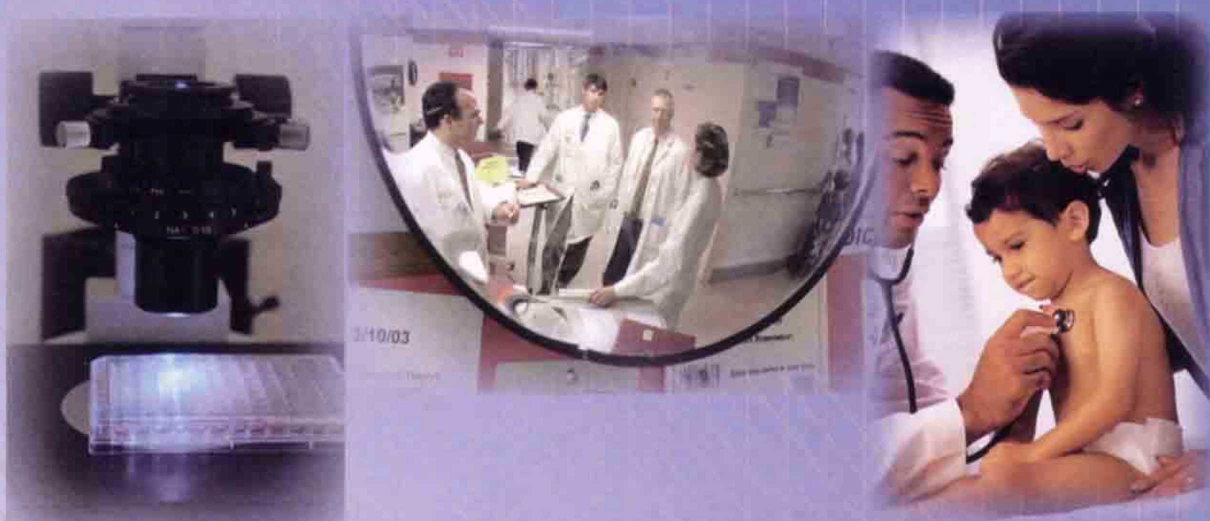
The Medical University of South Carolina

Charleston, South Carolina

Discovering. Understanding. Healing.



Comprehensive Annual Financial Report

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

June 30, 2003

The Medical University of South Carolina

Charleston, South Carolina

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Prepared by the Financial Reporting Department for the
Vice President for Finance and Administration

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President's Letter

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

Dear Friends and Colleagues:

The past fiscal year presented the Medical University with both challenge and opportunity. The principal challenge that we faced was the continuing loss of state appropriated dollars. As in most states, declining revenues have forced significant reductions in state appropriations in South Carolina. As I write this letter, the cumulative loss of state funding at the Medical University is now approaching one-third of our fiscal 1999 appropriation.

The silver lining to this cloud has been the remarkable response of our faculty and staff to this fiscal challenge. Across the institution, from the academic units, to the hospital authority, to the faculty practice plan, we have improved our operating margins. Responding to this progress, the major bond rating agencies upgraded their assessments of the Medical University. The growth in other revenue sources has been particularly impressive in our clinical and research operations.

On the research front, we once again set a record for the amount of funding received by any university in South Carolina, breaking the $150 million level. Four departments of the College of Medicine (Anatomy and Cell Biology, Otolaryngology, Ophthalmology, and Psychiatry) as well as the College of Health Professions now rank in the top 20 programs nationally in National Institutes of Health funding. The foundation for further research growth was solidified by the award of four research centers of economic excellence in areas as diverse as marine genomics, brain imaging, proteomics, and neurodegenerative diseases.

For the fourth straight year, the Hospital Authority improved its bottom line. It did so while garnering national recognition for our Children's Hospital (11th best in the country), Digestive Diseases Center (14th best in the country), Psychiatry Department (25th best in the country), and Heart and Vascular Program (top 100 nationally). At the same time, University Medical Associates had the best fiscal performance in its history. We opened specialized facilities for managing digestive diseases, heart and vascular conditions and joint replacements, and we made remarkable progress on planning for the first phase of replacing our hospital.

Bucking the national trend, our philanthropic efforts set another record, with almost $34 million in private gifts and pledges raised. Friends and alumni have continued to demonstrate their faith in the University at a time when private support is needed to replace lost revenues from the state. In addition, philanthropy has played a critical role in our on-going construction of the Children's Research Institute, the expansion of the Hollings Cancer Center, as well as the planned renovation of the former Charleston High School as the new home for the College of Health Professions.

In sum, the Medical University emerged from the past year as a stronger and more vibrant institution. As we celebrate these many accomplishments, we look to the future with optimism that even brighter days lay ahead.

With best wishes,

Raymond S. Greenberg

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

Transmittal Letter

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

November 19, 2003

President Raymond Greenberg, MD, Ph.D.
Members of the Board of Trustees of The Medical University of South Carolina
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, 2003.

This report includes the audited financial statements for the year ended June 30, 2003, and other information relating to the finances of the University. Management has established a comprehensive internal control framework designed to: a) protect the University's assets from loss, theft or misuse, b) to provide sufficient reliable information for the preparation of the University's financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) and c) to provide reasonable assurance that the financial statements will be free from material misstatement. Management assumes responsibility for the completeness and reliability of the information presented in this report. To the best of our knowledge, we assert that this financial report is complete and reliable in all material respects.

KPMG LLP, a firm of licensed certified public accountants, has audited the Medical University of South Carolina's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2003 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, 2003 are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principals 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 transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The Medical University of South Carolina's MD&A immediately follows the independent auditors' report in the financial section.

The Comprehensive Annual Financial Report is presented in three sections:

- The Introductory Section consists of the President's message, the transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting awarded for the year ended June 30, 2002, listings of the Board of Trustees and principal University officials, and an organization chart. This section is intended to provide the reader with an overview of the University.
- The Financial Section presents the report of the independent auditors, Management's Discussion and Analysis and the basic financial statements of the University.
- The Statistical Section includes selected financial, non-financial, and demographic information generally presented on a multi-year basis. This section is intended to present a broad overview of trends in the financial activities of the University.

Profile of the Government

The Medical University of South Carolina 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. In addition to the financial audit, the University is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The single audit is designed to meet the needs of federal grantor agencies and requires the auditor to report on internal controls and compliance, particularly as they relate to the administration of federal awards. Information related to this single audit is included in a separately issued single audit report.

The Medical University of South Carolina, 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 primary government, The Medical University of South Carolina, and the University's four component units: The Medical University Hospital Authority (the Authority), University Medical Associates of The Medical University of South Carolina (UMA), Medical University Facilities Corporation (MUFC), and the Pharmaceutical Education and Development Foundation of The Medical University of South Carolina (PEDF). The Health Sciences Foundation (HSF) and the MUSC Foundation for Research Development are considered related parties rather than component units. Further information on the reporting entity is contained in Note 1 in the notes to the financial statements.

Factors Affecting Financial Condition

The University has a relatively small, stable number of students, with enrollment for the fiscal year 2003 fall semester totaling 2,288 full- and part-time students in six colleges. The University employs approximately 4,400 administration, faculty and staff. When viewed together with the Medical University Hospital Authority's approximately 4,460 employees, the University is one of the largest employers in the State system and the largest employer in the Charleston tri-county area. The University documented an economic impact of $1.65 billion on the local economy.

The Economy

Economic factors on both the national and state levels also impact the environment in which the University operates. The state of South Carolina continues to experience revenue shortfalls necessitating permanent budget cuts for state agencies, including higher education. Since FY2001, the University has seen state appropriations permanently reduced by 28% with an additional one percent sequestered in fiscal year 2004. The latest economic outlook indicates that this sequestered amount also will be a permanent reduction and that future budget cuts are a very real possibility. The University has responded to the challenge by holding down spending in all state funded areas and by aggressively pursuing other sources of revenue. Although these efforts have enabled the University to operate through the current year without a significant negative impact on major programs, the long-term impact on facilities, support services and academic programs is a serious concern. Future cuts in state funding will be increasingly difficult to handle.

There were a number of positive economic indicators in fiscal year 2003 that provide a promising outlook, including:

- The Medical University Hospital Authority and the University Medical Associates, the University's major component units, significantly improved their financial condition.
- Four new research centers at the University were awarded $13.5 million by the South Carolina Lottery Center of Economic Excellence Oversight Committee.
- The University's research awards reached $150 million, exceeding the year's goal and setting a new record for any university in South Carolina.
- The University reached a record $34 million raised in philanthropy, including the largest single gift received to date.

Long-term Planning

The University's goals for the next few years are heavily centered on research and include setting a new record of $155 million in extramurally funded research. With the Children's Research Institute and the Hollings Cancer Center addition nearing completion, approximately 120,000 square feet of research space will become available to investigators, and plans call for these buildings to serve as focal points for interdisciplinary scientific and clinical collaborations. The University will try to secure funding for additional research space by securing additional state bond capacity and will compete for a second round of endowed chairs from the South Carolina Lottery Center of Economic Excellence, hopefully repeating this year's success.

In other academic areas, the University will respond to the nationwide nursing shortage by doubling enrollment in the College of Nursing Baccalaureate degree program in Charleston, and will place the RN-BSN program entirely on-line. Construction of a new building and renovation of the Charleston High School as the new home for the College of Health Professions will begin in fiscal year 2004.

The University has set a new goal of $35.5 million to be raised in private funds and gifts for the next fiscal year and also plans to complete a feasibility study for a new capital campaign.

The Medical University Hospital Authority plans call for the finalization of the design and breaking ground for Phase 1 of the hospital replacement, a major project extending over several years.

Cash Management

State law requires that all University cash is on deposit with the State Treasurer except petty cash funds approved by the State Auditor and certain trust funds associated with debt instruments (i.e., Certificates of Participation). The State Treasurer performs all cash management activities for balances on deposit in state bank accounts and invests surplus 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 risks that may occur in normal operations. Several state funds accumulate assets and the State itself assumes substantially all risks for certain claims. 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.

Accomplishments

That the University continues to excel in its endeavors is demonstrated in the state and national recognition and awards received by its faculty and staff for their many accomplishments. The University

- Substantially exceeded performance funding benchmarks established by the South Carolina Commission on Higher Education.
- Received the largest single competitive federal award ever received in South Carolina. Over $15 million was awarded by the National Heart, Lung and Blood Institute of the National Institutes of Health to Dr. Dan Knapp and colleagues to fund a Center of Excellence in Cardiovascular Proteomics, one of ten such awards nationally. The University was also chosen as the coordinating center for all ten of these national centers of excellence.
- Received two Centers of Biomedical Research Excellence awards from the National Institutes of Health. A total of $18 million was awarded to Dr. Lina Obeid to support a Center on Lipidomics and To Dr. Steve London to support a Center on Oral Health.
- Received approval for $16.5 million in matching funds from the South Carolina Educational Lottery Centers of Economic Excellence Program for five Centers of Excellence, three of which involved collaborations with other institutions of higher education in the state.
- Received national rankings from US News and World Report in a national survey for several programs. The survey ranked the University's Drug and Alcohol Program as 15th best nationally, the Occupational Therapy program as 20th and the Nurse Anesthesia as 25th. The Authority's Institute of Psychiatry was ranked 25th and the Digestive Diseases Center was ranked 14th nationally.

