u> | <u>UMA</u> | <u>-- Nonmajor Enterprise Funds --</u> | |
|---------------------------------------|-----------------------|----------------------|---------------------|--|------------------|
| | | | | <u>MUFC</u> | <u>CHS</u> |
| Accounts payable | □ 15,876,643 | □ 47,564,736 | □ 2,327,337 | □ - | □ - |
| Retainages | 1,862,926 | 14,913,236 | - | - | - |
| Compensated absences payable | - | 19,813,189 | - | - | - |
| Accrued payroll □ related liabilities | 6,282,636 | 26,786,026 | 12,757,696 | - | - |
| Accrued interest | 1,260,938 | 142,277 | 445,654 | 171,685 | 683,200 |
| Other | - | 4,321,118 | 1,706,892 | - | - |
| | <u>□ 25,283,143</u> | <u>□ 113,540,582</u> | <u>□ 17,237,579</u> | <u>□ 171,685</u> | <u>□ 683,200</u> |

Activity for the year ended June 30, 2008 associated with the Authority's compensated absences (all payable within one year) is as follows:

| | |
|-------------------|---------------------|
| Beginning balance | □ 17,261,294 |
| Increases | 26,763,689 |
| Decreases | <u>(24,211,794)</u> |
| Ending balance | <u>□ 19,813,189</u> |

MEDICAL UNIVERSITY OF SOUTH CAROLINA

11. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2008 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion |
|---|----------------------|---------------|----------------|-------------------|--------------------|
| <u>The University</u> | | | | | |
| General obligation bonds payable | □ 47,095,000 | □ - | □ (3,135,000) | □ 43,960,000 | □ 3,270,000 |
| State bond anticipation notes | - | 30,000,000 | - | 30,000,000 | 30,000,000 |
| Revenue bond payable | 38,000,000 | - | - | 38,000,000 | 1,025,000 |
| Capital leases payable | 5,061,232 | 1,223,405 | (1,715,291) | 4,569,346 | 1,875,669 |
| Compensated absences payable | 23,009,125 | 13,891,826 | (12,118,461) | 24,782,490 | 11,855,427 |
| Less deferred loss on early retirement of general obligation bonds | (1,024,432) | - | 80,348 | (944,084) | (80,348) |
| Total University long-term liabilities | 112,140,925 | 45,115,231 | (16,888,404) | 140,367,752 | 47,945,748 |
| Interfund payables | 40,217,689 | - | (2,576,587) | 37,641,102 | 2,721,576 |
| Federal loan program liability | 13,181,351 | 448,924 | (172,320) | 13,457,955 | - |
| Total University noncurrent liabilities | 165,539,965 | 45,564,155 | (19,637,311) | 191,466,809 | 50,667,324 |
| <u>Medical University Hospital Authority</u> | | | | | |
| Bonds payable | 483,060,000 | - | (4,585,000) | 478,475,000 | 5,220,000 |
| GE notes payable | 12,486,280 | - | (1,740,558) | 10,745,722 | 1,988,102 |
| BA notes payable | 6,175,604 | 48,796,090 | (2,302,802) | 52,668,892 | 10,299,479 |
| Capital leases payable | 703,755 | 3,411,740 | (674,235) | 3,441,260 | 2,140,283 |
| Subtotal | 502,425,639 | 52,207,830 | (9,302,595) | 545,330,874 | 19,647,864 |
| Plus unamortized bond premium | 9,556,421 | - | (574,901) | 8,981,520 | - |
| Less deferred (loss) on refunding | (17,369,963) | - | 704,239 | (16,665,724) | - |
| Total Authority noncurrent liabilities | 494,612,097 | 52,207,830 | (9,173,257) | 537,646,670 | 19,647,864 |
| <u>University Medical Associates</u> | | | | | |
| Direct note obligations | 87,750,000 | - | (2,650,000) | 85,100,000 | 3,050,000 |
| Interest rate swap liability | 1,297,569 | - | (77,083) | 1,220,486 | 77,083 |
| Capital leases payable | 155,877 | 52,088 | (56,820) | 151,145 | 60,094 |
| Compensated absences payable | 2,795,400 | 3,667,320 | (3,380,215) | 3,082,505 | 1,849,503 |
| Subtotal | 91,998,846 | 3,719,408 | (6,164,118) | 89,554,136 | 5,036,680 |
| Less deferred refunding costs on direct note obligations | (846,745) | - | 49,941 | (796,804) | (49,941) |
| Total UMA noncurrent liabilities | 91,152,101 | 3,719,408 | (6,114,177) | 88,757,332 | 4,986,739 |
| <u>Nonmajor Enterprise Funds</u> | | | | | |
| <u>Medical University Facilities Corporation</u> | | | | | |
| Revenue bonds payable | 8,679,000 | - | (640,000) | 8,039,000 | 689,000 |
| Notes payable | 9,355,000 | - | (1,145,000) | 8,210,000 | 1,195,000 |
| Total MUFC noncurrent liabilities | 18,034,000 | - | (1,785,000) | 16,249,000 | 1,884,000 |
| <u>CHS Development Company</u> | | | | | |
| Notes payable | 30,755,000 | - | (1,165,000) | 29,590,000 | 1,200,000 |
| Unamortized premium | 88,033 | - | (5,326) | 82,707 | 5,326 |
| Total CHS noncurrent liabilities | 30,843,033 | - | (1,170,326) | 29,672,707 | 1,205,326 |
| Grand total | □ 800,181,196 | □ 101,491,393 | □ (37,880,071) | □ 863,792,518 | □ 78,391,253 |

12. BONDS AND NOTES PAYABLE

Bonds Payable

The University's bonds payable at June 30, 2008 consisted of the following:

| | Interest Rates | Maturity Dates | Balance June 30, 2008 |
|--|-------------------|-------------------|--------------------------|
| State Institution Bonds: | | | |
| 1996 A series dated 07/01/1996 | 5.40% | 03/01/2011 | 900,000 |
| 2000 A series dated 04/01/2000 | 4.80 - 5.50% | 03/01/2010 | 3,065,000 |
| 2001 series dated 12/01/2001 | 4.25 - 5.00% | 12/01/2016 | 4,935,000 |
| 2003 D series dated 01/01/2003 | 3.30 - 4.40% | 01/01/2018 | 5,980,000 |
| 2003 J series dated 12/01/2003 | 3.00 - 5.00% | 12/01/2023 | 10,360,000 |
| 2005A Refunding dated 04/01/2005 | 3.00 - 5.00% | 03/01/2020 | 18,720,000 |
| Total state institution bonds | | | <u>43,960,000</u> |
| State Institution Bond Anticipation Notes: | | | |
| 2007C series dated 12/19/2007 | 3.34% | 12/19/2008 | 10,000,000 |
| 2008A series dated 06/19/2008 | 2.47% | 06/19/2009 | 20,000,000 |
| | | | <u>30,000,000</u> |
| Higher Education Facilities Revenue Bond: | | | |
| 2006 series dated 11/01/2006 | 4.00 - 5.00% | 04/01/2031 | 38,000,000 |
| | | | <u>111,960,000</u> |

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt service requirement for the payment of principal and interest on State Institution Bonds. SC Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees designated for debt service for the preceding year were \$8,400,000, which resulted in a legal debt margin at June 30, 2008, of \$7,560,000.

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

| Year Ending June 30, | State Institution Bonds | | |
|-------------------------|-------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 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 | 3,450,000 | 1,260,543 | 4,710,543 |
| 2014-2018 | 18,205,000 | 3,933,055 | 22,138,055 |
| 2019-2023 | 7,915,000 | 854,918 | 8,769,918 |
| 2024-2027 | 895,000 | 20,138 | 915,138 |
| | <u>\$ 43,960,000</u> | <u>\$ 12,621,572</u> | <u>\$ 56,581,572</u> |

For the year ended June 30, 2008, principal payments on the State Institution Bonds totaled \$3,135,000 and the related interest expense totaled \$1,992,180.

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

| Year Ending June 30, | Higher Education Revenue Bond | | |
|-------------------------|-------------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 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 | 1,210,000 | 1,393,237 | 2,603,237 |
| 2014-2018 | 6,805,000 | 6,201,387 | 13,006,387 |
| 2019-2023 | 8,285,000 | 4,724,238 | 13,009,238 |
| 2024-2028 | 10,145,000 | 2,864,061 | 13,009,061 |
| 2029-2031 | 7,180,000 | 624,933 | 7,804,933 |
| | <u>\$ 38,000,000</u> | <u>\$ 21,837,456</u> | <u>\$ 59,837,456</u> |

MEDICAL UNIVERSITY OF SOUTH CAROLINA

No principal payments were made on the Higher Education Revenue bond during the year ended June 30, 2008. Interest expense relating to the Higher Education Facilities Revenue Bond for the year ended June 30, 2008 was \$1,578,847.

During fiscal year 2008, the University issued two State Bond Anticipation Notes with an aggregate total of \$30,000,000 for the primary purpose of financing the construction of the College of Dental Medicine Building. Both of the State Bond Anticipation Notes will mature during fiscal year 2009 at which time re-financing via an issuance of State Institution Bonds is anticipated. Interest related to the two State Bond Anticipation Notes during fiscal year 2009 is anticipated to be approximately \$581,000.

No principal payments were made on the State Bond Anticipation Notes during the year ended June 30, 2008. Interest expense related to the State Bond Anticipation Notes for the year ended June 30, 2008 was \$166,536

The total amount of defeased debt outstanding at June 30, 2008, was \$17,845,000 for the University and \$154,010,000 for the Authority.

The Authority's hospital facilities and refunding revenue bonds payable at June 30, 2008 consisted of the following:

| | Interest Rates | Balance June 30, 2008 |
|--|-------------------|--------------------------|
| 2004 A Series | 4.85 - 5.25% | \$ 303,965,000 |
| 2004 B Series | 3.92 - 5.38% | 118,095,000 |
| | | 422,060,000 |
| Unamortized bond premiums and deferred losses on bond refunding | | (7,684,204) |
| | | 414,375,796 |
| Less current installments | | (4,165,000) |
| | | \$ 410,210,796 |

The 2004 Series A and B bonds bear interest at fixed rates for tranches defined by the principal payments due each year. The average interest rates during fiscal year 2008 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 with a balance approximating \$9,800,000 at June 30, 2008.

The effective term of the ETRC extends from December 29, 2004 until December 1, 2009. The fair value of the ETRC at June 30, 2008 was approximately \$2,900,000 (unfavorable to the Authority), 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.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| Fiscal Year Ending <u>June 30,</u> | Hospital Facilities <input type="checkbox"/> Refunding Revenue Bonds | | |
|---------------------------------------|--|---|---|
| | Principal | Interest | Total |
| 2009 | <input type="checkbox"/> 4,165,000 | <input type="checkbox"/> 21,198,426 | <input type="checkbox"/> 25,363,426 |
| 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 | 9,785,000 | 19,463,191 | 29,248,191 |
| 2014 - 2018 | 56,780,000 | 89,545,424 | 146,325,424 |
| 2019 - 2023 | 73,630,000 | 72,821,958 | 146,451,958 |
| 2024 - 2028 | 95,490,000 | 51,133,678 | 146,623,678 |
| 2029 - 2033 | 155,315,000 | 23,574,139 | 178,889,139 |
| Total | <input type="checkbox"/> <u>422,060,000</u> | <input type="checkbox"/> <u>338,576,751</u> | <input type="checkbox"/> <u>760,636,751</u> |

In December, 2004, the South Carolina Jobs-Economic Development Authority (JEDA) issued 61 million of Economic Development Revenue Bonds (MUFC Central Energy Plant Project), Series 2004. Proceeds of the bonds were loaned to MUFC Central Energy Plant, LLC, (CEP) a single member limited liability company organized under the laws of the State of South Carolina, whose sole member is Medical University Facilities Corporation. The net bond proceeds were used to build the central energy plant for the new hospital facility. Originally, the CEP Series 2004 bonds were subject to interest at a variable rate determined by a public auction conducted by the bond trustee. On February 1, 2008, CEP converted the then outstanding 59.4 million bonds into indexed floating rate bonds to reduce the cost of capital and annual debt service payments. At the time of the conversion, CEP made a 3.0 million prepayment which reduced the outstanding principal balance to 56.4 million. The weighted average interest rate applicable to the bonds in fiscal year 2008 was 4.30 $\%$.

Concurrent with the refunding of the CEP Series 2004 Bonds, CEP entered into a variable-to-fixed interest rate swap (Swap). The intention of the Swap was to effectively convert the variable interest rate on the CEP Series 2004 Bonds into a synthetic fixed rate of 3.855 $\%$. The initial notional amount of the Swap was 56,415,000. The notional value of the Swap will decline in conjunction with payments of principal on the CEP Series 2004 Bonds such that the outstanding balance of the Bonds and the notional amount of the Swap shall remain equal at all times. Under the Swap, CEP pays the counterparty interest at a fixed rate of 3.855 $\%$ and receives interest payments at a variable rate equal to the SIFMA Municipal Swap Index. As of June 30, 2008, the Swap had a fair value of 304,983 (unfavorable to CEP), as computed by independent financial advisors using the zero-coupon method.