The Authority and its medical staff have also been recognized in the following areas:

- The Heart and Vascular Center has been recognized a one of the Top 100 Cardiovascular Hospitals in the nation for the second year.
- The National Research Corporation awarded the Authority the Consumer Choice Award for overall quality and image among hospitals in the primary care service area for the fifth consecutive year.
- Child magazine's 2003 survey ranked The Medical University Hospital Authority's Children's Hospital as top in the Southeast and 11th in the nation of Best Pediatric Hospitals in America.
- The Vanguard Award for Leadership in Community Health Improvement for the Healthy South Carolina Initiative project was awarded in 2003.

Award

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 (CAFR) for the fiscal year ended June 30, 2002. This was the tenth consecutive year The Medical University of South Carolina has achieved this prestigious award (fiscal years ended 1993 through 2002). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

This CAFR was produced through the dedicated efforts of the staff of the Finance and Administration Division and the financial management staffs of the University's component units and related parties. In addition, we would like to thank KPMG LLC, the University's independent auditors, for their assistance and the State Auditor's Office and the State Comptroller General's Office for their guidance.

Sincerely,

John C. Sutusky
Vice President for Finance and Administration

Patrick J. Wamsley

Patrick Wamsley
Chief Financial Officer

Susan B Haskill

Susan B. Haskill
Director, Financial Management

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, 2002

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

President

Executive Director

Board of Trustees and Principal University Officials

July 1, 2002 - June 30, 2003

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Governor

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Newberry, SC

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

Harrison L. Peeples, M.D.
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The Hon. Phillip D. Sasser, J.D.
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Emeritus
Greer, SC

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

(a) Governor's designee
(b) Governor's 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

John C. Sutusky, Ph.D.
Vice President
Finance and Administration

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

W. Stuart Smith, M.B.A., M.H.A.
Vice President
Clinical Operations and
Executive Director
MUSC Medical Center

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

Deans

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

John F. Cormier, Pharm.D.
College of Pharmacy

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

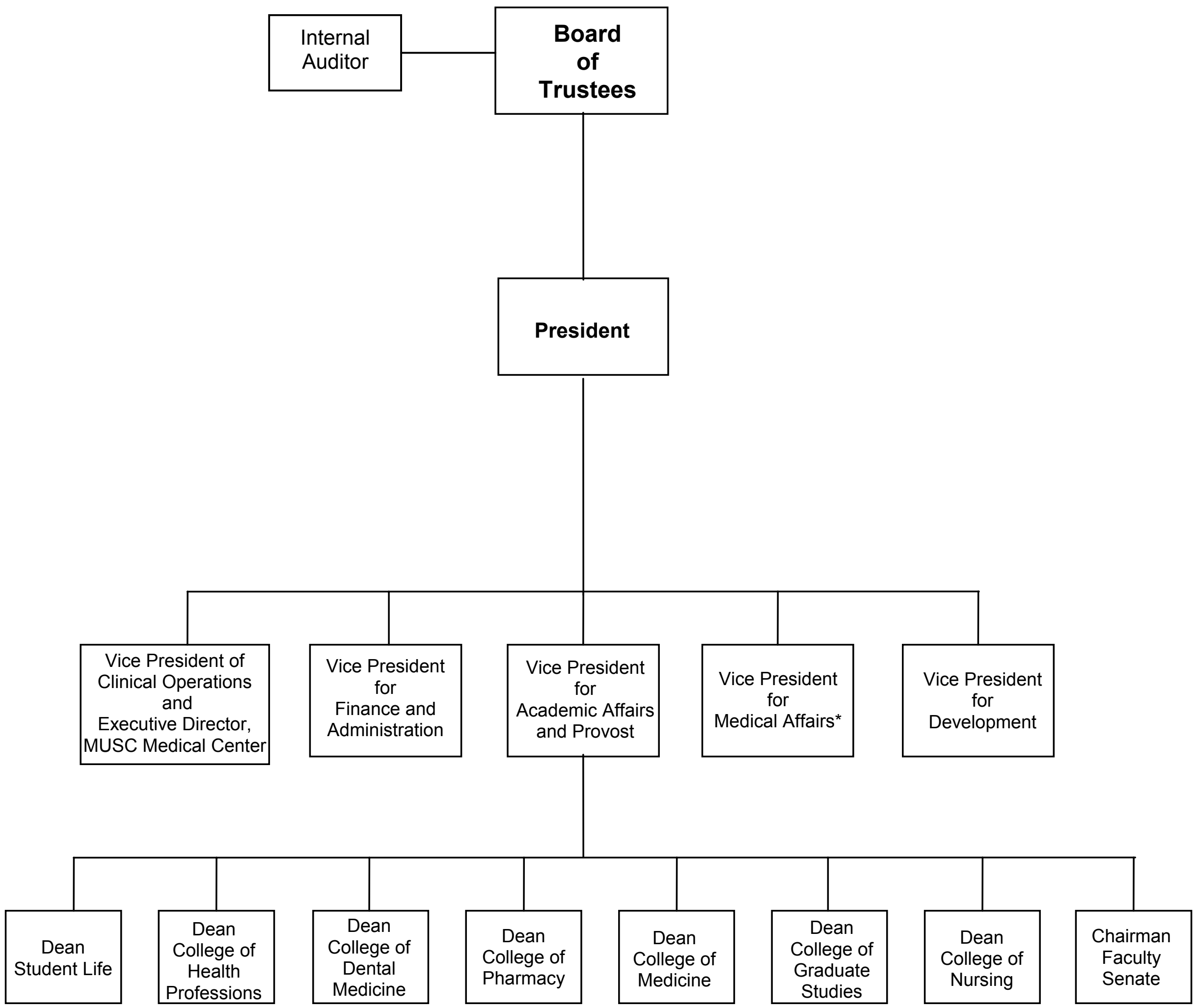
Perry V. Halushka, M.D., Ph.D.
College of Graduate Studies

Richard W. DeChamplain, D.M.D.
College of Dental Medicine

Danielle Ripich, Ph.D.
College of Health Professions

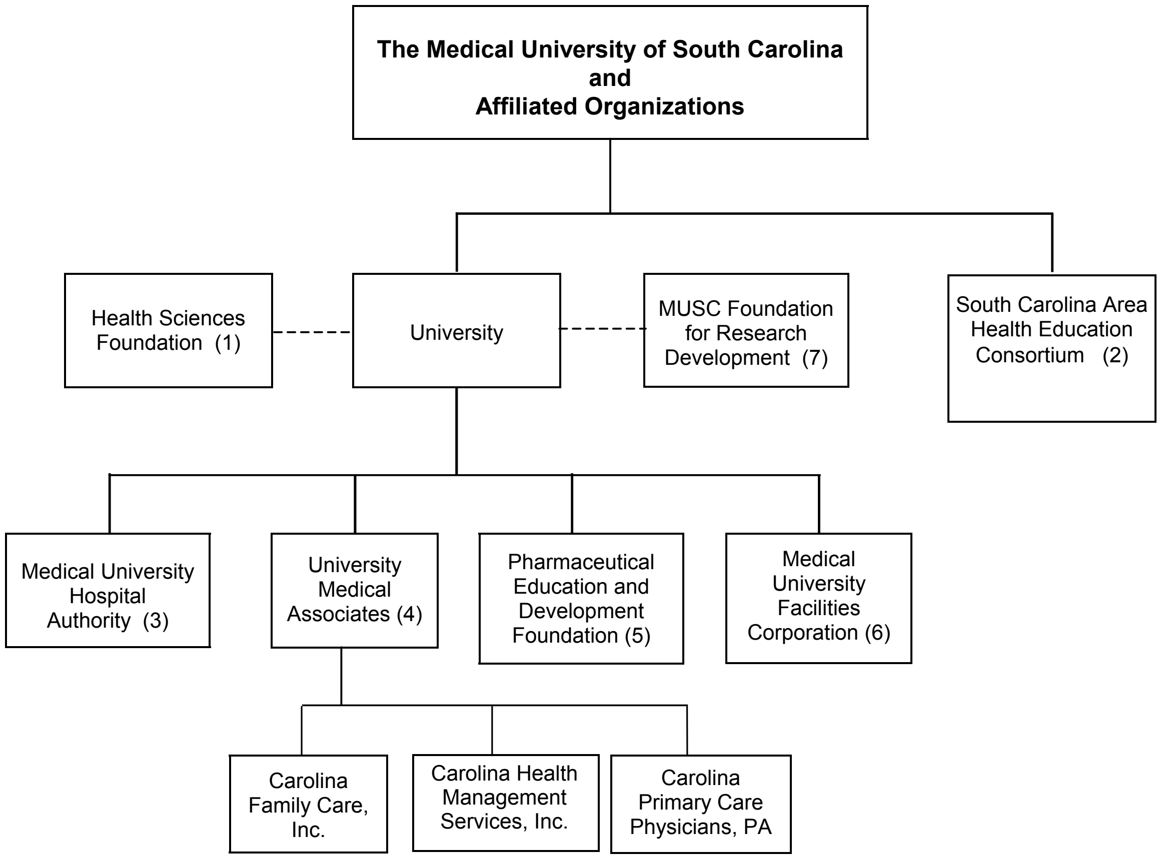
Valerie T. West, Ed.D.,
Interim, Student Life

Organization Chart



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

The Medical University and Affiliated Organizations Chart



Notes:

(1) *The Health Sciences Foundation (HSF) is a non-profit corporation established in 1966 as an educational, charitable, eleemosynary foundation. The HSF is classified as a related party to the University.*

(2) *South Carolina Area Health Education Consortium (AHEC) is a consortium of teaching hospitals, universities, and other participating hospital consortia. AHEC was established in 1972 to help with education, recruitment and retention of physicians in South Carolina, especially in rural underserved areas.*

(3) *The Medical University Hospital Authority (MUHA) was formed in June, 2000, to manage and operate the hospitals and clinics of the University.*

(4) *University Medical Associates (UMA) is a non-profit corporation established to promote and support the educational, medical, scientific, and research purposes of the University.*

(5) *The Pharmaceutical Education and Development Foundation of The Medical University of South Carolina (PEDF) is a non-profit corporation established to provide pharmaceutical students with practical education and experience in the field of industrial pharmaceutics.*

(6) *Medical University Facilities Corporation (MUFC) is a non-profit corporation established in fiscal year 1991-92 to obtain financing for the University to acquire real property.*

(7) *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. The MFRD is classified as a related party to the University and its financial statement summary is included in the notes to the University's financial statements.*

Financial Section

State Auditor's Letter

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

State of South Carolina

Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

November 19, 2003

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
The Medical University of South Carolina
Charleston, South Carolina

This report on the audit of the financial statements of The Medical University of South Carolina for the fiscal year ended June 30, 2003, was issued by KPMG, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

Suite 900
55 Beattie Place
Greenville, SC 29601-2106

Independent Auditors' Report

Mr. Thomas L. Wagner, Jr., CPA
State Auditor
State of South Carolina
Columbia, South Carolina:

We have audited the accompanying financial statements of the business-type activities and each major fund 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, 2003, which collectively comprise the University's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University Medical Associates and the Pharmaceutical Education and Development Foundation. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University Medical Associates and the Pharmaceutical Education and Development Foundation, 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 the financial position and the cash flows, where applicable, of only that portion of the business-type activities and each major fund 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, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 and each major fund of the University as of June 30, 2003, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

October 3, 2003

Management's Discussion and Analysis

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, 2003 with comparative information for the year ended June 30, 2002. Management's discussion and analysis (MD&A) will focus on the financial position and operations of the primary institution (the University) and two of its component units, Medical University Hospital Authority (the Authority) and University Medical Associates (UMA). MD&A excludes the two remaining component units, Medical University Facilities Corporation and Pharmaceutical Education and Development Foundation, because their activities are less significant to the mission of the University. 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, 2003, total assets reported by the University were $360.4 million and total liabilities were $156.6 million. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased $27.5 million in fiscal year 2003 from $176.3 to $203.8 million. Of this amount, $22.5 million represents unrestricted net assets, which may be used to meet the University's ongoing obligations.