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

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

| Fiscal Year Ending <u>June 30,</u> | CEP Project Series 2004 | |
|---------------------------------------|--|--|
| | Principal | Interest |
| 2009 | <input type="checkbox"/> 1,055,000 | <input type="checkbox"/> 1,893,899 |
| 2010 | 1,380,000 | 3,185,968 |
| 2011 | 1,445,000 | 3,106,549 |
| 2012 | 1,515,000 | 3,023,389 |
| 2013 | 1,590,000 | 2,936,201 |
| 2014 - 2018 | 9,200,000 | 13,214,918 |
| 2019 - 2023 | 11,700,000 | 10,294,258 |
| 2024 - 2028 | 14,855,000 | 6,581,131 |
| 2029 - 2032 | 13,675,000 | 1,927,637 |
| Total | <input type="checkbox"/> <u>56,415,000</u> | <input type="checkbox"/> <u>46,163,950</u> |

On September 20, 1995, the Medical University Facilities Corporation (MUFC) issued lease revenue bonds series 1995 A in the amount of 12,729,000 and series 1995 B in the amount of 472,000. Related bond issue costs totaling 356,900 were capitalized as deferred charges to be amortized over the lives of the bonds. The bonds were issued for the purpose of providing a portion of the payment for the costs of completing the acquisition and construction of the Strom Thurmond Biomedical Research Center. Interest rates range from 7.45 $\%$ to 7.5 $\%$. The final maturity is in 2016, and the bonds are secured by the rental payments received under the capital lease as detailed in Note 13. The bond covenants require that MUFC establish and maintain funds with a trustee for the payment of principal and interest on the lease revenue bonds. MUFC paid 640,000 in principal and incurred 623,119 in interest expense on these bonds for the year ended June 30, 2008.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|-------------|-------------|--------------|
| 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 | 923,000 | 352,284 | 1,275,284 |
| 2014 - 2017 | 4,031,000 | 645,400 | 4,676,400 |
| Total | □ 8,039,000 | □ 3,013,620 | □ 11,052,620 |

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 the Medical University of South Carolina Foundation (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 □9.7 million outstanding at year end, □8.45 million is covered by a swap agreement, which effectively fixes the interest rate at 6.82□. □43.6 million of these obligations were refunded through the issuance of Series 1999A SAVRS.

The □40 million Series 1997 SAVRS proceeds were used 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 paid for the costs of issuance. □34.45 million of these obligations were refunded through the issuance of the Series 1999B SAVRS. The remaining outstanding balance of □4.7 million at year end is not covered by a swap agreement and is subject to interest rate market fluctuations.

The □85 million Series 1999A and B SAVRS proceeds along with □10.85 million of sinking funds and a company contribution of □900,000 were used to refund □34.45 million of the 1994 and □43.6 million of the 1997 SAVRS, pay accrued interest of □2 million, pay issuance costs of □5.3 million, fund a debt service reserve and sinking funds of □10 million, and pay for additional improvements to Rutledge Tower of □1.4 million.

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.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

UMA has issued the following Series of Select Auction Variable Rate Securities (SAVRS) Direct Note Obligations that are outstanding at June 30, 2008.

| Description | Covered by SWAP | Effective Interest Rate | Original Amount | Outstanding Balance June 30, 2008 |
|--|--------------------|----------------------------|----------------------|--------------------------------------|
| 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 | 9.65□ | □ 55,000,000 | □ 9,700,000 |
| 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 | 4,700,000 |
| Series 1999A Refunding SAVRS issued December 13, 1999, due in annual Installments ranging from □450,000 to □3,550,000, final maturity is May 15, 2024. | Yes | 9.65□ | 39,400,000 | 32,400,000 |
| 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 | 9.32□ | <u>45,600,000</u> | <u>38,300,000</u> |
| Total Debt | | | <u>□ 180,000,000</u> | 85,100,000 |
| Less deferred refunding costs | | | | <u>796,804</u> |
| Total per Statement of Net Assets | | | | 84,303,196 |
| Less current portion | | | | <u>3,000,059</u> |
| Total long-term portion | | | | <u>□ 81,303,137</u> |

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, 2008, 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, 2008.

UMA's annual debt service requirements to maturity on the SAVRS Direct Note Obligations are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|----------------------|
| 2009 | □ 3,050,000 | □ 7,731,468 | □ 10,781,468 |
| 2010 | 3,100,000 | 7,451,556 | 10,551,556 |
| 2011 | 3,350,000 | 7,161,210 | 10,511,210 |
| 2012 | 3,150,000 | 6,856,152 | 10,006,152 |
| 2013 | 3,850,000 | 6,558,413 | 10,408,413 |
| 2014 - 2018 | 19,750,000 | 27,222,132 | 46,972,132 |
| 2019 - 2023 | 30,900,000 | 16,593,018 | 47,493,018 |
| 2024 - 2027 | <u>17,950,000</u> | <u>3,210,115</u> | <u>21,160,115</u> |
| Total | 85,100,000 | 82,784,064 | 167,884,064 |
| Less: | | | |
| Deferred Refunding Cost | (796,804) | - | (796,804) |
| Current Portion | <u>(3,000,059)</u> | <u>(7,731,468)</u> | <u>(10,731,527)</u> |
| Long Term Portion | <u>□ 81,303,137</u> | <u>□ 75,052,596</u> | <u>□ 156,355,733</u> |

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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 were issued on January 9, 1995 for the Series 1994 and on December 13, 1999 for the Series 1999 A and B. These agreements mature on May 15, 2024 for the 1994 and 1999A and May 15, 2027 for the 1999B. The notional amounts as of June 30, 2008 are as follows: Series 1994 SAVRS - \$8.45 million, Series 1999A SAVRS - \$32.4 million and Series 1999B - \$38.3 million which agrees to the principal outstanding under the various issues except for Series 1994 which has outstanding principal of \$9.7 million.

Under the swap agreements, originally UMA paid the counterparty a fixed interest payment of 6.82% on the 1994 and 1999A SAVRS and 5.82% on the 1999B SAVRS and received a variable payment based upon the auction rate determined every 35 days. On June 19, 2008, MBIA, the insurer on the above SAVRS, was downgraded by the various rating agencies which triggered a change in the swap agreements that now use the Securities Industry and Financial Markets Association (SIFMA) rate to determine the payments to UMA. The variable rates in effect at June 30, 2008 were 1.497% for the 1994 and the 1999A SAVRS, and 1.469% for the 1999B SAVRS. UMA is considering alternatives to the existing swap arrangements to reduce its future interest costs.

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 \$1,850,000 for the remaining life of the agreements. This amount is included in long-term liabilities and is being amortized as a reduction of interest expense over the terms of the related SAVRS direct note obligations using the straight-line method. The \$1,850,000 is allocated to the agreements as follows: 1994 - \$194,737, 1999A - \$767,263, and 1999B - \$888,000. For the year ended June 30, 2008 interest expense was reduced by amortization of \$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, 2008 of (\$2,128,083) for the 1994 SAVRS, (\$7,838,386) for the 1999A SAVRS, and (\$6,914,063) 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.

On September 15, 2008 Lehman Brothers filed for bankruptcy protection under Chapter 11 of the United States Code and on September 16, 2008, Barclays Capital signed a definitive agreement to acquire Lehman Brothers. The impact of these events is not clear at this time, but UMA has the option to terminate these agreements and anticipates that any new financing alternatives will include financing the termination payments required under these existing swap agreements.

Using rates in effect as of June 30, 2008, aggregate debt service requirements of the 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 |
|--------------------------------|----------------------|----------------------|-----------------------|-----------------------|
| 2009 | \$ 2,850,000 | \$ 3,652,606 | \$ 3,823,913 | \$ 10,326,519 |
| 2010 | 2,950,000 | 3,519,903 | 3,685,046 | 10,154,949 |
| 2011 | 3,150,000 | 3,384,605 | 3,536,718 | 10,071,323 |
| 2012 | 2,950,000 | 3,239,562 | 3,385,309 | 9,574,871 |
| 2013 | 3,650,000 | 3,100,821 | 3,234,917 | 9,985,738 |
| 2014 - 2018 | 18,500,000 | 12,878,446 | 13,373,630 | 44,752,076 |
| 2019 - 2023 | 28,900,000 | 7,881,922 | 8,078,487 | 44,860,409 |
| 2024 - 2028 | 16,200,000 | 1,585,795 | 1,450,792 | 19,236,587 |
| Totals | <u>\$ 79,150,000</u> | <u>\$ 39,243,660</u> | <u>\$ 40,568,812</u> | <u>\$ 158,962,472</u> |

Notes Payable

UMA has a line of credit with Wachovia Bank with a maximum borrowing limit of \$10 million, which UMA could draw on for working capital. The loan bears interest at the 30 day LIBOR rate plus 1.15% and was secured by all unrestricted accounts receivable and expired in July 2008. There were no advances under this line of credit during the year ended June 30, 2008. In July 2008, UMA renewed this line of credit with basically the same terms.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

The Authority financed the acquisition of certain medical equipment in 2008 with promissory notes payable to GE Capital Public Finance payable in variable amounts.

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

| Fiscal Year Ending <u>June 30,</u> | GE Capital Notes | |
|---------------------------------------|------------------|-------------|
| | Principal | Interest |
| 2009 | □ 1,988,102 | □ 426,686 |
| 2010 | 2,062,939 | 336,913 |
| 2011 | 2,163,823 | 242,973 |
| 2012 | 2,261,758 | 144,667 |
| 2013 | 1,662,096 | 49,771 |
| 2014 | 607,004 | 9,539 |
| Totals | □ 10,745,722 | □ 1,210,549 |

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

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

| Fiscal Year Ending <u>June 30,</u> | Banc of America Notes | |
|---------------------------------------|-----------------------|-------------|
| | Principal | Interest |
| 2009 | □ 10,299,479 | □ 2,027,858 |
| 2010 | 10,533,931 | 1,793,407 |
| 2011 | 11,013,663 | 1,313,675 |
| 2012 | 11,515,250 | 812,087 |
| 2013 | 9,306,569 | 287,648 |
| Totals | □ 52,668,892 | □ 6,234,675 |

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.

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, 2008, was □8,210,000 and the variable rate in effect at that date was 1.50 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, 2008, the swap had a negative fair value of (□74,378). Because the interest payments on the variable rate loan adjust to changing interest rates, the loan does not have a corresponding fair value increase. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. MUFC or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. Termination of the agreement would subject MUFC to the risk of fluctuating interest rates, which management believes would not materially impact the financial position of either MUFC or the University.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Using rates as of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

| Fiscal Year Ending June 30, | Variable-Rate Notes | | Interest Rate Swaps, Net | Total |
|--------------------------------|---------------------|------------------|-----------------------------|--------------------|
| | Principal | Interest | | |
| 2009 | □ 1,195,000 | □ 115,681 | □ 144,231 | □ 1,454,912 |
| 2010 | 1,245,000 | 97,444 | 121,448 | 1,463,892 |
| 2011 | 1,300,000 | 78,425 | 97,770 | 1,476,195 |
| 2012 | 1,360,000 | 58,550 | 73,003 | 1,491,553 |
| 2013 | 3,110,000 | 27,213 | 33,939 | 3,171,152 |
| | <u>□ 8,210,000</u> | <u>□ 377,313</u> | <u>□ 470,391</u> | <u>□ 9,057,704</u> |

MUFC paid □1,145,000 in principal and incurred □292,672 in interest expense on these notes for the year ended June 30, 2008.

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

The scheduled maturities of the CHS bonds are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|---------------------|---------------------|---------------------|
| 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 | 1,430,000 | 1,135,400 | 2,565,400 |
| 2014 - 2018 | 8,130,000 | 4,707,819 | 12,837,819 |
| 2019 - 2023 | 10,145,000 | 2,692,729 | 12,837,729 |
| 2024 - 2025 | 4,785,000 | 352,706 | 5,137,706 |
| Total | <u>□ 29,590,000</u> | <u>□ 14,057,754</u> | <u>□ 43,647,754</u> |

For the year ended June 30, 2008, CHS Development Company paid □1,165,000 in principal and incurred □1,378,549 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, 2008, are as follows.

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

| Fiscal Year Ending June 30, | Capital Leases with | | Operating Leases with | | |
|---|----------------------------|---------------------|----------------------------|---|---------------------|
| | Blended Component Units | External Parties | Blended Component Units | Discretely Presented Component Units | External Parties |
| 2009 | □ 4,609,898 | □ 1,943,573 | □ 2,712,423 | □ 386,714 | □ 1,846,825 |
| 2010 | 4,618,878 | 1,837,017 | 1,720,642 | 349,635 | 900,422 |
| 2011 | 4,631,181 | 644,806 | 1,577,646 | 346,264 | 430,502 |
| 2012 | 4,574,540 | 288,038 | 1,577,646 | 346,264 | 288,138 |
| 2013 | 6,326,139 | 138,711 | 2,234,999 | 58,667 | 284,011 |
| 2014 - 2018 | 13,542,261 | - | - | - | 9,800 |
| 2019 - 2023 | 9,386,582 | - | - | - | - |
| 2024 - 2029 | 3,134,243 | - | - | - | - |
| Total minimum lease payments | 50,823,722 | 4,852,145 | □ 9,823,356 | □ 1,487,544 | □ 3,759,698 |
| Less interest | (13,182,620) | (282,799) | | | |
| Present value of minimum lease payments | □ 37,641,102 | □ 4,569,346 | | | |

The Authority's future commitments for capital leases and for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2008 are as follows:

| Fiscal Year Ending June 30, | Capital Leases with | Operating Leases with | | |
|---|---------------------|---------------------------|--|---------------------|
| | External Parties | Blended Component Unit | Discretely Presented Component Unit | External Parties |
| 2009 | □ 2,193,790 | □ 9,012,216 | □ 2,064,840 | □ 8,033,475 |
| 2010 | 1,315,748 | 995,261 | 2,064,840 | 7,919,888 |
| 2011 | 13,438 | 917,705 | 2,064,840 | 7,508,870 |
| 2012 | - | 767,608 | 414,840 | 7,190,382 |
| 2013 | - | 235,760 | - | 4,600,158 |
| 2014-2018 | - | 89,584 | - | 5,200,327 |
| 2019-2023 | - | 89,674 | - | - |
| Total minimum lease payments | 3,522,976 | □ 12,107,808 | □ 6,609,360 | □ 40,453,100 |
| Less interest | (81,716) | | | |
| Present value of minimum lease payments | □ 3,441,260 | | | |

Operating Leases

The University's and the Authority's noncancelable operating leases provide for renewal options for periods from one to five years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Total operating lease expense in fiscal year 2008 was □5,445,608 for the University and □17,937,000 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, 2008, 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 □660,419 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 □7,036,199 in fiscal year 2008.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| Fiscal Year Ending | | <u>June 30,</u> | |
|--------------------|---|--------------------------|--|
| 2009 | □ | 6,470,005 | |
| 2010 | | 5,402,721 | |
| 2011 | | 4,703,031 | |
| 2012 | | 4,285,742 | |
| 2013 | | 3,758,423 | |
| 2014 - 2018 | | <u>6,737,121</u> | |
| Total | □ | <u><u>31,357,043</u></u> | |

UMA subleases various properties to the University, the Authority, and external parties. Under these lease agreements for the fiscal year ended June 30, 2008, UMA received rent of \$5,235,420, composed of \$2,299,811 from the University, \$2,571,981 from the Authority, and \$363,628 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 from the University and the Authority under non-cancelable leases with remaining terms in excess of one year are as follows:

| Fiscal Year Ending | | <u>June 30,</u> | |
|--------------------|---|--------------------------|--|
| 2009 | □ | 6,226,094 | |
| 2010 | | 4,616,269 | |
| 2011 | | 4,470,753 | |
| 2012 | | 3,906,732 | |
| 2013 | | 3,296,688 | |
| Totals | □ | <u><u>22,516,536</u></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 by the University under capital leases at June 30, 2008:

| | <u>Capital leases with blended component units</u> | <u>Capital leases with external parties</u> |
|-------------------------------|--|---|
| Equipment | □ - | □ 8,196,022 |
| Land | 2,335,580 | - |
| Buildings | <u>72,720,046</u> | <u>-</u> |
| Total cost | 75,055,626 | 8,196,022 |
| Less accumulated depreciation | <u>(28,750,087)</u> | <u>(1,561,099)</u> |
| Carrying value | <u><u>□ 46,305,539</u></u> | <u><u>□ 6,634,923</u></u> |

Authority equipment with original cost totaling approximately \$11.9 million and related accumulated amortization of approximately \$3.4 million is held under the Authority capital leases.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

The future UMA minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, are as follows:

| | |
|---|-----------------|
| Year Ending | |
| June 30, | |
| 2009 | □ 67,007 |
| 2010 | 67,007 |
| 2011 | <u>27,999</u> |
| Total minimum lease payments | 162,013 |
| Less interest | <u>(10,868)</u> |
| Present value of minimum lease payments | 151,145 |
| Less current portion | <u>(60,094)</u> |
| Long term portion | <u>□ 91,051</u> |

Leased property held by UMA under capital leases at June 30, 2008 is as follows:

| | <u>Capitalized Costs</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|-----------------------------|------------------------------|-------------------------------------|---------------------------|
| Computers and equipment | □ 166,402 | □ (102,502) | □ 63,900 |
| Prepaid maintenance expense | <u>96,221</u> | <u>(34,078)</u> | <u>62,143</u> |
| Total | <u>□ 262,623</u> | <u>□ (136,580)</u> | <u>□ 126,043</u> |

Depreciation and amortization expense related to UMA's capital lease assets was □72,576 for the year ended June 30, 2008.

On January 9, 1995, UMA prepaid MUSCF □37 million in connection with the acquisition of Rutledge Tower from Bon Secours St. Francis Hospital. This facility is used to house ambulatory care clinics, administrative offices and space subleased to others and includes a parking garage. The lease term 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 2008. The following schedule reflects the remaining basis of assets acquired under this capital lease as of June 30, 2008.

| <u>Description</u> | <u>Capitalized Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|-------------------------------|-----------------------------|-------------------------------------|---------------------------|
| Prepaid rent □MUSCF | □ 19,052,400 | □ (8,950,715) | □ 10,101,685 |
| Building under capital lease | 13,989,600 | (6,402,021) | 7,587,579 |
| Equipment under capital lease | <u>2,958,000</u> | <u>(2,958,000)</u> | <u>□</u> |
| Totals | <u>□ 36,000,000</u> | <u>□ (18,310,736)</u> | <u>□ 17,689,264</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 2007-2008 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, 2008.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Non-capital appropriations

| | |
|---|---------------|
| Current year's appropriations: | |
| Original appropriations per Annual Appropriations Act (includes \$250,000 for Rural Dentist initiative) | □ 104,874,725 |
| Hollings Cancer Center (Proviso 73.12) | 500,000 |
| LightRail (Proviso 73.12) | 1,500,000 |
| Reid House - Health Education □ Disease Prevention Initiative (Proviso 73.12) | 250,000 |
| Charleston Breast Cancer Center - Equipment (Proviso 73.12) | 450,000 |
| State Budget and Control Board Allocations: | |
| Employee Base Pay Increases and Related Employee Benefits (Proviso 63.54) | 2,820,602 |
| For Employer Contributions (SC Code of Law Section 1-11-475) | 610,563 |
| Interagency transfer: | |
| From Commission on Higher Education | |
| MRR Parity (Academic Road Map) | 5,427,435 |
| Academic Endowment | 77,943 |
| Nursing Salary Supplement | 109,309 |
| Appropriation Transfer from the Department of Health and Human Services: | |
| Disproportionate Share | 21,292,776 |
| Appropriation Transfer from Clemson University: | |
| Agromedicine Program | 243,123 |
| | <hr/> |
| Total non-capital appropriations recorded as current year revenue | □ 138,156,476 |
| | <hr/> |

Capital appropriations

| | |
|---|--------------|
| Capital appropriation for Dental Medicine Building | □ 7,500,000 |
| Capital Improvement bond proceeds | 2,965,942 |
| Research Infrastructure bond proceeds | 916,034 |
| | <hr/> |
| Total capital appropriations recorded as current year revenue | □ 11,381,976 |
| | <hr/> |

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, 2008, of \$624,848 and Research Infrastructure bond funds of \$13,000,000. In fiscal year 2008, the University received capital improvement bond proceeds of \$2,965,942 and research infrastructure bond proceeds of \$916,034.

Proviso 72.29 of the 2007-2008 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 \$183,661 and AHEC carried forward \$9,110 to fiscal year 2009.

15. MEDICARE AND MEDICAID COST REIMBURSEMENTS

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

Substantially all of the Authority's inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the Authority is reimbursed for both its direct and indirect medical education costs (as defined), based principally on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Authority generally is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Authority and audits by the Medicare fiscal intermediary. The Authority's cost reports have been audited and initially settled for all fiscal years through fiscal 2003.

Revenue from the Medicare program accounted for approximately 26.7% of the Authority's net patient service revenue for the year ended June 30, 2008.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Medicaid program. The net reimbursement benefits associated with this program totaled approximately \$76.8 million in fiscal 2008, 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.

During fiscal year 2008, the State of South Carolina reconfigured certain terms and conditions of its ongoing Medicaid disproportionate share hospital program for participating providers. Because of associated funding deferrals and other changes which impacted the timing of historical net revenue and cash flows to the Authority under the program, the Authority recognized a receivable of \$12,377,000 due from the State's Disproportionate Share Hospital program as of June 30, 2008. Additionally, a related hospital license tax payment was required to be prepaid at June 30, 2008 as a condition of program participation.

Revenue from the Medicaid program including net disproportionate share payments described above, accounted for approximately 24.4% of the Authority's net patient service revenue for the year ended June 30, 2008.

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 \$31,833,401 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: \$212,968 in 2011, \$8,149,676 in 2012, \$9,848,472 in 2013, \$9,502,366 in 2019, \$1,379,481 in 2020, \$536,668 in 2021, \$1,591,411 in 2022, \$606,307 in 2023, \$1,108 in 2025, \$161 in 2026, and \$4,783 in 2027. Income tax expense of \$13,153 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, 2008.

| | Due From | Due To |
|--|---------------|---------------|
| The University | | |
| Medical University Hospital Authority | \$ 18,561,234 | - |
| University Medical Associates | - | 14,766,827 |
| | \$ 18,561,234 | \$ 14,766,827 |
| Medical University Facilities Corporation - current | | 1,794,728 |
| CHS Development Company - current | | 926,848 |
| | | \$ 2,721,576 |
| Medical University Facilities Corporation - noncurrent | | 13,640,173 |
| CHS Development Company - noncurrent | | 21,279,353 |
| | | \$ 34,919,526 |
| Medical University Hospital Authority | | |
| The University | - | 18,561,234 |
| University Medical Associates | - | 1,571,974 |
| | - | \$ 20,133,208 |
| University Medical Associates | | |
| The University | 14,766,827 | - |
| Medical University Hospital Authority | 1,571,974 | - |
| | \$ 16,338,801 | - |
| Nonmajor Enterprise Funds | | |
| Medical University Facilities Corporation | | |
| The University - current | 1,794,728 | |
| The University - noncurrent | 13,640,173 | |
| | \$ 15,434,901 | |
| CHS Development Company | | |
| The University - current | 926,848 | |
| The University - noncurrent | 21,279,353 | |
| | \$ 22,206,201 | |

Medical University Hospital Authority

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

The University billed the Authority \$83,160,926 during the fiscal year ended June 30, 2008 for the use of interns and residents, professional services of the College of Medicine, physical plant, rent, public safety, and other administrative and financial services. Also during the fiscal year, the Authority made nonmandatory transfers to the University of \$552,241 for academic support. The University paid the Authority approximately \$3,808,000 during the fiscal year ended June 30, 2008 for rent, various administrative and support services. The Authority owed the University \$18,561,234 at June 30, 2008.

The Authority and the University entered into an agreement in fiscal year 2008 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, 2008, 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. Pursuant to this practice, UMA provided support to the University totaling \$30,749,976 for the year ended June 30, 2008. This support is reported as interfund transfers.

UMA and MUHA have entered into an agreement whereby UMA will be reimbursed an annual fixed amount for providing an environment for ambulatory and community based primary care clinical education and research for MUSC residents and students. UMA shall be entitled to reimbursement for, but not limited to: expenses for facilities necessary to perform this agreement, personnel costs, insurance, necessary supplies and equipment and necessary capital improvements. The parties agree each year to an estimated budget to be paid ratably over the year to UMA as reimbursement of its costs. Revenues of \$7,554,055 (paid by the Authority) and \$800,000 (paid by the University) have been recorded for Ambulatory care and Primary care agreements respectively for 2008.