At June 30, 2003, the Authority's assets of $357.5 million exceeded its liabilities of $193.5 million by $164.0 million. Net assets, the residual interest in the assets after liabilities are deducted, increased $12.7 million in 2003, as compared to $10.1 million in 2002. The Authority reported operating income in 2003 of $24.3 million, as compared to $16.9 million in 2002, an increase of $7.4 million or 44%. Transfers to The Medical University of South Carolina in support of academic programs increased by $2.1 million or 57% from 2002 to 2003.

UMA's assets exceeded its liabilities at June 30, 2003 by $27.4 million (net assets). Of this amount, $19.7 million represents unrestricted net assets that are available to meet UMA's ongoing obligations.

In fiscal year 2003, changes to the South Carolina Medicaid Plan provided for supplemental payments to physicians associated with a university to compensate for the inherent clinical inefficiencies of providing care to Medicaid patients while instructing medical students and residents. The University has reported income of $20.6 million under this program. At the same time, the University entered into a contract with UMA to purchase clinical education services that allow for education utilizing Medicaid patients for which the University recorded an expense of $20.6 million. UMA has recorded revenue of $18.3 million net of $2.3 million due to the Authority for certain revenues that they will forgo for the year.

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. During fiscal year 2002, the University adopted 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 a consolidated 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. Assets and liabilities are generally reported at current values. Capital assets, however, are reported at historical cost less an allowance for depreciation. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the current year. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the entity. They are also able to determine how much is owed to vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure.

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.

Condensed Summary of Net Assets

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2003	2002	2003	2002	2003	2002
ASSETS						
Current assets	$ 102,555	$ 76,893	$ 113,177	$ 108,026	$ 71,601	$ 50,544
Noncurrent assets						
Capital assets, net	212,137	186,258	216,826	181,234	50,209	53,654
Other noncurrent assets	45,705	47,221	27,532	29,453	39,099	39,369
Total assets	360,397	310,372	357,535	318,713	160,909	143,567
LIABILITIES						
Current liabilities	68,888	48,329	62,962	49,461	36,142	39,816
Noncurrent liabilities	87,672	85,722	130,551	117,946	97,352	101,514
Total liabilities	156,560	134,051	193,513	167,407	133,494	141,330
NET ASSETS						
Invested in capital assets, net of related debt	154,987	138,621	78,816	58,047	(1,329)	826
Restricted						
Nonexpendable	926	909	-	-	-	-
Expendable	25,418	15,973	-	-	9,081	9,081
Unrestricted	22,506	20,818	85,206	93,259	19,663	(7,670)
Total net assets	$ 203,837	$ 176,321	$ 164,022	$ 151,306	$ 27,415	$ 2,237

The University's increase in total assets of $50 million resulted primarily from additions to capital assets. Two renovation projects totaling $3.3 million were completed during the year and two major construction projects are underway increasing construction in progress by $23 million. The increased funding received for sponsored research projects allowed the University to purchase additional medical, scientific, and laboratory equipment. In addition, the University reported a receivable from Medicaid of $11 million related to the supplemental Medicaid payments due at June 30. This amount is offset by a payable to UMA of the same amount.

Factors affecting the increase in total liabilities of $22.5 million included the payable to UMA discussed above, the issuance of new state institution bonds of $8 million, and additional payables related to the construction projects.

The Authority's total assets increased by 12% from 2002 to 2003. A significant component of the change in current assets was cash and cash equivalents, which increased by $12.6 million. Patient accounts receivable, net of estimated uncollectible amounts increased from $70.8 million to $76.5 million, largely a result of increases in patient activity and a price increase. Property and equipment increased during the fiscal year by $35.6 million, largely a result of continuing capital projects and purchases of capital equipment under lease agreements. Total liabilities increased by 15% from 2002 to 2003. Accounts payable, amounts due to vendors as a result of increases in patient activity, increased by $4.9 million. Accrued payroll increased by $4.6 million, as a result of increases in the number of employees during the year, and long term capital lease obligations increased by $14.1 million, a result of significant capital equipment purchases mentioned above.

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. Generally speaking, 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 not provided. A public University's dependence on state aid and gifts will usually result in operating deficits because state appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

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

Amounts in thousands

	The University 2003	The University 2002	Medical University Hospital Authority 2003	Medical University Hospital Authority 2002	University Medical Associates 2003	University Medical Associates 2002
Operating revenues	$ 247,180	$ 204,131	$ 548,324	$ 493,489	$ 188,865	$ 182,905
Operating expenses	(365,624)	(336,060)	(524,015)	(476,564)	(151,209)	(166,799)
Operating income (loss)	(118,444)	(131,929)	24,309	16,925	37,656	16,106
Nonoperating revenues	121,698	135,753	63	777	6,184	6,145
Nonoperating expenses	(4,708)	(5,079)	(5,846)	(3,894)	(8,375)	(9,066)
Net nonoperating revenues (expenses)	116,990	130,674	(5,783)	(3,117)	(2,191)	(2,921)
Income (loss) before other revenues, expenses, gains, losses, and transfers	(1,454)	(1,255)	18,526	13,808	35,465	13,185
Capital appropriations	2,341	1,164	-	-	-	-
Capital grants and gifts	10,154	6,259	-	-	-	-
Transfers	16,474	9,071	(5,810)	(3,751)	-	(5,375)
Special and extraordinary items	-	-	-	-	(10,287)	(4,721)
Increase in net assets	27,515	15,239	12,716	10,057	25,178	3,089
Net assets at beginning of year	176,322	161,083	151,306	141,249	2,237	(852)
Net assets at end of year	$ 203,837	$ 176,322	$ 164,022	$ 151,306	$ 27,415	$ 2,237

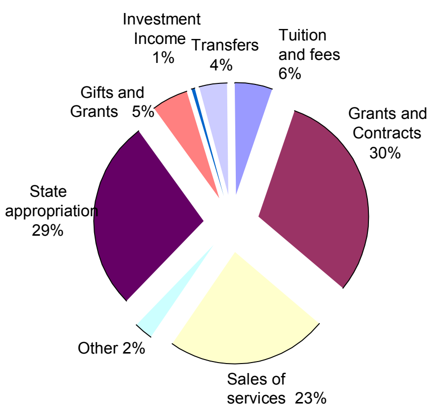
Revenues

The University's daily operations are funded primarily from State appropriations and grants and contracts. These two sources account for 59 percent of the total fiscal year 2003 revenues of $398 million and 64 percent of the total fiscal year 2002 revenues of $356 million. The following table and chart illustrate the University's revenues by source.

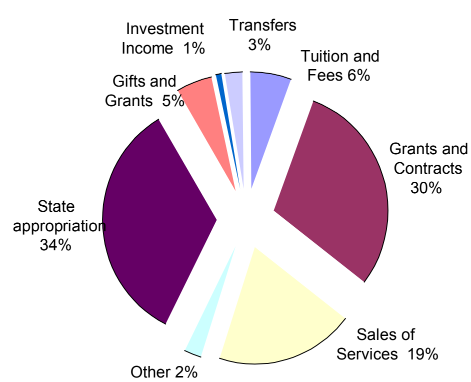
Revenues by Source – The University

Amounts in thousands

	2003	Percent Of Total	2002	Percent Of Total
Operating revenues				
Student tuition and fees	$ 22,587	6%	$ 21,100	6%
Grants and contracts	121,380	30%	106,017	30%
Sales of services	93,072	23%	67,582	19%
Other operating revenues	10,141	2%	9,432	2%
Total operating revenues	247,180	61%	204,131	57%
Nonoperating and other revenues				
State appropriation	110,542	29%	122,406	34%
Gifts and grants	20,924	5%	18,103	5%
Investment income	2,727	1%	2,667	1%
Interfund transfers	16,602	4%	9,071	3%
Total nonoperating and other revenues	150,795	39%	152,247	43%
Total revenues	$ 397,975	100%	$ 356,378	100%



2003



2002

In fiscal year 2003, the University's total revenues increased 12% or $41.6 million over the previous fiscal year. The increase was due primarily to increases in grants and contracts revenue and sales of services which offset a decrease of $11.9 million in the state appropriation resulting from declining state revenues. Since 2001, the University's general fund appropriation has decreased by $17 million. Continuing emphasis on the University's commitment to conduct research in the health sciences resulted in an increase of $15.4 million in revenue from grants and contracts. The University began receiving certain supplemental Medicaid payments during the year, that reimburse physicians associated with a teaching university for the inherent inefficiencies of providing care to Medicaid patients while instructing medical students. This revenue, totaling $20.6 million, is reported as sales of services.

Operating revenue by source for the component units (in thousands)

	Medical University Hospital Authority 2003	Medical University Hospital Authority 2002	University Medical Associates 2003	University Medical Associates 2002
Net patient service revenue	$ 535,211	$ 483,392	$ 172,294	$ 138,588
Educational agreements	-	-	12,159	38,162
Other operating revenue	13,113	10,097	4,412	6,155
Total operating revenue	$ 548,324	$ 493,489	$ 188,865	$ 182,905

Compared to fiscal year 2002, the Authority's net patient service revenue increased by approximately $51.8 million, or 11%. Gross patient charges increased by $117.4 million, or 17%, from 2002 to 2003 due to increases in patient activity and comprehensive rate increases established with an outside consultant. Additionally, revenue received from the Disproportionate Share Program administered by the state Department of Health and Human Services increased in 2003

University Medical Associates' net clinical service revenue increased $33.7 million primarily from an increase in fee schedules, an increase in patient volume, and the supplemental Medicaid payments. Educational agreement revenue reflected a decrease of $26 million in support from the Medical University Hospital Authority for the ambulatory care program.

Expenses

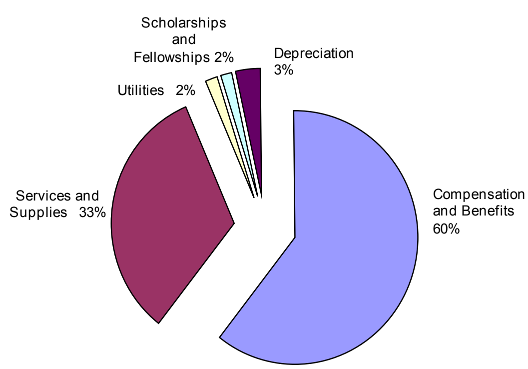
The University's operating expenses were $365.6 million for the fiscal year ended June 30, 2003, an increase of $29.6 million over fiscal year 2002. Of this increase, $20.6 million relates to the purchase of Medicaid clinical education services from UMA to allow for education utilizing Medicaid patients. Compensation and employee benefits expense increased $6 million, or 3%.

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.

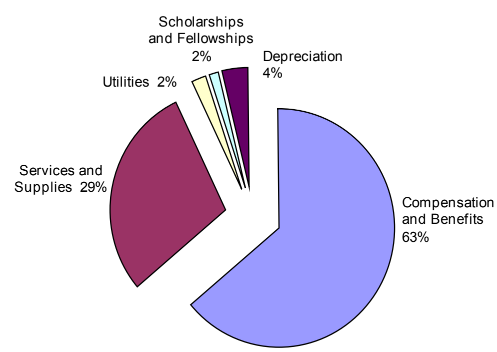
Operating Expenses by Object – The University

Amounts in thousands

	2003	Percent Of Total	2002	Percent Of Total
Compensation and employee benefits	$ 219,996	60%	$ 213,753	63%
Services and supplies	122,597	33%	99,000	29%
Utilities	5,983	2%	6,153	2%
Scholarships and fellowships	5,094	2%	5,065	2%
Depreciation	11,954	3%	12,089	4%
Total operating expenses	$ 365,624	100%	$ 336,060	100%



2003

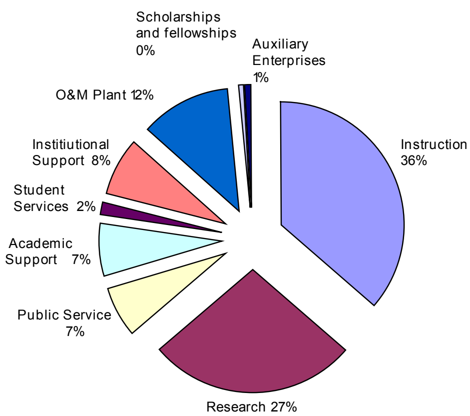


2002

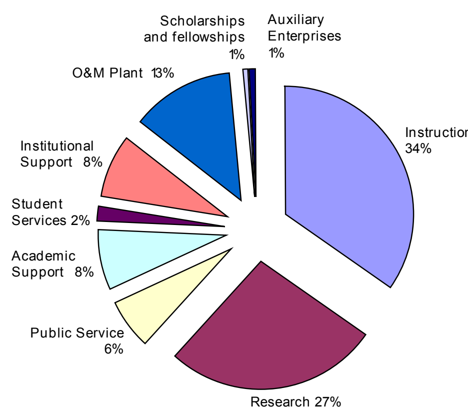
Operating Expenses by Function – The University

Amounts in thousands

	2003	Percent Of Total	2002	Percent Of Total
Instruction	$ 132,804	36%	$ 116,513	34%
Research	99,871	27%	90,302	27%
Public service	24,762	7%	21,476	6%
Academic support	24,431	7%	25,506	8%
Student services	6,839	2%	6,441	2%
Institutional support	27,701	8%	27,134	8%
Operation and maintenance of plant	44,441	12%	43,769	13%
Scholarships and fellowships	1,525	0%	2,087	1%
Auxiliary enterprises	3,250	1%	2,832	1%
Total operating expenses	$ 365,624	100%	$ 336,060	100%



2003



2002

The Authority's operating expenses increased by $47.4 million, from $476.6 million in 2002 to $524.0 million in 2003. This 10% increase is the result of significant increases in compensation and employee benefits of $43.3 million, or 24%, and in service and supplies expense of $3.7 million, or 1%. During 2003, approximately 475 ambulatory care employees were converted from a service and supplies expense to compensation and employee benefits expense of the Authority due to changes in provider based clinic regulations.

UMA's operating expenses decreased $15.6 million. This decrease is primarily due to a reduction in expenses under the Ambulatory Care Clinical Education Agreement. Increases in the provision for bad debts and departmental expenses offset these decreases.

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 2003 were state appropriations, grants, contracts, and tuition and fees. Uses of these cash sources included salaries and benefits for faculty, staff, and student employees and payments to suppliers of goods and services.

The statement is divided into five sections.

- Cash flows from operating activities include, as examples, cash received for tuition and fees or research grants and salaries paid to employees or payments of invoices to vendors. Since state appropriations and gifts are not considered operating revenues, operating activities had a net cash outflow of $108 million.
- Non-capital financing activities include state appropriations received for operations and noncapital gifts, and had a net cash inflow of $134 million.
- The cash flows from capital and related financing activities include the proceeds received from the issuance of long-term debt obligations, capital grants and gifts received, the repayment of debt, and the acquisition of capital assets. Due to the expenditure of funds that were received as bond proceeds in prior years, capital and related financing activities had

a net cash outflow of $21 million.

- The net cash inflow from investing activities of $3 million consists of interest received on investments.
- The last section of the statement reconciles the net cash used by operating activities to the operating 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 2003. More detailed information can be found in the notes to the financial statements.

Capital Assets, Net of Depreciation

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2003	2002	2003	2002	2003	2002
Land	$ 13,536	$ 13,536	$ 3,270	$ 3,270	$ -	$ -
Construction in progress	58,682	33,951	49,144	28,976	202	158
Land improvements	1,453	1,638	-	-	-	-
Buildings and improvements	112,064	115,718	94,860	96,193	43,825	45,480
Machinery and equipment	25,909	20,910	69,515	52,705	4,668	5,886
Vehicles	493	505	37	90	-	-
Intangible assets	-	-	-	-	1,514	2,130
	$ 212,137	$ 186,258	$ 216,826	$ 181,234	$ 50,209	$ 53,654

The University

Capital additions, other than construction in progress, totaled $13.5 million in fiscal year 2003 and consisted of renovations of various campus buildings as well as significant investment in medical, scientific and laboratory equipment. These additions were funded primarily with state capital appropriations, grant and contract revenues, and unrestricted university funds.

Included in construction in progress are renovations of several classroom and research facilities, expansion of the Hollings Cancer Center, and construction of the Children's Research Building. The University had outstanding commitments under construction contracts related to these and other projects of approximately $53.6 million at June 30, 2003. These projects are being funded by bond proceeds, federal grants, state appropriations, restricted gifts, and unrestricted university funds.

Construction in Progress – The University

Amounts in thousands

Childrens Research Building	$ 20,937
Basic Science Building renovation	10,977
Hollings Cancer Center expansion	12,626
Walton Research Building renovation	2,075
Storm Eye Institute renovation	1,075
Clinical Science Building renovation	2,157
Research lab renovation	1,422
Other	7,413
	$ 58,682

The University acquires many capital assets by borrowing the money to purchase the asset and then paying off the debt in future years. Cash collections from student tuition and parking garage rents are some of the sources legally committed to paying off this debt. The following table shows the amounts and types of bonds, notes, and capital leases outstanding as of June 30, 2003. In fiscal year 2003, the University issued $8 million in State Institution Bonds to finance the renovation of the Strom Thurmond Biomedical Research Center.

In fiscal year 2003, Moody's Investors Service upgraded the general obligation bond rating for the University to "A3" from "Baa1" and the Standard and Poor's rating was upgraded to "A" from "BBB+". The University's state institution bonds are general obligation bonds of the State of South Carolina. Standard and Poor's has rated these bonds as "AAA" and Moody's Investors Services rates them as "Aaa".

Bonds, Notes, and Capital Lease Obligations

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2003	2002	2003	2002	2003	2002
State institution bonds	$ 46,550	$ 40,640	$ -	$ -	$ -	$ -
Revenue bonds, net	2,155	2,680	96,963	96,375	-	-
Notes	-	-	12,882	16,967	44	88
Direct note obligations, net	-	-	-	-	95,953	97,304
Interest rate swap liability	-	-	-	-	1,606	1,683
Capital lease obligations	861	231	28,166	9,845	1,136	1,721
Structured legal settlement	-	-	-	-	1,680	2,520
	$ 49,566	$ 43,551	$ 138,011	$ 123,187	$ 100,419	$ 103,316

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

State Institution Bonds (SIB)

These bonds require the University to pledge revenue from student tuition for the repayment of this debt. If the University fails to pay this debt, the State would pay since these bonds are backed by the State's full faith, credit and taxing power. The proceeds from State Institution Bonds provided a portion of the funding for the Harper Student Center, the site for the Strom Thurmond Biomedical Research Facility, the Storm Eye Institute addition, the Children's Research Institute, and a number of major renovation projects. The University expects to pay off this debt with cash collected from student tuition. At June 30, 2003, SIB payable totaled $46.55 million.

Parking Facilities Revenue Bonds (PFRB)

These bonds require the University to pledge revenues from the rental of parking spaces for the repayment of debt. Parking Garage II was built with proceeds from the sale of these bonds. The University expects to pay off this debt from the rental of parking spaces located in its parking garages and parking lots. At June 30, 2003, PFRB payable totaled $2.2 million. These bonds were redeemed on July 1, 2003.

Capital Leases

In December, 1991, the Medical University Facilities Corporation (MUFC) issued $19.74 million in certificates of participation and used the proceeds to buy the Harborview Office Tower building and adjacent properties. The certificates are secured by rental payments received under a capital lease with the University. MUFC had certificates of participation payable at June 30, 2003, of $13.5 million. The certificates of participation were redeemed on July 1, 2003 using the proceeds of a loan from the South Carolina Jobs – Economic Development Authority. MUFC issued lease revenue bonds in September, 1995, to fund a portion of the costs of completing the acquisition and construction of the Strom Thurmond Biomedical Research Center. The bonds are secured by the rental payments received under a capital lease with the University. At June 30, 2003, lease revenue bonds payable totaled $10.8 million. Also, the University has approximately $861,000 in capital leases payable at June 30, 2003, 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 and the Substance Abuse Center. 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. In prior fiscal years, the University spent capital improvement bond proceeds on a portion of the construction of the Harper Student Center. 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, 2003, the University had approximately $14.7 million of State capital improvement bonds approved for several building renovations.
- *Private Gifts and Grants*. Cash and other resources donated to the Health Sciences Foundation (HSF) are periodically transferred to the University. For example, the HSF raised funds on behalf of the University to help restore the St. Luke's Chapel and to complete the Harper Student Center.