On April 20, 2003, the University and UMA entered into an agreement whereby UMA will provide patient care to Medicaid recipients in appropriate clinical and educational settings. The University will reimburse UMA in an amount equal to the supplemental payment made to the University by the South Carolina Department of Health and Human Services (SC DHHS). Payments to the University from SC DHHS are made in accordance with a South Carolina Medicaid Plan amendment which provides reimbursement for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. For the fiscal year ended June 30, 2008, the University reported revenue of \$24,989,750 from SC DHHS and an expense to UMA of \$24,989,750. The South Carolina Medicaid Plan is an important source of patient care funding for UMA. There can be no assurance that UMA will continue to qualify for future participation in the South Carolina Medicaid Plan or that the Plan will not ultimately be discontinued or materially modified. Any material reduction in the funding received from the Plan would have a correspondingly material adverse effect on UMA's operations.

UMA has entered into a managed care contract and reimbursement agreement with the Authority. UMA performs services regarding managed care operations for the Authority and its affiliates including arranging for contracts with various third party payers. The agreement is renewed annually and may be terminated by either party, 30 days prior to the expiration of the term in effect. All costs from these operations of the managed care services are shared as follows: UMA (40%), Carolina Management Services (CHMS), a blended unit of UMA (10%), and the Authority (50%). For the year ended June 30, 2008, of total managed care costs of \$499,048, the Authority and CHMS shared expenses of \$249,524 and \$49,905, respectively.

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

UMA 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 \$38,285,000 and \$38,225,000 in fiscal years 2008 and 2007, respectively. The amounts collected and remitted by UMA to the Authority with respect to these billings amounted to approximately \$11,515,000 and \$11,380,000 in fiscal years 2008 and 2007, respectively. The related administrative fees paid by the Authority to UMA amounted to approximately \$1,069,000 and \$1,078,000 in fiscal years 2008 and 2007, respectively.

On February 7, 2003, the UMA department of Psychiatry and Behavioral Sciences and the Authority entered into an agreement that created the Institute of Psychiatry to provide psychiatric services to indigent and under-funded patients of the psychiatric and substance abuse treatment programs of the Authority. The agreement is renewed annually and can be terminated by any party upon 365 days written notice. The MUSC Department of Psychiatry has the responsibility for management of the daily operations of the Clinical Enterprise. An annual budget is prepared and approved by both parties with monthly settlement of any expenses in excess of patient service revenues collected. Any gain from operations is paid to the Authority to cover facility costs and overhead expenses. Annually

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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, 2008, this agreement produced a net loss and thus no support will be paid.

UMA amounts due (to) from the University as of June 30, 2008, were as follows:

| | | |
|---|---|-------------------|
| Agency Fund □ amount in excess of prepaid | □ | 208,422 |
| Rental income | | 29,218 |
| Supplemental Medicaid payments | | 13,211,750 |
| Parking fees | | (26,739) |
| Other receivables | | 1,558,403 |
| Other payables | | <u>(214,227)</u> |
| Net due (to) from the University | □ | <u>14,766,827</u> |

UMA amounts due (to) from the Authority as of June 30, 2008, were as follows:

| | | |
|--|---|------------------|
| Ambulatory Care and Clinical Education Agreement | □ | 883,000 |
| Psychiatry Clinical Enterprise Agreement | | (575,439) |
| Patient receivables | | (166,019) |
| Receivables under various billing agreements | | (1,039,625) |
| Managed Care contract | | 40,492 |
| Emergency Medicine Services Agreement | | 126,928 |
| Salary reimbursement | | (11,339) |
| Rental income | | 68,947 |
| Rutledge Tower renovations | | 1,206,085 |
| Other receivables | | 1,061,971 |
| Other payables | | <u>(23,027)</u> |
| Total amounts due to the Authority | □ | <u>1,571,974</u> |

Medical University Facilities Corporation

During fiscal year 2008, MUFC recognized interest income of □1,027,426 associated with its capital leases with the University.

Pursuant to the trust agreements, MUFC transferred □98,944 of excess funds on deposit to the University during the year ended June 30, 2008.

CHS Development Company

On November 1, 2003, CHS Development Company entered into a ground lease agreement with the Medical University of South Carolina Foundation (MUSCF) as part of a plan of financing the development of the former Charleston High School property for use by the University. The ground lease required CHS to prepay rent of □3,140,000 to MUSCF. The prepayment is being amortized on a straight line basis over 20 years. Amortization expense of □156,349 was recorded for the year ended June 30, 2008. The lease terminates on the earlier of December 1, 2035, or the date that the related bonds are paid in full. On November 1, 2003, CHS also entered into a lease agreement with the University. Under the terms of the agreement, the University will lease from CHS the site and all improvements thereon, including the buildings. The term of the lease began on March 1, 2005 and ends on January 1, 2025. During fiscal year 2008, CHS recognized interest income of □989,967 associated with its capital lease with the University.

During fiscal year 2008, the University transferred □685,837 to CHS as reimbursement for costs incurred in financing the CHS project. In addition, during fiscal year 2008, CHS recorded □638,910 to reflect a transfer to the University for building improvement expenditures paid by CHS and □200,000 to reflect a transfer from the University for a CHS accrued expense paid by the University.

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 □10,194,470 in fiscal year 2008. The University records this revenue as gifts. In addition, the University received from MUSCF in fiscal year 2008, □1,496,659 in donated capitalized equipment and □352,426 in gifts to help fund capital projects. The amount due the University for gifts from MUSCF at June 30, 2008 was □1,931,241. During fiscal year 2008, MUSCF leased various properties to the University, the Authority, and UMA.

MUSCF has an agreement with the University which allows the University to make periodic deposits to MUSCF of the corpus of endowments received by the University primarily from the South Carolina Commission on Higher Education under the Centers of Economic Excellence Matching Endowment. MUSCF will provide earnings to the University at the investment earnings rate, net of investment fees, of the pooled investments of MUSCF. After the first twelve months held by MUSCF, the principal is due with thirty days written notice by the University. The balance owed under this agreement at June 30, 2008 is □27,263,478 plus accrued interest and net appreciation of □2,760,763.

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

MUSC Foundation for Research Development

MFRD and the University have an affiliation agreement which outlines activities requiring MUSC Board approval, conflict of interest, dissolution, insurance, and indemnity. Additionally, the agreement requires an annual accounting of the State property, personnel, and resources used directly by MFRD, as well as, reimbursement or demonstration that adequate in kind reimbursement through provision of funds or services to the University has been made. During fiscal year 2008, the value of the State resources used by MFRD was estimated to be □158,750. This amount was reimbursed to the University. The value was calculated using actual personnel costs prorated by MFRD effort plus an overhead allocation.

MFRD entered into a contract with the University to provide management services for research activities and intellectual property activities. For the fiscal year ended June 30, 2008, MFRD recognized income of □900,000 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 accruing to South Carolinians.

MFRD recorded the corpus of the Healthy South Carolina funds as a liability to the University, and the University has the remaining amount of □66,465 recorded as due from MFRD at June 30, 2008. 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 commercial insurers for employee fidelity insurance for all employees for losses arising from theft or misappropriation as well as for Directors and Officers insurance and extra general liability insurance. The University also obtains coverage through a commercial insurer for losses related to aircraft, as well as a second layer of professional liability insurance for certain practitioners practicing outside the State of South Carolina.

UMA and its component units are exposed to various risks related to: torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. UMA, as the recognized clinical practice plan of The Medical University of South Carolina, is granted statutory protection and recovery limitations for MUSC physicians' clinical activities. Pursuant to State law, these physicians are insured by the South Carolina Insurance Reserve fund, 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.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

gross method. This liability is included in payables and accrued liabilities on the Statement of Net Assets. Changes in the incurred but not reported claims liability for fiscal years ended June 30, 2008 and 2007 were as follows:

| | <u>2008</u> | <u>2007</u> |
|---|--------------------|--------------------|
| Liability balance □ beginning | □ 649,637 | □ 349,313 |
| Current year claims and changes in estimate | 5,225,231 | 5,408,557 |
| Claims payments | <u>(5,310,871)</u> | <u>(5,108,233)</u> |
| | | |
| Liability balance □ ending | <u>□ 563,997</u> | <u>□ 649,637</u> |

20. OPERATING EXPENSES BY FUNCTION

Operating expenses of the University by functional classification for the year ended June 30, 2008, are as follows:

| | Compensation and Employee Benefits | Services and Supplies | Utilities | Scholarships and Fellowships | Depreciation | Total |
|------------------------------------|--|--------------------------|--------------------|---------------------------------|---------------------|----------------------|
| Instruction | □ 101,686,822 | □ 78,250,685 | □ 184 | □ 960,842 | □ - | □ 180,898,533 |
| Research | 84,259,732 | 42,058,555 | 805 | 4,277,746 | - | 130,596,838 |
| Public service | 28,295,780 | 9,087,112 | 186 | 50,777 | - | 37,433,855 |
| Academic support | 25,317,663 | 9,878,495 | 11,478 | 27,383 | - | 35,235,019 |
| Student services | 7,659,852 | 1,904,469 | 363 | 40,553 | - | 9,605,237 |
| Institutional support | 23,166,305 | 16,772,974 | 112,288 | - | - | 40,051,567 |
| Operation and maintenance of plant | 17,359,140 | 17,293,002 | 8,835,398 | - | 23,287,172 | 66,774,712 |
| Scholarships and fellowships | - | - | - | 3,746,938 | - | 3,746,938 |
| Auxiliary enterprises | 1,581,553 | 3,851,015 | 397,551 | - | - | 5,830,119 |
| | <u>□ 289,326,847</u> | <u>□ 179,096,307</u> | <u>□ 9,358,253</u> | <u>□ 9,104,239</u> | <u>□ 23,287,172</u> | <u>□ 510,172,818</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, 2008, net appreciation of □2,760,763 is available to be spent, and is reported in the Statement of Net Assets as restricted, expendable for education.

In fiscal year 2008, the University received funding totaling □8,057,686 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 2008, □22,500 for other endowed purposes.

22. SUBSEQUENT EVENTS

On August 12, 2008, the State Budget and Control Board approved a 3□ across-the-board general fund budget reduction from all state agencies. The Board's actions were a result of the Board of Economic Advisors lowering of the FY 2008-09 revenue estimate. The total reduction for the University was □3,350,346.

On September 23, 2008, the University received approval from the State Budget and Control Board to enter into an Energy Performance Contract with AMERESCO. The scope of work includes lighting, water conservation, steam system, automated building system, fume hood, and chilled water system improvements. The total cost of the installation of these measures is □16,400,000 and the total project cost is □20,000,000 based on an 8 year Master Lease Program loan with a 4□ interest rate including a 4□ construction contingency. Annual guaranteed savings are □2,508,733, with a total guaranteed savings over the 8 year pay back period of □20,069,866.

On September 23, 2008, the University received approval from the State Budget and Control Board to proceed with full design and construction of the Bioengineering Building. The building will serve as a platform for interdisciplinary research and for unprecedented cooperation and collaboration among the State's three senior research universities. The Medical University of South Carolina, Clemson University, and the University of South Carolina □ Columbia have all committed to sharing faculty, research projects, and students in the

90,000 gross square foot facility. The facility is estimated to be complete by April 30, 2011. Project costs are currently estimated at \$58,250,000.

On October 3, 2008, the Board of Trustees approved a resolution authorizing the University to use the South Carolina Master Lease Program for the purpose of financing approximately \$20,000,000 of the costs of purchasing and implementing energy conservation measures that will benefit both the University and the Authority with the understanding that debt service payments will be generated from the associated energy savings.

In October 2008, Wells Fargo Company agreed to acquire all outstanding common stock of Wachovia Corporation, the parent of Wachovia Bank. As part of the stock-for-stock transaction, Wells Fargo will acquire Wachovia Corporation and all its businesses, including all of its banking deposits. The State of South Carolina has a depository banking relationship with Wachovia in which the University participates. By statute, the State of South Carolina requires that all of the State's deposits (including the University's) be fully collateralized; therefore, insolvency or other fiduciary failure by Wells Fargo or Wachovia would not impact the University's financial position.