Medical University Hospital Authority

At the end of 2003, the Authority had $216.8 million invested in capital assets, net of accumulated depreciation. Total capital asset additions of $58 million in 2003 increased by $17.1 million over the 2002 level of $40.9 million. The 2003 increase is the result of additions to machinery and equipment, building improvements, and construction in progress.

University Medical Associates

UMA's investment in capital assets as of June 30, 2003, amounts to $50.2 million (net of accumulated depreciation). This investment in capital assets consists of leasehold improvements for the various facilities occupied by clinics and administrative personnel, clinical diagnostic and therapeutic equipment, data processing hardware and software, and various office furnishings and equipment. During the current year, there were several decreases in capital assets related to the disposition of various primary care practices.

At year-end, UMA had $100.4 million in outstanding bonds, notes and capital lease obligations compared to $103.3 million outstanding last year. New debt resulted mainly from the acquisition of equipment financed through capital leases. Reductions resulted from scheduled principal payments. UMA's Direct Note Obligations Select Auction Variable Rate Securities (SAVRS) carry an AAA rating due to the impact of bond insurance from MBIA.

STATEMENT OF NET ASSETS
June 30, 2003

		Component Units			
	The University	Medical University Hospital Authority	Medical University Facilities Corporation	University Medical Associates	Total
ASSETS					
Current assets					
Cash and cash equivalents	$ 52,568,706	$ 18,277,039	$ -	$ 38,261,374	$ 109,107,119
Investments	-	-	-	1,050,270	1,050,270
Receivables, net	35,776,267	79,798,457	7,177	18,508,955	134,090,856
Due from other funds	7,919,072	835,289	2,277,670	12,400,452	23,432,483
Inventories	-	10,819,937	-	-	10,819,937
Prepaid items	2,431,755	2,613,573	-	679,742	5,725,070
Restricted assets					
Cash and cash equivalents	3,859,157	832,194	14,380,476	-	19,071,827
Investments	-	-	316,168	-	316,168
Other current assets	-	-	62,454	700,153	762,607
Total current assets	102,554,957	113,176,489	17,043,945	71,600,946	304,376,337
Noncurrent assets					
Cash and cash equivalents	-	8,197,077	-	-	8,197,077
Student loans receivable, net	1,104,604	-	-	-	1,104,604
Interfund receivables	-	-	20,709,327	1,244,617	21,953,944
Restricted assets					
Cash and cash equivalents	32,559,454	18,658,180	1,350,000	6,773,539	59,341,173
Investments	-	-	213,000	8,918,786	9,131,786
Accrued interest	-	-	-	88,352	88,352
Student loans receivable	12,040,918	-	-	-	12,040,918
Prepaid items	-	-	-	13,594,849	13,594,849
Investment in partnerships	-	-	-	3,635,490	3,635,490
Capital assets, net of accumulated depreciation	212,137,017	216,826,343	-	50,208,698	479,172,058
Other noncurrent assets	-	676,616	594,341	4,843,800	6,114,757
Total noncurrent assets	257,841,993	244,358,216	22,866,668	89,308,131	614,375,008
Total assets	360,396,950	357,534,705	39,910,613	160,909,077	918,751,345
LIABILITIES					
Current liabilities					
Payables and accrued liabilities	18,231,113	47,583,070	733,487	12,664,454	79,212,124
Due to other funds	14,678,122	7,919,072	-	835,289	23,432,483
Deferred revenues	19,621,292	-	-	-	19,621,292
Lines of credit	-	-	-	15,500,000	15,500,000
Long-term liabilities	15,176,868	7,459,966	15,003,000	5,194,813	42,834,647
Other current liabilities	1,180,833	-	-	1,947,365	3,128,198
Total current liabilities	68,888,228	62,962,108	15,736,487	36,141,921	183,728,744
Noncurrent liabilities					
Retainages payable	1,314,310	-	-	-	1,314,310
Interfund payables	20,953,944	-	-	-	20,953,944
Federal loan program liability	12,002,503	-	-	-	12,002,503
Long-term liabilities	53,401,426	130,551,041	22,841,000	97,352,657	304,146,124
Total noncurrent liabilities	87,672,183	130,551,041	22,841,000	97,352,657	338,416,881
Total liabilities	156,560,411	193,513,149	38,577,487	133,494,578	522,145,625
NET ASSETS					
Invested in capital assets, net of related debt	154,986,974	78,815,336	-	(1,329,070)	232,473,240
Restricted					
Nonexpendable	925,339	-	-	-	925,339
Expendable for					
Education	6,652,193	-	-	-	6,652,193
Loans	3,618,738	-	-	-	3,618,738
Capital projects	4,319,701	-	-	-	4,319,701
Debt service	10,827,438	-	1,333,126	9,080,953	21,241,517
Unrestricted	22,506,156	85,206,220	-	19,662,616	127,374,992
Total net assets	$ 203,836,539	$ 164,021,556	$ 1,333,126	$ 27,414,499	$ 396,605,720

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2003

		Component Units			
	The University	Medical University Hospital Authority	Medical University Facilities Corporation	University Medical Associates	Total
Operating revenues					
Student tuition and fees (net of scholarship allowances of $ 1,012,158)	$ 22,586,551	$ -	$ -	$ -	$ 22,586,551
Federal operating grants and contracts	103,270,682	-	-	-	103,270,682
State operating grants and contracts	2,764,694	-	-	-	2,764,694
Local government operating grants and contracts	228,211	-	-	-	228,211
Nongovernmental operating grants and contracts	15,116,341	-	-	-	15,116,341
Interfund services provided	55,821,940	-	-	-	55,821,940
Sales and services of educational and other activities	31,279,375	-	-	-	31,279,375
Net patient service revenue (used as security for hospital facilities revenue bonds)	-	535,211,188	-	-	535,211,188
Net patient service revenue	-	-	-	172,294,114	172,294,114
Ambulatory care and primary care agreements	-	-	-	12,158,845	12,158,845
Auxiliary enterprises ($5,760,118 used as security for parking facilities revenue bonds)	5,970,401	-	-	-	5,970,401
Interest income	-	-	1,909,609	-	1,909,609
Other operating revenues	10,141,201	13,112,906	-	4,411,953	27,666,060
Total operating revenues	247,179,396	548,324,094	1,909,609	188,864,912	986,278,011
Operating expenses					
Compensation and employee benefits	219,996,223	225,215,903	-	89,058,902	534,271,028
Services and supplies	122,596,641	219,184,508	-	37,767,457	379,548,606
Utilities	5,983,396	6,428,539	-	-	12,411,935
Interfund services used	-	55,821,940	-	-	55,821,940
Scholarships and fellowships	5,094,047	-	-	-	5,094,047
Interest expense	-	-	1,894,159	-	1,894,159
Investment loss	-	-	25,000	-	25,000
Provision for bad debt	-	-	-	21,603,471	21,603,471
Amortization	-	-	20,722	215,747	236,469
Depreciation	11,953,499	17,364,687	-	2,563,711	31,881,897
Total operating expenses	365,623,806	524,015,577	1,939,881	151,209,288	1,042,788,552
Operating income (loss)	(118,444,410)	24,308,517	(30,272)	37,655,624	(56,510,541)
Nonoperating revenues (expenses)					
State appropriations	108,201,184	-	-	-	108,201,184
Gifts	9,879,747	-	-	-	9,879,747
Private grants	889,367	-	-	-	889,367
Gifts made	-	-	-	(367,447)	(367,447)
Refunds to grantors	(421,790)	-	-	-	(421,790)
Investment income	2,727,334	63,303	-	1,615,815	4,406,452
Interest expense	(4,210,803)	(5,846,002)	-	(6,361,603)	(16,418,408)
Gain (loss) on sale of capital assets	(36,558)	-	-	(499,216)	(535,774)
Other nonoperating revenues (expenses)	(38,488)	-	-	4,568,221	4,529,733
Depreciation on rental property	-	-	-	(1,146,367)	(1,146,367)
Net nonoperating revenues (expenses)	116,989,993	(5,782,699)	-	(2,190,597)	109,016,697
Income (loss) before other revenues, expenses, gains, losses, and transfers	(1,454,417)	18,525,818	(30,272)	35,465,027	52,506,156
Capital appropriations	2,341,207	-	-	-	2,341,207
Capital grants and gifts	10,154,446	-	-	-	10,154,446
Interfund transfers	16,601,790	(5,810,171)	(34,702)	(10,756,917)	-
Transfers to other state funds	(127,986)	-	-	-	(127,986)
Special item - disposition of primary care practice	-	-	-	(457,464)	(457,464)
Extraordinary item - relator's legal fee settlement	-	-	-	927,080	927,080
Increase (decrease) in net assets	27,515,040	12,715,647	(64,974)	25,177,726	65,343,439
Net assets at beginning of year	176,321,499	151,305,909	1,398,100	2,236,773	331,262,281
Net assets at end of year	$ 203,836,539	$ 164,021,556	$ 1,333,126	$ 27,414,499	$ 396,605,720

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

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003

		Component Units			
	The University	Medical University Hospital Authority	Medical University Facilities Corporation	University Medical Associates	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Student tuition and fees	$ 24,092,566	$ -	$ -	$ -	$ 24,092,566
Grants and contracts	116,678,993	-	-	-	116,678,993
Auxiliary enterprise charges	5,941,756	-	-	-	5,941,756
Receipts from interfund services provided	54,306,874	-	-	-	54,306,874
Receipts from services of educational departments	20,123,519	-	-	-	20,123,519
Receipts from patients and third-party payors	-	531,777,464	-	158,196,486	689,973,950
Payments to employees	(219,395,473)	(222,038,837)	-	(76,724,708)	(518,159,018)
Payments to suppliers	(116,251,503)	(226,900,657)	-	(50,920,735)	(394,072,895)
Payments for scholarships and fellowships	(5,094,047)	-	-	-	(5,094,047)
Payments for interfund services provided	-	(54,306,874)	-	-	(54,306,874)
Loans issued to students	(2,705,898)	-	-	-	(2,705,898)
Collection of loans to students	2,829,146	-	-	-	2,829,146
Student loan program receipts	20,497,111	-	-	-	20,497,111
Student loan program disbursements	(20,497,111)	-	-	-	(20,497,111)
Other receipts	13,055,505	12,673,054	-	5,786,192	31,514,751
Other payments	(1,416,696)	-	-	(2,782,447)	(4,199,143)
Net cash provided (used) by operating activities	(107,835,258)	41,204,150	-	33,554,788	(33,076,320)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
State appropriations	108,201,184	-	-	-	108,201,184
Interfund transfers	14,543,860	(3,752,241)	(34,702)	(10,756,917)	-
Transfers to other state funds	(101,710)	-	-	-	(101,710)
Gifts and grants received	11,889,351	-	-	-	11,889,351
Borrowings under note payable	-	-	-	15,500,000	15,500,000
Repayments of note payable	-	-	-	(14,624,612)	(14,624,612)
Proceeds from advances	-	-	-	7,000,000	7,000,000
Repayment of advances	-	-	-	(7,000,000)	(7,000,000)
Proceeds from noncapital debt	-	-	13,500,000	-	13,500,000
Principal paid on noncapital debt	(215,790)	-	-	(1,580,915)	(1,796,705)
Interest paid on noncapital debt	(369,097)	-	-	(3,515,800)	(3,884,897)
Principal paid on bonds and certificates of participation	-	-	(1,219,000)	-	(1,219,000)
Interest paid on bonds and certificates of participation	-	-	(1,894,862)	-	(1,894,862)
Payment of agent fees and bond issuance costs	-	-	(436,292)	(116,978)	(553,270)
Net cash provided (used) by noncapital financing activities	133,947,798	(3,752,241)	9,915,144	(15,095,222)	125,015,479
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	8,954,013	-	-	-	8,954,013
Capital appropriations	2,421,820	-	-	-	2,421,820
Capital grants and gifts received	10,154,446	-	-	-	10,154,446
Proceeds from sale of capital assets	312,985	-	-	18,902	331,887
Purchases of capital assets	(35,210,376)	(28,376,226)	-	(855,931)	(64,442,533)
Principal paid on capital debt and leases	(4,074,002)	(7,877,767)	-	(1,321,483)	(13,273,252)
Interest paid on capital debt and leases	(3,903,447)	(3,290,481)	-	(2,901,144)	(10,095,072)
Payment of agent and broker fees	-		-	(121,479)	(121,479)
Net cash used by capital and related financing activities	(21,344,561)	(39,544,474)	-	(5,181,135)	(66,070,170)
CASH FLOWS FROM INVESTING ACTIVITIES					
Collection of interfund receivables	-	-	1,109,932	-	1,109,932
Interest received on interfund receivables	-	-	1,855,490	-	1,855,490
Purchases of investments	-	-	(1,277,670)	(7,225,760)	(8,503,430)
Proceeds from sales and maturities of investments	-	-	1,277,670	8,210,319	9,487,989
Distributions from investments	-	-	-	167,879	167,879
Interest on investments	2,824,186	1,308,490	53,921	737,412	4,924,009
Net cash provided by investing activities	2,824,186	1,308,490	3,019,343	1,889,850	9,041,869
Net increase (decrease) in cash and cash equivalents	7,592,165	(784,075)	12,934,487	15,168,281	34,910,858
Cash and cash equivalents at beginning of year	81,395,152	46,748,565	2,795,989	29,866,632	160,806,338
Cash and cash equivalents at end of year	$ 88,987,317	$ 45,964,490	$ 15,730,476	$ 45,034,913	$ 195,717,196

Continued on next page

STATEMENT OF CASH FLOWS (continued)

For the Year Ended June 30, 2003

		Component Units			
	The University	Medical University Hospital Authority	Medical University Facilities Corporation	University Medical Associates	Total
Cash and cash equivalents is reported in the following Statement of Net Assets captions					
Current Assets	$ 52,568,706	$ 18,277,039	$ -	$ 38,261,374	$ 109,107,119
Restricted assets	3,859,157	832,194	14,380,476	-	19,071,827
Noncurrent assets	32,559,454	26,855,257	1,350,000	6,773,539	67,538,250
Total cash and cash equivalents	$ 88,987,317	$ 45,964,490	$ 15,730,476	$ 45,034,913	$ 195,717,196
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	$ (118,444,410)	$ 24,308,517	$ (30,272)	$ 37,655,624	(56,510,541)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	11,953,499	17,364,687	20,722	2,779,458	32,118,366
Provision for bad debts	-	37,468,462	-	21,603,471	59,071,933
Rental income, net	-	-	-	4,568,220	4,568,220
Special and extraordinary items	-	-	-	643,979	643,979
Agent fees on operational debt	-	-	-	238,457	238,457
Gifts made	-	-	-	(367,447)	(367,447)
Interest income reclassified	-	-	(1,909,609)	-	(1,909,609)
Interest expense reclassified	-	-	1,894,159	-	1,894,159
Investment loss reclassified	-	-	25,000	-	25,000
Loss on sale of equipment	-	332,704	-	-	332,704
Changes in assets and liabilities					
Receivables	(14,959,368)	(40,902,186)	-	(20,914,124)	(76,775,678)
Student loans receivable	38,894	-	-	-	38,894
Due from other funds	(511,160)	-	-	(8,243,456)	(8,754,616)
Prepaid items	(737,635)	-	-	679,742	(57,893)
Other assets	-	(335,071)	-	(80,009)	(415,080)
Payables and accrued liabilities	2,122,870	6,047,475	-	(2,640,305)	5,530,040
Accrued compensated absences	8,167	-	-	(878,282)	(870,115)
Deferred revenues	409,107	-	-	-	409,107
Due to other funds	11,890,442	(3,080,438)	-	1,658,318	10,468,322
Federal loan program liability	414,712	-	-	-	414,712
Other liabilities	(20,376)	-	-	(3,148,858)	(3,169,234)
Net cash provided (used) by operating activities	$ (107,835,258)	$ 41,204,150	$ -	$ 33,554,788	$ (33,076,320)
Noncash transactions					
Equipment acquired through capital leases	$ 954,013	$ -	$ -	$ 51,623	1,005,636
Donated equipment	92,911	-	-	-	92,911
Increase in fair market value of investments	-	-	-	705,462	705,462
Assumption of capital lease obligation in disposition of primary care practice	-	-	-	(18,137)	(18,137)
Prorate income (loss) from partnership	-	-	-	(134)	(134)
Total noncash transactions	$ 1,046,924	$ -	$ -	$ 738,814	$ 1,785,738

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

PHARMACEUTICAL EDUCATION AND DEVELOPMENT FOUNDATION OF THE MEDICAL UNIVERSITY OF SOUTH CAROLINA - A Component Unit
STATEMENT OF FINANCIAL POSITION
June 30, 2003

ASSETS		
Cash and cash equivalents	$	327,167
Total assets	$	327,167
LIABILITIES		
Accounts payable	$	11,252
Due to Medical University of South Carolina		162,337
Due to University Medical Associates		2,280,356
Due to Health Sciences Foundation		5,362,792
Total liabilities		7,816,737
NET DEFICIT		
Unrestricted net deficit		(7,489,570)
Total net deficit		(7,489,570)
Total liabilities and net deficit	$	327,167

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

PHARMACEUTICAL EDUCATION AND DEVELOPMENT FOUNDATION OF THE MEDICAL UNIVERSITY OF SOUTH CAROLINA - A Component Unit
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2003

Revenues, gains, and other support	
Revenue	$ 100,000
Interest income	5,422
Total revenues, gains, and other support	105,422
Expenses	
Support services - management and general	
Legal and professional fees	213,010
Other expenses	393
Payroll	53,767
Total expenses	267,170
Net loss	(161,748)
Net deficit at beginning of year	(7,327,822)
Net deficit at end of year	$ (7,489,570)

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

PHARMACEUTICAL EDUCATION AND DEVELOPMENT FOUNDATION OF THE MEDICAL UNIVERSITY OF SOUTH CAROLINA - A Component Unit
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2003

Cash flows from operating activities	
Cash received from earn-out	$ 300,000
Cash paid to suppliers and employees	(399,788)
Interest received	5,422
Net cash used by operating activities	(94,366)
Net decrease in cash and cash equivalents	(94,366)
Cash and cash equivalents at beginning of the year	421,533
Cash and cash equivalents at end of the year	$ 327,167
Reconciliation of net loss to net cash used by operating activities:	
Net loss	$ (161,748)
Adjustments to reconcile net loss to net cash used by operating activities	
Changes in assets and liabilities	
Receivable from sale of assets	200,000
Accounts payable	(71,189)
Due to University Medical Associates	(61,429)
Total adjustments	67,382
Net cash used by operating activities	$ (94,366)

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

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The University is a part of the primary government of the State of South Carolina and its funds are reported in the State's higher education 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 appoint most of their board members and budget a significant portion of their funds.

Financial Statement Presentation

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America, 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 University has also adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures.* 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, and replaces the fund group perspective previously required.

Reporting Entity

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, 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. Accordingly, the financial statements include the accounts of the University, as the primary government, and the accounts of the following entities as component units, which are major funds.

The Medical University Hospital Authority (the Authority) was created on June 16, 2000, for the purpose of managing and operating the Medical University Hospitals and Clinics. The Authority is a component unit of the University as defined by provisions of Governmental Accounting Standards Board Statement No.14. The Authority's component unit relationship to the University principally arises from the Authority's financial accountability to the University. In particular, the legislation establishing the Authority as a stand-alone healthcare system requires that the members of the University's Board of Trustees also constitute the Board of Trustees of the Authority. As required by Governmental Accounting Standards Board (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.

University Medical Associates (UMA) was organized as a nonprofit corporation under the laws of South Carolina on June 3, 1991, and received tax-exempt status recognition from the Internal Revenue Service. UMA was established to promote and support educational, medical, scientific, and research purposes of the Medical University of South Carolina and to promote recruitment and retention of superior faculty at the University. UMA provides the full-time professional clinical faculty of the University and other health professionals with the development of group practice arrangements and operates as a multi-specialty group practice of medicine and related services in the furtherance of medicine, medical research, and education. UMA is a component unit because the University is financially accountable for UMA. The University 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 by-laws 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 carry out primary care functions. Carolina Family Care, Inc. (CFC) and Carolina Primary Care Physicians, P.A. (CPCP) are organized as for-profit corporations under South Carolina law, whereas Carolina Health Management Services (CHMS) is organized as a non-profit public benefit corporation. All financial activities of these companies are blended into the financial statements of UMA since they serve an essentially identical purpose. All three component units are income taxable under state and federal law. These 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 accounting principles generally accepted in the United States of America, 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.

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 the Corporation are employees of the University or members of the University's Board of Trustees. The agreement between the University and the Corporation requires the University to pay all costs of the Corporation. Medical University Facilities Corporation 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. The corporation is a blended component unit since its only purpose is to provide financing services to the University. Medical University Facilities Corporation does not issue separate financial statements.

Pharmaceutical Education and Development Foundation of The Medical University of South Carolina (PEDF) was incorporated in September, 1994, 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's College of Pharmacy. If PEDF is dissolved, its assets will be transferred to the Health Sciences Foundation for the benefit of the College of Pharmacy, or if the College of Pharmacy is not in existence at that time, such assets will be transferred to the Health Sciences Foundation for the benefit of such other activities of the University as its Board of Trustees shall determine. PEDF is considered a component unit because it is fiscally dependent on the University. Any revenue distribution policy adopted by PEDF requires approval by the University's Board of Trustees. PEDF is a blended component unit since its purpose is to provide services almost entirely to the University. PEDF is considered a nongovernmental component unit since it does not meet the FASB/GASB definition of a governmental entity. None of the following characteristics of a governmental entity apply to PEDF: a) Organization is a public corporation; b) Organization is a body corporate and politic; c) A controlling majority of the members of the organization are elected or appointed by governmental officials; d) There is potential for unilateral dissolution by a government with the net assets reverting to the government; and e) The organization has the power to enact and enforce a tax levy. Copies of the separately issued financial statements of Pharmaceutical Education and Development Foundation can be obtained by sending a request to the following address: Health Sciences Foundation, 18 Bee Street, P.O. Box 250450, Charleston, SC 29425.