As discussed in note 12, a change in the investment rating of MBIA Insurance Corporation, the insurer of UMA's outstanding Select Auction Variable Rate Securities (SAVRS) has triggered a change in the payments received by UMA under the swap agreements resulting in the fixed rate intended under the agreements to become variable again with rates substantially higher than the auction rates on the outstanding debt. In addition, the bankruptcy filing by Lehman Brothers may accelerate the termination payment to end the swap agreements. UMA is currently evaluating its options under various financing alternatives to limit its exposure to higher floating rates over the remaining term of the SAVRS.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

23. INFORMATION FOR STATEMENT OF ACTIVITIES

| | Fiscal Year 2008 | Fiscal Year 2007 | Increase □ (Decrease) |
|--|----------------------|----------------------|--------------------------|
| The University | | | |
| Charges for services | □ 331,624,858 | □ 303,067,674 | □ 28,557,184 |
| Operating grants and contributions | 23,516,225 | 24,021,723 | (505,498) |
| Capital grants and contributions | 14,863,269 | 11,350,216 | 3,513,053 |
| Less: expenses | <u>(515,947,240)</u> | <u>(473,591,620)</u> | <u>(42,355,620)</u> |
| Net program revenue (expense) | <u>(145,942,888)</u> | <u>(135,152,007)</u> | <u>(10,790,881)</u> |
| Additions to permanent endowments | 8,080,186 | 3,418,048 | 4,662,138 |
| Transfers: | | | |
| State appropriations | 138,156,476 | 136,509,528 | 1,646,948 |
| Capital appropriations | 7,500,000 | - | 7,500,000 |
| Capital improvement bond proceeds | 3,881,976 | 2,909,535 | 972,441 |
| Research infrastructure bond proceeds | - | 3,898,742 | (3,898,742) |
| Other transfers in from state agencies/funds | 31,154,234 | 27,989,412 | 3,164,822 |
| Less: transfers out to state agencies/funds | <u>(257,403)</u> | <u>(810,073)</u> | <u>552,670</u> |
| Total general revenue and transfers | <u>188,515,469</u> | <u>173,915,192</u> | <u>14,600,277</u> |
| Change in net assets | 42,572,581 | 38,763,185 | 3,809,396 |
| Net assets - beginning | 397,555,266 | 358,792,081 | 38,763,185 |
| Net assets - ending | <u>□ 440,127,847</u> | <u>□ 397,555,266</u> | <u>□ 42,572,581</u> |
| Medical University Hospital Authority | | | |
| Charges for services | □ 802,380,410 | □ 733,301,465 | □ 69,078,945 |
| Operating grants and contributions | 22,941,175 | 18,912,775 | 4,028,400 |
| Less: expenses | <u>(844,421,488)</u> | <u>(723,624,936)</u> | <u>(120,796,552)</u> |
| Net program revenue (expense) | <u>(19,099,903)</u> | <u>28,589,304</u> | <u>(47,689,207)</u> |
| Transfers: | | | |
| Transfers out to state agencies/funds | <u>(552,241)</u> | <u>(2,210,635)</u> | <u>1,658,394</u> |
| Total general revenue and transfers | <u>(552,241)</u> | <u>(2,210,635)</u> | <u>1,658,394</u> |
| Change in net assets | <u>(19,652,144)</u> | 26,378,669 | <u>(46,030,813)</u> |
| Net assets - beginning | 257,504,553 | 231,125,884 | 26,378,669 |
| Net assets - ending | <u>□ 237,852,409</u> | <u>□ 257,504,553</u> | <u>□ (19,652,144)</u> |
| University Medical Associates | | | |
| Charges for services | □ 243,255,511 | □ 225,729,696 | □ 17,525,815 |
| Operating grants and contributions | 16,679,398 | 19,812,717 | (3,133,319) |
| Less: expenses | <u>(219,484,072)</u> | <u>(191,436,981)</u> | <u>(28,047,091)</u> |
| Net program revenue (expense) | <u>40,450,837</u> | <u>54,105,432</u> | <u>(13,654,595)</u> |
| Special item | - | (105,111) | 105,111 |
| Transfers: | | | |
| Transfers out to state agencies/funds | <u>(30,749,976)</u> | <u>(26,393,152)</u> | <u>(4,356,824)</u> |
| Total general revenue and transfers | <u>(30,749,976)</u> | <u>(26,498,263)</u> | <u>(4,251,713)</u> |
| Change in net assets | 9,700,861 | 27,607,169 | (17,906,308) |
| Net assets - beginning | 115,251,016 | 87,643,847 | 27,607,169 |
| Net assets - ending | <u>□ 124,951,877</u> | <u>□ 115,251,016</u> | <u>□ 9,700,861</u> |
| Nonmajor Enterprise Funds | | | |
| Medical University Facilities Corporation | | | |
| Operating grants and contributions | □ 1,111,890 | □ 1,215,589 | □ (103,699) |
| Less: expenses | <u>(979,694)</u> | <u>(1,066,019)</u> | <u>86,325</u> |
| Net program revenue (expense) | <u>132,196</u> | <u>149,570</u> | <u>(17,374)</u> |
| Transfers: | | | |
| Transfers out to state agencies/funds | <u>(98,944)</u> | <u>(74,109)</u> | <u>(24,835)</u> |
| Total general revenue and transfers | <u>(98,944)</u> | <u>(74,109)</u> | <u>(24,835)</u> |
| Change in net assets | 33,252 | 75,461 | (42,209) |
| Net assets - beginning | 1,310,595 | 1,235,134 | 75,461 |
| Net assets - ending | <u>□ 1,343,847</u> | <u>□ 1,310,595</u> | <u>□ 33,252</u> |
| CHS Development Company | | | |
| Operating grants and contributions | □ 1,245,273 | □ 1,164,652 | □ 80,621 |
| Less: expenses | <u>(1,595,605)</u> | <u>(1,630,030)</u> | <u>34,425</u> |
| Net program revenue (expense) | <u>(350,332)</u> | <u>(465,378)</u> | <u>115,046</u> |
| Transfers: | | | |
| Transfers in from state agencies/funds | 246,927 | 688,484 | (441,557) |
| Total general revenue and transfers | 246,927 | 688,484 | (441,557) |
| Change in net assets | (103,405) | 223,106 | (326,511) |
| Net assets - beginning | 34,614 | (188,492) | 223,106 |
| Net assets - ending | <u>□ (68,791)</u> | <u>□ 34,614</u> | <u>□ (103,405)</u> |

MEDICAL UNIVERSITY OF SOUTH CAROLINA

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2008

| | Medical University Facilities Corporation | CHS Development Company | Total Nonmajor Enterprise Funds |
|----------------------------------|--|----------------------------|--|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | □ - | □ - | □ - |
| Receivables, net | 9,608 | - | 9,608 |
| Prepaid items | - | 156,349 | 156,349 |
| Restricted assets | | | |
| Cash and cash equivalents | 1,466,765 | 10,646 | 1,477,411 |
| Investments | 316,169 | 604,993 | 921,162 |
| Interfund receivables | 1,794,728 | 926,848 | 2,721,576 |
| Other current assets | 63,903 | 60,707 | 124,610 |
| Total current assets | 3,651,173 | 1,759,543 | 5,410,716 |
| Noncurrent Assets | | | |
| Restricted assets | | | |
| Cash and cash equivalents | - | 4,094,611 | 4,094,611 |
| Investments | 213,000 | - | 213,000 |
| Interfund receivables | 13,640,173 | 21,279,353 | 34,919,526 |
| Prepaid items | - | 2,271,595 | 2,271,595 |
| Other noncurrent assets | 283,348 | 882,014 | 1,165,362 |
| Total noncurrent assets | 14,136,521 | 28,527,573 | 42,664,094 |
| Total assets | 17,787,694 | 30,287,116 | 48,074,810 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables and accrued liabilities | 171,685 | 683,200 | 854,885 |
| Deferred revenue | 23,162 | - | 23,162 |
| Long-term liabilities | 1,884,000 | 1,205,326 | 3,089,326 |
| Total current liabilities | 2,078,847 | 1,888,526 | 3,967,373 |
| Noncurrent liabilities | | | |
| Long-term liabilities | 14,365,000 | 28,467,381 | 42,832,381 |
| Total noncurrent liabilities | 14,365,000 | 28,467,381 | 42,832,381 |
| Total liabilities | 16,443,847 | 30,355,907 | 46,799,754 |
| NET ASSETS | | | |
| Unrestricted | - | (68,791) | (68,791) |
| Restricted | | | |
| Expendable for: | | | |
| Debt service | 1,343,847 | - | 1,343,847 |
| Total net assets (deficit) | □ 1,343,847 | □ (68,791) | □ 1,275,056 |

See accompanying independent auditors' report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

| | Medical University Facilities Corporation | CHS Development Company | Total Nonmajor Enterprise Funds |
|---|--|----------------------------|--|
| Operating revenues | | | |
| Interest income (used as security for revenue bonds and notes) | □ 1,027,426 | □ 1,245,273 | □ 2,272,699 |
| Other operating revenues | 84,464 | - | 84,464 |
| Total operating revenues | 1,111,890 | 1,245,273 | 2,357,163 |
| Operating expenses | | | |
| Interest expense | 915,791 | 1,378,549 | 2,294,340 |
| Amortization | 63,903 | 217,056 | 280,959 |
| Total operating expenses | 979,694 | 1,595,605 | 2,575,299 |
| Operating income (loss) | 132,196 | (350,332) | (218,136) |
| Income (loss) before other revenues, expenses gains, losses, and transfers | 132,196 | (350,332) | (218,136) |
| Interfund transfers | (98,944) | 246,927 | 147,983 |
| Increase (decrease) in net assets | 33,252 | (103,405) | (70,153) |
| Net assets at beginning of year | 1,310,595 | 34,614 | 1,345,209 |
| Net assets (deficit) at end of year | □ 1,343,847 | □ (68,791) | □ 1,275,056 |

See accompanying independent auditors' report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

| | Medical University Facilities Corporation | CHS Development Company | Total Nonmajor Enterprise Funds |
|---|--|----------------------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Other payments | - | - | - |
| Net cash provided (used) by operating activities | - | - | - |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Interfund transfers | (98,944) | 685,837 | 586,893 |
| Net cash provided (used) by noncapital financing activities | (98,944) | 685,837 | 586,893 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchases of capital assets | - | (30,556) | (30,556) |
| Principal paid on bonds and notes payable | (1,785,000) | (1,165,000) | (2,950,000) |
| Interest paid on bonds and notes payable | (935,538) | (1,401,350) | (2,336,888) |
| Net cash (used) by capital and related financing activities | (2,720,538) | (2,596,906) | (5,317,444) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Collection of interfund receivables | 1,689,237 | 887,350 | 2,576,587 |
| Interest received on interfund receivables | 1,050,588 | 989,967 | 2,040,555 |
| Purchases of investments | (1,311,145) | (2,885,697) | (4,196,842) |
| Proceeds from sales and maturities of investments | 1,311,175 | 2,867,382 | 4,178,557 |
| Interest on investments | 82,086 | 253,345 | 335,431 |
| Net cash provided by investing activities | 2,821,941 | 2,112,347 | 4,934,288 |
| Net increase in cash and cash equivalents | 2,459 | 201,278 | 203,737 |
| Cash and cash equivalents at beginning of year | 1,464,306 | 3,903,979 | 5,368,285 |
| Cash and cash equivalents at end of year | □ 1,466,765 | □ 4,105,257 | □ 5,572,022 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | |
| Operating income (loss) | □ 132,196 | □ (350,332) | □ (218,136) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Amortization | 63,903 | 217,056 | 280,959 |
| Interest income | (1,111,890) | (1,245,273) | (2,357,163) |
| Interest expense | 915,791 | 1,378,549 | 2,294,340 |
| Net cash provided (used) by operating activities | □ - | □ - | □ - |
| Noncash transactions | | | |
| Non-cash transfers, net, to the University | □ - | □ (438,910) | □ (438,910) |
| Total noncash transactions | □ - | □ (438,910) | □ (438,910) |

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> |
|-------------------------------|----------------|
| Accreditation Statement | 73 |

Financial Trends

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 | 76-77 |
| Schedule of Expenses By Function..... | 78-79 |
| Schedule of Net Assets | 80 |
| Schedule of Changes in Net Assets | 81 |

Revenue Capacity

These schedules contain information to help assess some of the factors affecting the ability of MUSC to generate revenues.

| | |
|--|-------|
| Schedule of Revenues By Source..... | 74-75 |
| Annual Tuition By College <input type="checkbox"/> University | 90 |
| Sources of Gross Clinical Service Charges <input type="checkbox"/> UMA | 93 |

Debt Capacity

These schedules present information to help assess the affordability of the current level of outstanding debt for MUSC and its ability to issue additional debt in the future.

| | |
|--|----|
| Schedule of Bond Coverage - University | 82 |
| Schedule of Ratios of Outstanding Debt <input type="checkbox"/> University | 83 |
| Schedule of Pledged Revenue Coverage <input type="checkbox"/> UMA | 84 |
| Schedule of Ratios of Outstanding Debt <input type="checkbox"/> UMA | 85 |

Demographic and Economic Information

These schedules offer demographic and economic indicators to help understand the environment within which MUSC operates.

| | |
|---|----|
| Demographic Statistics <input type="checkbox"/> State of South Carolina | 97 |
| Ten Largest Employers <input type="checkbox"/> State of South Carolina | 98 |

Operating Information

These schedules contain information about the operations and resources of MUSC to help understand and assess its economic condition.

| | |
|---|----|
| Enrollment Statistics <input type="checkbox"/> University | 86 |
| University Enrollment by Race/Ethnicity and Gender (graph)..... | 87 |
| Admissions and Degree Statistics <input type="checkbox"/> University | 88 |
| University Admissions <input type="checkbox"/> Freshman (graph) | 89 |
| Clinical Activity <input type="checkbox"/> Authority | 91 |
| Outpatient Visits By Specialty <input type="checkbox"/> UMA | 92 |
| Employee Statistics <input type="checkbox"/> University and Authority | 94 |
| Employee Statistics <input type="checkbox"/> UMA | 95 |
| Schedule of Capital Asset Information <input type="checkbox"/> University | 96 |

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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 SEVEN FISCAL YEARS**

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

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002 forward are available.
Fiscal years prior to 2008 have been revised to include the Nonmajor Enterprise Funds.
Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

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

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

Fiscal years prior to 2008 have been revised to include the Nonmajor Enterprise Funds.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

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

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002 forward are available.
Fiscal years prior to 2008 have been revised to include the Nonmajor Enterprise Funds.
Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

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

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

Fiscal years prior to 2008 have been revised to include the Nonmajor Enterprise Funds.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

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

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002 forward are available. Fiscal years prior to 2008 have been revised to include the Nonmajor Enterprise Funds.
Source: The Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY
LAST SEVEN FISCAL YEARS

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

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

Fiscal years prior to 2008 have been revised to include the Nonmajor Enterprise Funds.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| | For the Year Ended June 30, <i>(amounts expressed in thousands \$)</i> | | | | | | |
|--|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| The University | | | | | | | |
| Invested in capital assets, net of related debt | □ 320,983 | □ 288,316 | □ 270,028 | □ 247,812 | □ 184,822 | □ 154,987 | □ 138,621 |
| Restricted - nonexpendable | 31,712 | 23,609 | 20,669 | 10,209 | 943 | 925 | 909 |
| Restricted - expendable | 37,191 | 40,734 | 26,207 | 21,324 | 29,747 | 25,418 | 15,974 |
| Unrestricted | 50,242 | 44,896 | 41,888 | 39,879 | 39,996 | 22,506 | 20,818 |
| Net assets -- The University | <u>440,128</u> | <u>397,555</u> | <u>358,792</u> | <u>319,224</u> | <u>255,508</u> | <u>203,836</u> | <u>176,322</u> |
| Medical University Hospital Authority | | | | | | | |
| Invested in capital assets, net of related debt | 80,805 | 56,689 | 61,407 | 42,700 | 98,459 | 78,816 | 58,047 |
| Restricted - expendable | 78,306 | 71,975 | 67,782 | 71,189 | 17,556 | - | - |
| Unrestricted | 78,741 | 128,841 | 101,937 | 86,611 | 64,149 | 85,206 | 93,259 |
| Net assets -- Medical University Hospital Authority | <u>237,852</u> | <u>257,505</u> | <u>231,126</u> | <u>200,500</u> | <u>180,164</u> | <u>164,022</u> | <u>151,306</u> |
| University Medical Associates | | | | | | | |
| Invested in capital assets, net of related debt | 2,290 | 2,952 | 330 | (2,414) | (518) | (1,329) | 826 |
| Restricted - expendable | 24,256 | 22,448 | 20,377 | 19,531 | 16,522 | 15,692 | 12,618 |
| Unrestricted | 98,406 | 89,851 | 66,937 | 47,343 | 27,825 | 12,358 | (11,208) |
| Net assets -- University Medical Associates (restated) | <u>124,952</u> | <u>115,251</u> | <u>87,644</u> | <u>64,460</u> | <u>43,829</u> | <u>26,721</u> | <u>2,236</u> |
| Nonmajor Enterprise Funds | | | | | | | |
| Restricted - expendable | 1,344 | 1,345 | 1,047 | 1,812 | 1,093 | 1,333 | 1,398 |
| Unrestricted | (69) | - | - | (8,923) | (8,993) | (7,489) | (7,328) |
| Net assets -- Nonmajor Enterprise Funds | <u>1,275</u> | <u>1,345</u> | <u>1,047</u> | <u>(7,111)</u> | <u>(7,900)</u> | <u>(6,156)</u> | <u>(5,930)</u> |
| Net assets - Primary Government | <u>□ 804,207</u> | <u>□ 771,656</u> | <u>□ 678,609</u> | <u>□ 577,073</u> | <u>□ 471,601</u> | <u>□ 388,423</u> | <u>□ 323,934</u> |
| Total Primary Government | | | | | | | |
| Invested in capital assets, net of related debt | □ 404,078 | □ 347,957 | □ 331,765 | □ 288,098 | □ 282,763 | □ 232,474 | □ 197,494 |
| Restricted - nonexpendable | 31,712 | 23,609 | 20,669 | 10,209 | 943 | 925 | 909 |
| Restricted - expendable | 141,097 | 136,502 | 115,413 | 113,856 | 64,918 | 42,443 | 29,990 |
| Unrestricted | 227,320 | 263,588 | 210,762 | 164,910 | 122,977 | 112,581 | 95,541 |
| Net assets - Primary Government | <u>□ 804,207</u> | <u>□ 771,656</u> | <u>□ 678,609</u> | <u>□ 577,073</u> | <u>□ 471,601</u> | <u>□ 388,423</u> | <u>□ 323,934</u> |

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

Fiscal years prior to 2008 have been revised to include the Nonmajor Enterprise Funds.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

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

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

Fiscal years prior to 2008 have been revised to include the Nonmajor Enterprise Funds.

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 | |
| 2008 | □ 8,400 | □ 8,400 | □ 3,135 | □ 1,992 | □ 5,127 | 1.64 |
| 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 |

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 | |
| 2008 | □ - | □ - | □ - | □ - | □ - | - |
| 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 |

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**

| | For the Year Ended June 30, | | | | | | |
|---------------------------------------|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | <i>(dollars expressed in thousands except for outstanding debt per student)</i> | | | | | | |
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| General obligation bonds payable, net | □ 43,016 | □ 47,095 | □ 49,485 | □ 52,880 | □ 55,985 | □ 46,550 | □ 40,640 |
| State bond anticipation notes | 30,000 | - | - | - | - | - | - |
| Revenue bonds, net | 38,000 | 38,000 | - | - | - | 2,155 | 2,680 |
| Capital lease obligations | 4,569 | 5,061 | 3,912 | 1,102 | 638 | 861 | 231 |
| Interfund payables | 37,641 | 40,218 | 42,656 | 44,968 | 21,848 | 23,461 | 24,122 |
| Total outstanding debt | □ 153,226 | □ 130,374 | □ 96,053 | □ 98,950 | □ 78,471 | □ 73,027 | □ 67,673 |
| Full-time equivalent students | 2,816 | 2,777 | 2,734 | 2,577 | 2,381 | 2,321 | 2,275 |
| Outstanding debt per student | □ 54,413 | □ 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 for the fiscal year's Fall term.
Source: Medical University of South Carolina Comprehensive Annual Financial Report and Office of Enrollment Services.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| Fiscal Year Ended June 30, | Net Clinical Service Revenues | Less Operating Expenses | Net Available Revenue | Select Auction Variable Rate Securities | | | Coverage |
|---------------------------------------|--|--|--------------------------------------|--|-----------------|--------------|-----------------|
| | | | | Principal | Interest | Total | |
| 2008 | □ 234,901,456 | □ 201,966,544 | □ 32,934,912 | □ 2,650,000 | □ 5,671,047 | □ 8,321,047 | 3.96 |
| 2007 | 217,320,428 | 178,081,321 | 39,239,107 | 2,500,000 | 5,798,569 | 8,298,569 | 4.73 |
| 2006 | 192,331,390 | 160,078,127 | 32,253,263 | 2,400,000 | 5,866,286 | 8,266,286 | 3.90 |
| 2005 | 171,897,964 | 144,529,159 | 27,368,805 | 1,900,000 | 5,747,368 | 7,647,368 | 3.58 |
| 2004 | 160,681,940 | 134,472,062 | 26,209,878 | 2,450,000 | 5,835,490 | 8,285,490 | 3.16 |
| 2003 | 150,690,643 | 125,675,028 | 25,015,615 | 1,400,000 | 5,928,114 | 7,328,114 | 3.41 |
| 2002 | 122,156,674 | 119,693,610 | 2,463,064 | 1,750,000 | 6,179,359 | 7,929,359 | 0.31 |
| 2001 | 112,844,013 | 116,412,615 | (3,568,602) | 1,600,000 | 6,798,981 | 8,398,981 | (0.42) |
| 2000 | 111,032,335 | 116,387,788 | (5,355,453) | 1,250,000 | 6,990,590 | 8,240,590 | (0.65) |
| 1999 | 114,812,220 | 118,262,717 | (3,450,497) | - | 7,917,568 | 7,917,568 | (0.44) |

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**

| Fiscal Year Ended June 30, | Select Auction Variable Rate Securities | Capital Lease Obligations | Notes Payable | Structured Legal Settlement | Total Outstanding Debt | Net Clinical Service Revenue | Outstanding Debt as Percentage of: | | Per Capita |
|---------------------------------------|--|--|--------------------------|--|---------------------------------------|---|---|----------------------------|-----------------------|
| | | | | | | | Net Clinical Service Revenue | Personal Income | |
| 2008 | □ 85,100,000 | □ 151,145 | □ - | □ - | □ 85,251,145 | □ 234,901,456 | 36.29□ | 0.07□ | □ 20 |
| 2007 | 87,750,000 | 155,877 | - | - | 87,905,877 | 217,320,428 | 40.45□ | 0.07□ | 21 |
| 2006 | 90,250,000 | 242,981 | - | - | 90,492,981 | 192,331,390 | 47.05□ | 0.08□ | 21 |
| 2005 | 92,650,000 | 241,688 | - | - | 92,891,688 | 171,897,964 | 54.04□ | 0.08□ | 22 |
| 2004 | 94,550,000 | 580,409 | - | 840,000 | 95,970,409 | 160,681,940 | 59.73□ | 0.09□ | 23 |
| 2003 | 97,000,000 | 1,136,116 | 44,355 | 1,680,000 | 99,860,471 | 150,690,643 | 66.27□ | 0.10□ | 24 |
| 2002 | 98,400,000 | 1,720,951 | 88,432 | 2,520,000 | 102,729,383 | 122,156,674 | 84.10□ | 0.10□ | 25 |
| 2001 | 100,150,000 | 1,571,980 | 171,617 | 3,360,000 | 105,253,597 | 112,844,013 | 93.27□ | 0.11□ | 26 |
| 2000 | 101,750,000 | 1,631,882 | 876,202 | 4,200,000 | 108,458,084 | 111,032,335 | 97.68□ | 0.12□ | 27 |
| 1999 | 95,000,000 | 2,094,936 | 197,720 | - | 97,292,656 | 114,812,220 | 84.74□ | 0.11□ | 25 |