The University's component units, despite being 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, University Medical Associates, and Medical University Facilities Corporation are considered to be governmental entities that conduct business-type activities and their balances and transactions are blended with those of the primary entity and reported as if they were balances and transactions of the primary entity. However, because Pharmaceutical Education and Development Foundation is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements.

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 are presented as scholarship and fellowship expenses. All significant intrafund transactions and balances have been eliminated.

The University and its governmental component units apply all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, have elected to apply only those Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, and not in conflict with GASB standards.

Pharmaceutical Education and Development Foundation is deemed not to be a governmental entity because a controlling majority of its governing body is not appointed or approved by government officials. PEDF uses the accrual basis of accounting and has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations.* Under SFAS No. 117, PEDF is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

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

Investments and Investment Income

Investments are carried at fair value, principally based on quoted market prices. Authority investment income from unrestricted investments is reported as nonoperating revenues. Authority investment income from funds held by trustees under a related bond trust indenture, to the extent not capitalized, is reported as other operating 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. Management did not record an allowance for uncollectible accounts based on its analysis of the accounts.

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The University began receiving certain supplemental Medicaid payments during the year pursuant to an amendment to the South Carolina Medicaid Plan, approved by the US Department of Health and Human Services on September 20, 2002 to be effective retroactive to October 1, 2001, for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. As of June 30, 2003, the University has recorded a receivable from Medicaid of $11,215,209 that represents the supplemental Medicaid payment to be received for the period October 1, 2002 through June 30, 2003

The Authority and University Medical Associates 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 and the Authority are established based upon losses and adjustments experienced in prior years and evaluations of the current account portfolios. UMA calculates actual contractual adjustment write-offs and actual bad debt write-offs for the year as a percentage of gross charges processed during the year. These percentages are then applied to the accounts receivable balance to determine the ending allowance balances. Historically, this method has provided adequate allowances for both contractual adjustments and bad debts.

Inventories

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

Prepaid Items

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. 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. Amounts capitalized in fiscal year 2003 were $633,573 for the University and $2,799,416 for the Authority. 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 and improvements and land improvements and 3 to 20 years for machinery, equipment, and vehicles.

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded as accrued compensated absences in the statement of net assets and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets.

Deferred Revenues

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

Net Assets

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

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

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

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

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

Application of Restricted and Unrestricted Resources

The University policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.

Classification of Revenues

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

Operating revenues 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.

Medical University Facilities Corporation reports interest income as operating revenue because investing constitutes its principal ongoing operation.

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

Nonoperating revenues result from nonexchange transactions. These revenues include gifts and contributions, state appropriations, investment income (except for MUFC), and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

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 billed to the student and/or third parties making payments on behalf of the student.

Net Patient Service Revenue

The Authority and University Medical Associates 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 Shield) based upon a fee schedule they have developed for physician services. These insurers audit UMA's claims at various times during the year.

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from seminar fees, dental clinic services, pharmacy sales, and sales of other services. In fiscal year 2003, the University included in this category supplemental Medicaid payments received as reimbursement to providers associated with teaching hospitals and clinics.

Charity Care

The Authority and University Medical Associates 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 under Section 115(1) of the Internal Revenue Code, as amended. The Authority has applied for recognition as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code.

University Medical Associates is a not-for-profit organization as described in Internal Revenue Code Section 501(c)(3) and related income is exempt from federal income tax under Code Section 501(a). In the event that the UMA's taxable subsidiaries have taxable income from time to time, each company is responsible for its respective income tax.

Medical University Facilities Corporation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income under Code Section 501(a). MUFC has been classified by the Internal Revenue Service as other than a private foundation.

As a not-for-profit organization described in Internal Revenue Code Section 501(c)(3), Pharmaceutical Education and Development Foundation is exempt from federal income taxes on related income under Code Section 501(a). PEDF has been classified by the Internal Revenue Service as other than a private foundation and bases its tax-exempt status on the PEDF's support of the University.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Impairment of Long-lived Assets

Long-lived assets and certain identifiable intangibles of the Authority are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

2. DEPOSITS AND INVESTMENTS

All deposits and investments of the University are under the control of the State Treasurer, who, by law, has sole authority for investing State funds. Deposits and investments of the University's component units are not under the State Treasurer's control and are deposited with or invested by financial institutions or brokers.

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

	The University	The Authority	MUFC	UMA	PEDF
Statement of Net Assets:					
Current assets					
Cash and cash equivalents	$ 52,568,706	$ 18,277,039	$ -	$ 38,261,374	$ 327,167
Investments	-	-	-	1,050,270	-
Restricted assets					
Cash and cash equivalents	3,859,157	832,194	14,380,476	-	-
Investments	-	-	316,168	-	-
Noncurrent assets					
Cash and cash equivalents	-	8,197,077	-	-	-
Restricted assets					
Cash and cash equivalents	32,559,454	18,658,180	1,350,000	6,773,539	-
Investments	-	-	213,000	8,918,786	-
Total Statement of Net Assets	$ 88,987,317	$ 45,964,490	$ 16,259,644	$ 55,003,969	$ 327,167
Notes, Deposits and Investments plus reconciling items:					
Cash on hand	$ 58,580	$ 4,180	$ -	$ 24,445	$ -
Deposits held by State Treasurer	88,897,737	10,295,940	-	-	-
Other deposits	31,000	26,469,936	15,730,476	38,187,497	327,167
Investments	-	9,194,434	529,168	16,792,027	-
Total Notes plus reconciling items	$ 88,987,317	$ 45,964,490	$ 16,259,644	$ 55,003,969	$ 327,167

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2003, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Other Deposits

The governmental component units' other deposits are categorized as to credit risk as:

1. Insured or collateralized with securities held by the entity or by it's agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uninsured or uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name.

At June 30, 2003, other deposits were as follows:

	Category			Bank	Reported
	1	2	3	Balance	Amount
The University	$ —	$ —	$ 31,000	$ 31,000	$ 31,000
University Medical Associates	588,241	—	39,156,006	39,744,247	38,187,497
Medical University Facilities Corporation	—	—	15,730,476	15,730,476	15,730,476

The Authority's deposits of $26,469,936 at June 30, 2003, were classified as category 1.

As of June 30, 2003, University Medical Associates' balances included certificates of deposit with carrying amounts totaling $1,194,465 of which $994,465 serves as collateral for a loan of Lowcountry Real Property, LLC. The certificates of deposit are included in investments on the statement of net assets.

Pharmaceutical Education and Development Foundation maintains its cash accounts at one financial institution. All cash accounts are insured in aggregate by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. At June 30, 2003, PEDF's bank balances totaled $327,167, of which $100,000 was covered by FDIC.

Investments

The component units' investments are stated at fair value. Purchases and sales are accounted for on the transaction date. Bond discounts and premiums are amortized.

The investments are categorized as to credit risk as:

1. Insured or registered, or securities held by the entity or its agent in the entity's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

At June 30, 2003, the investment balances were as follows:

	Category			Not Subject to	
	1	2	3	Categorization	Fair Value
Medical University Hospital Authority					
U.S. Treasury obligations	$ 9,194,434	$ –	$ –	$ –	$ 9,194,434
University Medical Associates unrestricted					
Repurchase agreements	$ –	$ –	$ 249,432	$ –	$ 249,432
Mutual Funds	–	–	–	850,270	850,270
Total UMA investments unrestricted	$ –	$ –	$ 249,432	$ 850,270	$ 1,099,702
University Medical Associates restricted					
Federal Home Loan Bank Bonds	$ –	$ –	$ 3,563,936	$ –	$ 3,563,936
Municipal Bonds	–	–	5,354,850	–	5,354,850
Money Market Funds	–	–	–	6,773,539	6,773,539
Total UMA investments restricted	$ –	$ –	$ 8,918,786	$ 6,773,539	$ 15,692,325

UMA makes overnight investments in repurchase agreements and the balance invested depends on daily cash collections. Due to higher cash flows at certain times during the year, UMA's investment in overnight repurchase agreements, for which the underlying securities were held by the dealer, increased significantly. As a result, the amounts that were in category 3 at those times were substantially higher than at year end.

For Medical University Facilities Corporation legally authorized investments include government and government agency obligations; deposits that are fully insured by FDIC; short-term bank obligations, repurchase agreements, various debt obligations, money market funds, and other securities meeting certain requirements; and investment contracts satisfactory to Standard and Poor's. Medical University Facilities Corporation's investments consist of investment agreements under which they are to be paid interest with guaranteed rates from 5.78% to 6.2% and open ended maturity dates. These investments are not subject to credit risk categorization and their fair value is not readily determinable. As of June 30, 2003, the MUFC investments included the $213,000 restricted debt service reserve fund.

Investments in Partnerships

UMA accounts for investments in partnerships either by the cost or equity method. If UMA is a 20% or more owner and exercises significant influence over the partnership, then UMA records the investment under the equity method, whereby UMA's percentage of the net profit/loss increases or decreases the investment and the gain/loss is reported in the Statement of Revenues, Expenses and Changes in Net Assets. If UMA owns less than 20% 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., a blended component unit of UMA, entered into a partnership with several physicians and medical practices by purchasing a 35% interest in Lowcountry Medical Group of Beaufort County, LLC (LCMG). UMA's ownership interest increased to 36.76% due to members exiting LCMG during the year ended June 30, 2000. Also during fiscal year ended June 30, 2000, the members of LCMG invested in Lowcountry Real Property, L.L.C. (LCRP), which reflected the same proportionate ownership as LCMG and holds title to all real estate occupied by LCMG. The operating agreements of LCMG and LCRP state that all powers to control normal operations are exercised exclusively by the managers except for veto authority over certain transactions affecting the acquisition and disposition of significant assets or changes to the members of each partnership. CPCP is prohibited from serving as a manager. Due to this limited ability to influence normal operations of these entities, the investments are carried on the cost method with all distributions reported as investment income. UMA's investment in the partnership at June 30, 2003, is $2,733,758 and $888,719 for LCMG and LCRP, respectively. For the year ended June 30, 2003, distributions received and reported as investment income were $173,479 for LCMG.

On November 14, 2000, Carolina Family Care, Inc. (CFC) entered into a partnership with Hilton Head Internists, L.L.C. to form Hilton Head Cardiac Diagnostics, L.L.C. (HHCD) to provide cardiac diagnostic services. HHCD did not begin operations until January 2001. CFC is a 50 percent owner. This investment is reported on the equity method with all changes in equity reported as either a return of capital or investment income. At June 30, 2003, UMA's investment is $13,013 and for the year ended June 30, 2003, UMA's share of HHCD's net loss is $134.