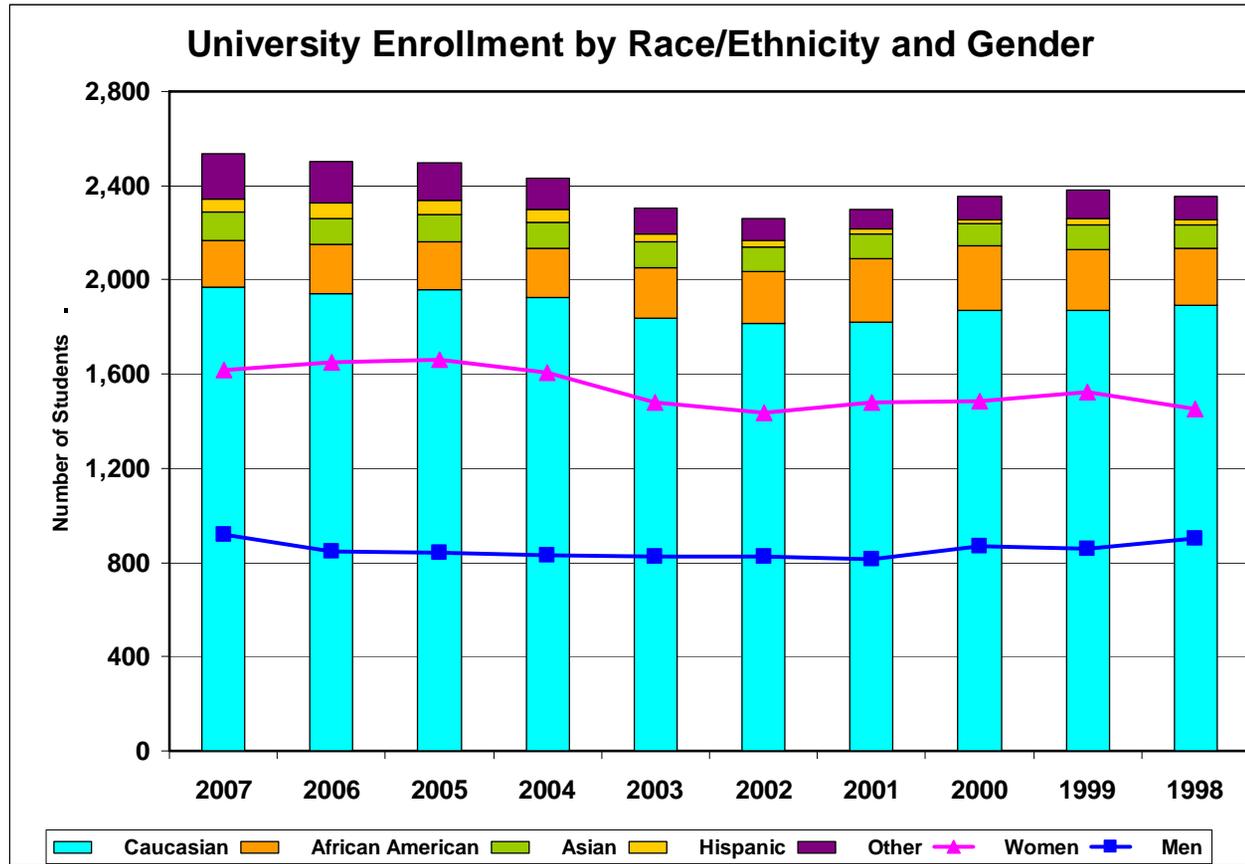
Source: University Medical Associates Comprehensive Annual Financial Reports.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ENROLLMENT | | | | | | | | | | |
| LEVEL | | | | | | | | | | |
| Undergraduate | 272 | 289 | 285 | 353 | 322 | 357 | 400 | 409 | 422 | 505 |
| Graduate | 1,105 | 1,061 | 1,082 | 973 | 898 | 865 | 888 | 944 | 993 | 931 |
| First Professional | 1,161 | 1,152 | 1,133 | 1,108 | 1,085 | 1,041 | 1,009 | 1,004 | 968 | 919 |
| STATUS | | | | | | | | | | |
| Full-Time | 2,206 | 2,234 | 2,046 | 2,171 | 2,034 | 1,989 | 1,899 | 2,055 | 1,792 | 1,949 |
| Part-Time | 332 | 268 | 454 | 263 | 271 | 274 | 398 | 302 | 591 | 406 |
| ORIGIN | | | | | | | | | | |
| In State | 1,934 | 1,943 | 1,954 | 1,974 | 1,901 | 1,878 | 1,941 | 1,979 | 1,966 | 1,946 |
| Out of State | 565 | 522 | 495 | 415 | 363 | 348 | 318 | 341 | 387 | 369 |
| Foreign | 39 | 37 | 51 | 45 | 41 | 37 | 38 | 37 | 30 | 40 |
| RACE/ETHNICITY | | | | | | | | | | |
| Caucasian | 1,968 | 1,942 | 1,958 | 1,928 | 1,836 | 1,816 | 1,821 | 1,873 | 1,873 | 1,892 |
| African American | 202 | 208 | 204 | 209 | 214 | 218 | 267 | 273 | 255 | 245 |
| Asian | 119 | 112 | 113 | 108 | 110 | 106 | 108 | 91 | 108 | 99 |
| Hispanic | 54 | 64 | 61 | 57 | 35 | 25 | 20 | 20 | 24 | 21 |
| Other | 195 | 176 | 164 | 132 | 110 | 98 | 81 | 100 | 123 | 98 |
| GENDER | | | | | | | | | | |
| Women | 1,619 | 1,653 | 1,660 | 1,605 | 1,481 | 1,438 | 1,482 | 1,488 | 1,523 | 1,454 |
| Men | 919 | 849 | 840 | 829 | 824 | 825 | 815 | 869 | 860 | 901 |
| COLLEGES | | | | | | | | | | |
| Medicine | 620 | 609 | 598 | 594 | 604 | 585 | 574 | 580 | 580 | 576 |
| Pharmacy | 319 | 319 | 315 | 297 | 265 | 242 | 227 | 210 | 176 | 185 |
| Nursing | 330 | 339 | 368 | 390 | 364 | 324 | 374 | 372 | 399 | 408 |
| Graduate Studies | 200 | 210 | 238 | 247 | 218 | 214 | 176 | 178 | 221 | 225 |
| Dental Medicine | 222 | 224 | 220 | 217 | 216 | 214 | 208 | 214 | 212 | 209 |
| Health Professions | 822 | 781 | 735 | 675 | 613 | 661 | 695 | 747 | 726 | 705 |
| Non-Degree Seeking | 25 | 20 | 26 | 14 | 25 | 23 | 43 | 56 | 69 | 47 |
| Total enrollment | 2,538 | 2,502 | 2,500 | 2,434 | 2,305 | 2,263 | 2,297 | 2,357 | 2,383 | 2,355 |

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

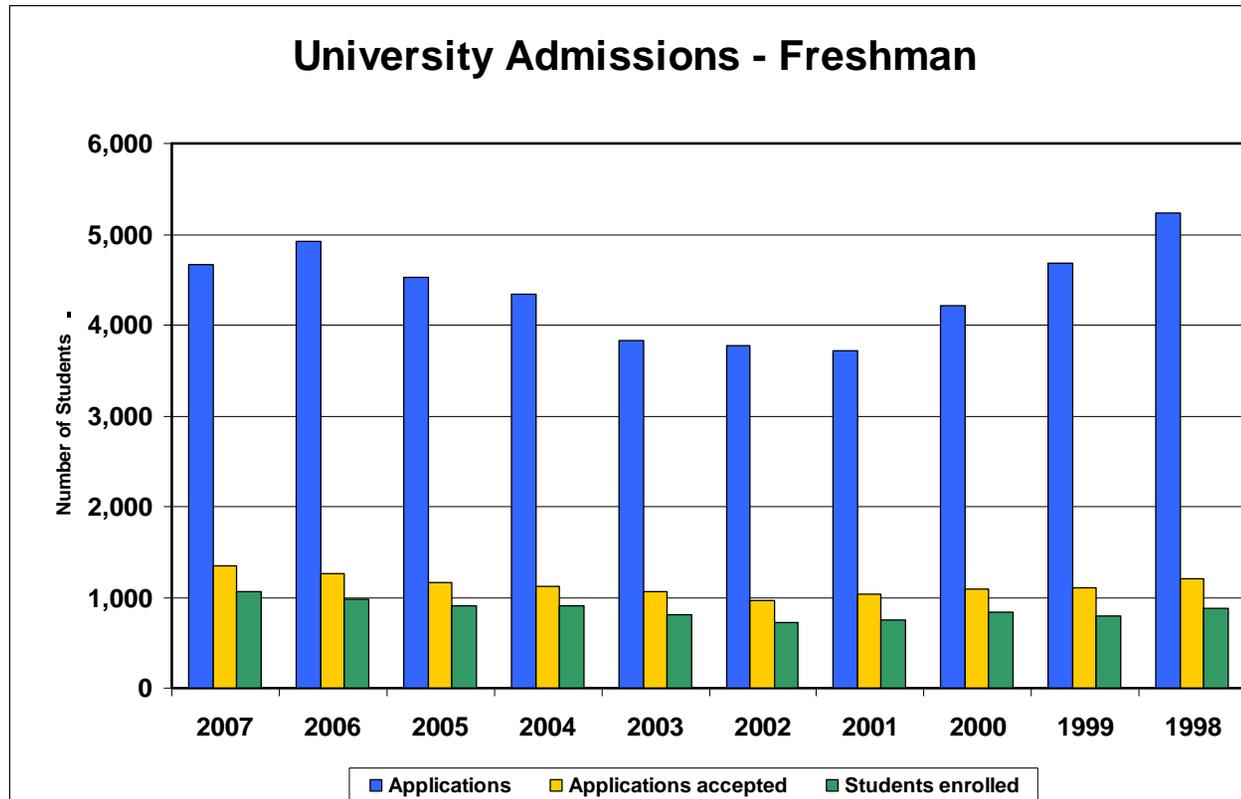


MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| ADMISSIONS - FRESHMAN * | | | | | | | | | | |
| Applications | 4,673 | 4,919 | 4,528 | 4,346 | 3,829 | 3,770 | 3,717 | 4,216 | 4,679 | 5,229 |
| Applications accepted | 1,354 | 1,256 | 1,164 | 1,122 | 1,064 | 969 | 1,039 | 1,090 | 1,107 | 1,210 |
| Percentage of applications accepted | 29.0% | 25.5% | 25.7% | 25.8% | 27.8% | 25.7% | 28.0% | 25.9% | 23.7% | 23.1% |
| Students enrolled | 1,065 | 982 | 902 | 909 | 803 | 726 | 755 | 830 | 792 | 882 |
| Enrolled as a percentage of accepted | 78.7% | 78.2% | 77.5% | 81.0% | 75.5% | 74.9% | 72.7% | 76.1% | 71.5% | 72.9% |
| DEGREES GRANTED | | | | | | | | | | |
| Bachelor | 193 | 190 | 188 | 161 | 168 | 222 | 192 | 209 | 283 | 357 |
| Master | 346 | 306 | 255 | 243 | 245 | 248 | 283 | 286 | 205 | 192 |
| First Professional | 261 | 266 | 243 | 235 | 232 | 232 | 224 | 214 | 200 | 213 |
| Doctoral | 57 | 29 | 32 | 21 | 40 | 29 | 45 | 23 | 43 | 20 |
| Total | 857 | 791 | 718 | 660 | 685 | 731 | 744 | 732 | 731 | 782 |

□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

**ANNUAL TUITION BY COLLEGE – UNIVERSITY
LAST TEN ACADEMIC 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> |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| RESIDENT | | | | | | | | | | |
| Undergraduate | | | | | | | | | | |
| Health Professions | □ 16,533 | □ 15,747 | □ 14,316 | □ 8,646 | □ 7,146 | □ 6,382 | □ 9,183 | □ 8,004 | □ 4,674 | □ 5,979 |
| Nursing | 15,837 | 15,084 | 13,590 | 12,135 | 10,029 | 9,117 | 8,289 | 7,536 | 6,776 | 5,979 |
| Graduate | | | | | | | | | | |
| Dental Medicine | 26,551 | 22,500 | 19,068 | 16,024 | 12,972 | 11,913 | 11,199 | 10,182 | 8,020 | 7,335 |
| Graduate Studies | 13,166 | 12,861 | 12,121 | 11,664 | 10,085 | 8,769 | 7,840 | 7,374 | 5,736 | 5,318 |
| Health Professions | 17,058 | 16,245 | 14,316 | 13,131 | 11,309 | 9,693 | 9,300 | 8,133 | 6,818 | 6,108 |
| Medicine | 29,374 | 27,314 | 24,321 | 23,425 | 22,446 | 19,953 | 18,138 | 15,771 | 11,279 | 10,252 |
| Nursing | 17,058 | 16,245 | 14,766 | 13,185 | 10,896 | 9,906 | 9,006 | 8,187 | 6,965 | 5,640 |
| Pharmacy | 15,330 | 14,460 | 13,144 | 11,878 | 10,089 | 9,180 | 8,700 | 7,908 | 6,367 | 5,688 |
| NON-RESIDENT | | | | | | | | | | |
| Undergraduate | | | | | | | | | | |
| Health Professions | □ 44,538 | □ 42,417 | □ 38,562 | □ 36,204 | □ 29,922 | □ 26,715 | □ 25,827 | □ 22,599 | □ 19,460 | □ 17,601 |
| Nursing | 43,377 | 41,310 | 37,215 | 33,228 | 27,462 | 24,966 | 22,695 | 20,631 | 18,989 | 17,082 |
| Graduate | | | | | | | | | | |
| Dental Medicine | 74,050 | 62,754 | 53,181 | 44,690 | 36,084 | 33,105 | 31,125 | 28,296 | 22,784 | 21,005 |
| Graduate Studies | 16,536 | 16,195 | 15,296 | 14,319 | 13,370 | 11,641 | 10,579 | 10,011 | 7,860 | 7,323 |
| Health Professions | 34,011 | 32,391 | 29,445 | 27,480 | 23,657 | 20,277 | 19,575 | 17,394 | 13,343 | 10,596 |
| Medicine | 82,222 | 76,884 | 69,895 | 65,938 | 63,489 | 56,433 | 51,303 | 44,610 | 32,345 | 29,408 |
| Nursing | 27,513 | 26,202 | 23,604 | 21,075 | 17,418 | 15,831 | 14,391 | 13,083 | 10,406 | 8,508 |
| Pharmacy | 36,400 | 34,333 | 32,270 | 29,336 | 27,330 | 24,870 | 22,073 | 21,828 | 17,611 | 16,008 |

Source: Medical University of South Carolina Student Accounting Department.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| | Fiscal Year Ended June 30, | | | | | | | | | |
|----------------------------------|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
| Licensed Beds | 709 | 709 | 709 | 709 | 709 | 709 | 709 | 709 | 709 | 731 |
| Patient Days | 188,005 | 187,212 | 179,990 | 180,847 | 178,070 | 176,656 | 170,334 | 167,867 | 175,902 | 184,796 |
| Average Census | 515 | 513 | 493 | 495 | 487 | 484 | 467 | 460 | 481 | 506 |
| Average Length of Stay | 5.4 | 5.4 | 5.7 | 5.9 | 6.0 | 6.0 | 5.9 | 5.8 | 6.0 | 6.3 |
| Admissions | 33,728 | 33,567 | 31,578 | 30,646 | 29,630 | 29,242 | 29,002 | 28,736 | 29,156 | 29,434 |
| Outpatient Registrations | 846,757 | 773,045 | 737,789 | 696,544 | 645,418 | 610,373 | 592,112 | 573,381 | 601,007 | 608,424 |
| Emergency/Trauma Visits | 70,589 | 63,473 | 62,518 | 58,580 | 53,584 | 50,486 | 51,582 | 50,221 | 51,094 | 46,463 |
| Surgical Procedures | 22,058 | 20,961 | 20,412 | 18,654 | 18,183 | 17,444 | 16,146 | 16,306 | 17,299 | 17,880 |
| Number of Deliveries | 2,676 | 2,633 | 2,313 | 2,181 | 2,131 | 1,856 | 1,858 | 2,029 | 2,037 | 1,904 |
| Medicare Case Mix Index | 1.89 | 1.86 | 1.88 | 1.88 | 1.87 | 1.81 | 1.70 | 1.72 | 1.71 | 1.72 |
| Percent of Total Charges: | | | | | | | | | | |
| Blue Cross | 17.1□ | 17.1□ | 17.2□ | 16.3□ | 16.9□ | 16.3□ | 15.2□ | 14.5□ | 14.0□ | 12.2□ |
| Medicare | 29.1□ | 29.1□ | 30.2□ | 31.8□ | 31.3□ | 31.1□ | 30.8□ | 30.0□ | 29.1□ | 27.8□ |
| Medicaid | 18.4□ | 19.0□ | 22.2□ | 22.1□ | 21.0□ | 21.2□ | 22.0□ | 22.4□ | 21.8□ | 22.8□ |
| Private Insurance □Managed Care | 15.9□ | 15.6□ | 18.1□ | 19.3□ | 18.9□ | 20.6□ | 21.0□ | 21.8□ | 22.3□ | 23.8□ |
| Med. Ind. □Self Pay □Other | 19.5□ | 19.2□ | 12.3□ | 10.5□ | 11.9□ | 10.8□ | 11.0□ | 11.3□ | 12.8□ | 13.4□ |
| Total | <u>100.0□</u> | <u>100.0□</u> | <u>100.0□</u> | <u>100.0□</u> | <u>100.0□</u> | <u>100.0□</u> | <u>100.0□</u> | <u>100.0□</u> | <u>100.0□</u> | <u>100.0□</u> |

Source: Medical University Hospital Authority Keane Patient Financial System.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| Fiscal Year Ended June 30, | Specialty | | | | | | | All Others | Total |
|-------------------------------|-------------------|--------------------|---------------------------|-------------------|-----------------|-----------------|-------------------|--------------------|-------|
| | Medicine | Family Medicine | Obstetrics/ Gynecology | Pediatrics | Ophthalmology | Surgery | | | |
| 2008 | 282,534 29.67□ | 77,622 8.15□ | 106,775 11.21□ | 111,654 11.72□ | 53,382 5.61□ | 63,857 6.71□ | 256,527 26.94□ | 952,351 100.00□ | |
| 2007 | 258,963 29.12□ | 77,758 8.74□ | 99,467 11.18□ | 107,382 12.07□ | 52,425 5.89□ | 61,920 6.96□ | 231,513 26.03□ | 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□ | |

Source: University Medical Associates Medical Records System

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| <u>Source</u> | Fiscal Year Ended June 30, | | | | | | | | | |
|------------------------------------|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
| Medicare | 30□ | 30□ | 29□ | 29□ | 28□ | 27□ | 28□ | 27□ | 25□ | 26□ |
| Medicaid | 18□ | 20□ | 21□ | 22□ | 20□ | 21□ | 21□ | 21□ | 19□ | 19□ |
| Blue Cross/Blue Shield | 25□ | 25□ | 25□ | 24□ | 23□ | 22□ | 20□ | 19□ | 16□ | 14□ |
| Commercial insurance | 2□ | 2□ | 3□ | 3□ | 4□ | 5□ | 8□ | 10□ | 11□ | 12□ |
| All other (including Managed Care) | 25□ | 23□ | 22□ | 22□ | 25□ | 25□ | 23□ | 23□ | 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)**

| THE UNIVERSITY | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Employees | | | | | | | | | | |
| Permanent Full-time and Part-time Employees | | | | | | | | | | |
| Full-time classified | 1,537 | 1,494 | 1,522 | 1,476 | 1,541 | 1,594 | 1,603 | 1,646 | 4,045 | 4,386 |
| Part-time classified | 52 | 45 | 33 | 42 | 39 | 35 | 37 | 45 | 730 | 714 |
| Full-time unclassified | 1,128 | 1,084 | 1,039 | 1,005 | 945 | 909 | 911 | 961 | 1,028 | 1,008 |
| Part-time unclassified | 229 | 233 | 219 | 228 | 225 | 235 | 229 | 209 | 199 | 199 |
| Total | <u>2,946</u> | <u>2,856</u> | <u>2,813</u> | <u>2,751</u> | <u>2,750</u> | <u>2,773</u> | <u>2,780</u> | <u>2,861</u> | <u>6,002</u> | <u>6,307</u> |
| Other Categories | | | | | | | | | | |
| Residents | 592 | 543 | 562 | 565 | 563 | 554 | 557 | 544 | 560 | 540 |
| Pre/post doctoral fellows | 197 | 172 | 188 | 203 | 180 | 205 | 198 | 160 | 167 | 146 |
| Temporary | 1,014 | 958 | 947 | 947 | 812 | 778 | 725 | 738 | 1,411 | 1,651 |
| Dual employment-other agencies | 14 | 16 | 18 | 20 | 33 | 22 | 17 | 20 | 29 | 21 |
| Total | <u>1,817</u> | <u>1,689</u> | <u>1,715</u> | <u>1,735</u> | <u>1,588</u> | <u>1,559</u> | <u>1,497</u> | <u>1,462</u> | <u>2,167</u> | <u>2,358</u> |
| Total Employees | <u>4,763</u> | <u>4,545</u> | <u>4,528</u> | <u>4,486</u> | <u>4,338</u> | <u>4,332</u> | <u>4,277</u> | <u>4,323</u> | <u>8,169</u> | <u>8,665</u> |
| | | | | | | | | | | |
| AUTHORITY | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | | |
| Employees | | | | | | | | | | |
| Permanent Full-time and Part-time Employees | | | | | | | | | | |
| Full-time classified | 3,360 | 3,136 | 2,879 | 2,827 | 2,799 | 2,715 | 2,376 | 2,292 | | |
| Part-time classified | 1,579 | 1,330 | 1,243 | 1,063 | 976 | 916 | 806 | 739 | | |
| Full-time unclassified | 41 | 44 | 41 | 68 | 68 | 66 | 64 | 53 | | |
| Part-time unclassified | 1 | - | - | 5 | 3 | 4 | 3 | 4 | | |
| Total | <u>4,981</u> | <u>4,510</u> | <u>4,163</u> | <u>3,963</u> | <u>3,846</u> | <u>3,701</u> | <u>3,249</u> | <u>3,088</u> | | |
| Other Categories | | | | | | | | | | |
| Classified | 3 | - | 1 | 1 | 1 | 1 | 2 | 1 | | |
| Residents | 1 | - | 1 | - | 1 | 1 | - | - | | |
| Students | 10 | 15 | 23 | 24 | 28 | 33 | 32 | 38 | | |
| Temporary | 694 | 741 | 772 | 765 | 788 | 684 | 582 | 491 | | |
| Total | <u>708</u> | <u>756</u> | <u>797</u> | <u>790</u> | <u>818</u> | <u>719</u> | <u>616</u> | <u>530</u> | | |
| Total Employees | <u>5,689</u> | <u>5,266</u> | <u>4,960</u> | <u>4,753</u> | <u>4,664</u> | <u>4,420</u> | <u>3,865</u> | <u>3,618</u> | | |

Note: Prior to 2001, Authority employees are included with the University employees' information.
Source: MUSC Office of Human Resources Management and MUHA Human Resources.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| | Full-Time Equivalent Employees as of June 30, | | | | | | | | | |
|-----------------------------------|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 |
| Departmental | | | | | | | | | | |
| Full-time | 305 | 282 | 231 | 200 | 193 | 234 | 233 | 206 | 164 | 164 |
| Part-time | 38 | 31 | 28 | 24 | 23 | 28 | 28 | 25 | 20 | 20 |
| Temporary | 9 | 12 | 6 | 5 | 5 | 6 | 6 | 5 | 4 | 4 |
| Total Departmental | 352 | 325 | 265 | 229 | 221 | 268 | 267 | 236 | 188 | 188 |
| Corporate | | | | | | | | | | |
| Full-time | 303 | 311 | 297 | 289 | 294 | 218 | 249 | 285 | 300 | 319 |
| Part-time | 3 | 7 | 7 | 7 | 7 | 5 | 6 | 7 | 7 | 8 |
| Temporary | 1 | 2 | 6 | 6 | 6 | 4 | 5 | 6 | 6 | 7 |
| Total Corporate | 307 | 320 | 310 | 302 | 307 | 227 | 260 | 298 | 313 | 334 |
| Ambulatory Care | | | | | | | | | | |
| Full-time | 17 | 23 | 18 | 15 | 16 | 15 | 385 | 392 | 471 | 504 |
| Part-time | 1 | 1 | - | - | - | - | 28 | 28 | 34 | 37 |
| Temporary | - | - | 1 | 1 | 1 | 1 | 27 | 28 | 33 | 36 |
| Total Ambulatory Care | 18 | 24 | 19 | 16 | 17 | 16 | 440 | 448 | 538 | 577 |
| Total Employees | 677 | 669 | 594 | 547 | 545 | 511 | 967 | 982 | 1,039 | 1,099 |
| Vacant Positions | 125 | 79 | 41 | 31 | 19 | 56 | 27 | 90 | 41 | 54 |
| Total Authorized Positions | 802 | 748 | 635 | 578 | 564 | 567 | 994 | 1,072 | 1,080 | 1,153 |

Note: Excludes physician members.

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

Source: University Medical Associates Human Resources

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

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

Note: Pre-2002 fiscal year data is not available

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

DEMOGRAPHIC STATISTICS
STATE OF SOUTH CAROLINA
LAST TEN FISCAL YEARS

| | <u>Population as of July 1 (a)</u> | <u>Total Personal Income (1) (b)</u> | <u>Per Capita Income</u> | <u>Average Annual Unemployment Rate (c)</u> |
|------|--|--|--------------------------|---|
| 2007 | 4,407,709 | □ 135,851 | □ 30,821 | 5.9□ |
| 2006 | 4,330,108 | 129,866 | 29,991 | 6.4□ |
| 2005 | 4,254,989 | 120,220 | 28,254 | 6.7□ |
| 2004 | 4,201,437 | 113,603 | 27,039 | 6.8□ |
| 2003 | 4,146,770 | 107,203 | 25,852 | 6.7□ |
| 2002 | 4,104,683 | 104,046 | 25,348 | 5.9□ |
| 2001 | 4,062,933 | 101,468 | 24,974 | 5.2□ |
| 2000 | 4,023,628 | 98,270 | 24,423 | 3.6□ |
| 1999 | 3,974,682 | 91,716 | 23,075 | 4.1□ |
| 1998 | 3,919,235 | 86,854 | 22,161 | 3.6□ |

Note 1: Amounts expressed in millions

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

| 2007 | 2001 |
|--|--|
| Bi-Lo, Inc. | Bi-Lo, Inc. |
| Blue Cross Blue Shield of South Carolina | Blue Cross Blue Shield of South Carolina |
| Greenville County School District | Greenville County School District |
| Greenville Hospital System | Michelin Tire Corporation |
| Palmetto Health Alliance, Inc. | Springs Industries, Inc. |
| United States Department of Defense | United States Department of Defense |
| United States Postal Service | United States Postal Service |
| University of South Carolina | University of South Carolina |
| Wal-Mart Associates, Inc. | Wal-Mart Associates, Inc |
| Washington Savannah River Company | Washington Savannah River Company |

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