3. RECEIVABLES

Receivables at June 30, 2003, including applicable allowances, were as follows:

	The University	The Authority	MUFC	UMA
Student accounts	$ 645,838	$ -	$ -	$ -
Patient accounts	-	106,744,737	-	51,510,298
Less allowances for:				
Contractual adjustments	-	-	-	(29,420,794)
Uncollectibles	-	(30,200,000)	-	(3,603,843)
Federal grants and contracts	15,887,549	-	-	-
State grants and contracts	1,526,033	-	-	-
Nongovernmental grants and contracts	2,620,912	-	-	-
Interest	656,884	-	7,177	-
Student loans, current portion	28,256	-	-	-
Due from MUSC Foundation for Research Development	1,484,703	-	-	-
Due from Health Sciences Foundation	1,224,867	-	-	-
Due from Medicaid	11,215,209	-	-	-
Other	486,016	3,253,720	-	23,294
Receivables, net	$ 35,776,267	$ 79,798,457	$ 7,177	$ 18,508,955

4. RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2003, were as follows:

Asset/Restricted for	The University	The Authority	MUFC	UMA
Current:				
Cash and cash equivalents:				
Debt service	$ 3,859,157	$ 832,194	$ 14,380,476	$ -
Investments:				
Debt service	$ -	$ -	$ 316,168	$ -
Noncurrent:				
Cash and cash equivalents:				
Debt service	$ 712,635	$ 18,658,180	$ 1,350,000	$ 6,773,539
Capital projects	28,594,413	-	-	-
Student loan programs	2,327,067	-	-	-
Endowments	925,339	-	-	-
Total cash and cash equivalents	$ 32,559,454	$ 18,658,180	$ 1,350,000	$ 6,773,539
Investments and accrued interest				
Debt service	$ -	$ -	$ 213,000	$ 9,007,138
Student loans receivable:				
Student loan programs	$ 12,040,918	$ -	$ -	$ -

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
The University				
Capital assets not being depreciated				
Land	$ 13,536,329	$ -	$ -	$ 13,536,329
Construction in progress	33,951,215	31,730,542	(6,999,251)	58,682,506
Total capital assets not being depreciated	47,487,544	31,730,542	(6,999,251)	72,218,835
Other capital assets				
Depreciable land improvements	5,410,844	2,193	-	5,413,037
Buildings and improvements	217,237,146	4,143,743	(11,254)	221,369,635
Machinery and equipment	58,186,674	8,937,279	(3,054,104)	64,069,849
Vehicles	3,802,857	367,001	(108,359)	4,061,499
Total other capital assets at historical cost	284,637,521	13,450,216	(3,173,717)	294,914,020
Less accumulated depreciation for				
Depreciable land improvements	(3,772,234)	(187,695)	-	(3,959,929)
Buildings and improvements	(101,518,987)	(7,799,142)	12,004	(109,306,125)
Machinery and equipment	(37,276,663)	(3,557,607)	2,673,342	(38,160,928)
Vehicles	(3,298,629)	(409,055)	138,828	(3,568,856)
Total accumulated depreciation	(145,866,513)	(11,953,499)	2,824,174	(154,995,838)
Other capital assets, net	138,771,008	1,496,717	(349,543)	139,918,182
University Capital assets, net	186,258,552	33,227,259	(7,348,794)	212,137,017
Medical University Hospital Authority				
Capital assets not being depreciated				
Land and land improvements	3,269,980	-	-	3,269,980
Construction in progress	28,975,639	24,917,630	(4,749,517)	49,143,752
Total capital assets not being depreciated	32,245,619	24,917,630	(4,749,517)	52,413,732
Other capital assets				
Buildings and improvements	186,205,565	4,749,517	-	190,955,082
Machinery and equipment	121,772,840	28,371,765	(3,161,243)	146,983,362
Vehicles	1,088,944	-	-	1,088,944
Total other capital assets at historical cost	309,067,349	33,121,282	(3,161,243)	339,027,388
Less accumulated depreciation for				
Buildings and improvements	(90,011,922)	(6,082,648)	-	(96,094,570)
Machinery and equipment	(69,067,836)	(11,229,477)	2,828,539	(77,468,774)
Vehicles	(998,871)	(52,562)	-	(1,051,433)
Total accumulated depreciation	(160,078,629)	(17,364,687)	2,828,539	(174,614,777)
Other capital assets, net	148,988,720	15,756,595	(332,704)	164,412,611
Hospital Authority capital assets, net	181,234,339	40,674,225	(5,082,221)	216,826,343
University Medical Associates				
Capital assets not being depreciated				
Land	-	-	-	-
Construction in progress	158,004	201,407	(158,004)	201,407
Total capital assets not being depreciated	158,004	201,407	(158,004)	201,407
Other capital assets				
Buildings and improvements	58,588,722	396,248	(412,896)	58,572,074
Machinery and equipment	9,855,856	273,245	(860,655)	9,268,446
Intangible assets	3,589,933	104,976	(508,643)	3,186,266
Total other capital assets at historical cost	72,034,511	774,469	(1,782,194)	71,026,786
Less accumulated depreciation for				
Buildings and improvements	(13,108,744)	(1,850,857)	212,407	(14,747,194)
Machinery and equipment	(3,970,291)	(1,331,017)	701,030	(4,600,278)
Intangible assets	(1,459,962)	(528,204)	316,143	(1,672,023)
Total accumulated depreciation	(18,538,997)	(3,710,078)	1,229,580	(21,019,495)
Other capital assets, net	53,495,514	(2,935,609)	(552,614)	50,007,291
University Medical Associates capital assets, net	53,653,518	(2,734,202)	(710,618)	50,208,698
Grand total	$ 421,146,409	$ 71,167,282	$ (13,141,633)	$ 479,172,058

The gain (loss) on disposal of assets consisted of the following:

	The University	UMA
Gain on disposal	$ 233,683	$ 11,473
Loss on disposal	(270,241)	(510,689)
Net gain (loss) on disposal	$ (36,558)	$ (499,216)

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.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2001, the employer contribution rate became 10.4 percent, which included a 2.85 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2003, 2002, and 2001, were approximately $6,849,000, $6,786,000, and $6,865,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. The Authority’s contribution to SCRS for the years ending June 30 2003, 2002 and 2001 were approximately $16,500,000, $14,500,000 and $9,733,000, respectively. Also, the University paid employer group-life insurance contributions of approximately $136,000 in the current fiscal year at the rate of .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 firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2001, the employer contribution rate became 13.15 percent which, as for the SCRS, included the 2.85 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2003, 2002, and 2001, were approximately $161,000, $156,000, and $177,000, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of $3,124 and accidental death insurance contributions of $3,124 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

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

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 2.85 percent from the employer.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately $3,733,000 (excluding the surcharge) from the University as employer and $2,966,000 from its employees as plan members. Also, the University paid employer group-life insurance contributions of approximately $74,000 in the current fiscal year. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows active members of the South Carolina Retirement System who are eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for a program period of up to five years. The length of the program period must be specified by the employee prior to retirement. Each participant is 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. The University recorded expenses of approximately $994,000 for lump-sum vacation leave payments to its employees retiring under TERI in fiscal year 2003.

Component Unit Pension Plans

Effective July 1, 2002, the Authority established and began sponsoring a profit sharing plan and trust titled the Special Healthcare Alternative Retirement Plan (SHARP). The SHARP is qualified under Section 401(a) of the Internal Revenue Code. Certain employees, as defined in the SHARP, are eligible to participate at the commencement of employment. Contributions by the Authority to the plan are discretionary and vest ratably over four years after two years of service. Contributions by the Authority in fiscal 2003 totaled approximately $192,000.

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 $11,000 of eligible compensation. The Authority does not match employee contributions.

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 plans. Current year contributions are based upon a four-tier percentage determined by the participant’s compensation as follows: (a) eight percent of compensation up to $40,000; (b) twelve percent of compensation from $40,001 to $80,000; (c) twenty-five percent of compensation from $90,001 to $150,000; and (d) twenty-nine percent for compensation from $150,001 to $200,000. The maximum annual contribution per participant is $40,000. Participants become fully vested in their accounts after five years of credited service. Total contributions to this plan totaled approximately $9,090,000 in fiscal year 2003. 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.

Effective July 1 2002, employees of Carolina Primary Care Physicians and Carolina Health Management Services are no longer participants in the UMA defined contribution pension plan. A deferred compensation plan under Internal Revenue Code Section 401(k) has been established which allows employees to defer up to $12,000 of compensation annually. The employer makes safe-harbor contributions for all employees of three percent of compensation up to $200,000. A separate employer contribution of five percent of compensation up to $200,000 is made for all non-physician employees. All employee and employer safe-harbor contributions are 100% vested at the time of contribution. The five percent non-physician employer contribution contributions vest ratably over a five year period. Total employer contributions to this plan for the fiscal year ending June 30, 2003 were $189,576.

7. POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

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

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University and the Authority for their active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The University recorded compensation and benefits expense for these insurance benefits for active employees in the approximate amount of $12,926,000 for the year ended June 30, 2003. The University paid approximately $2,258,000 applicable to the 2.85 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

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

UMA and its component units have established an employee benefit plan to self-insure employees for health, accident, and dental expenses. Life insurance benefits are insured through commercial insurance companies. 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, 2003 was $448,675. This amount is included under the caption “other accrued liabilities” on the Statement of Net Assets.

UMA provides post-retirement health and dental care benefits for retirees and their dependents. Substantially all employees who retire under the pension plan at age 60 and have 10 years of credited service are eligible to continue their coverage by paying the current employee premiums under the plan. UMA’s self-insured health and dental plan provides the coverage for those benefits.

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 $11,000 of eligible compensation. The Authority does not match employee contributions.

9. COMMITMENTS, CONTINGENCIES AND LITIGATION

The various federal programs administered by the University for fiscal year 2003 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 affect on the financial positions of the entities.

The University had outstanding commitments related to capital projects of approximately $53,600,000 at June 30, 2003. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, and state capital improvement bond proceeds. Capital improvement 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, 2003 of approximately $14,700,000. In fiscal year 2003, the University received $2,341,207 of capital improvement bond proceeds.

The Authority’s construction in progress consists primarily of costs associated with medical center access, children’s hospital and operating room renovations. The estimated total remaining costs to complete at June 30, 2003 are approximately $14,300,000. These projects are planned for completion at various dates through fiscal year 2004. The Authority also intends to begin construction of certain new hospital facilities in the spring of 2004, subject to acceptable finalization of related plans for financing, a certificate of need, and the lease of necessary land. This project is planned for completion in fiscal 2007 and is currently estimated to cost approximately $240,000,000.

On June 28, 2003, the Authority renewed its agreement with a commercial bank for working capital lines of credit totaling approximately $24,500,000 (bank lines). Advances under the bank lines bear interest at approximately 88% of Adjusted 30-day London Interbank Offered Rate (LIBOR), as defined, and are due on demand. The bank lines are secured by gross revenues (as defined) of the Authority. The security interest of the bank lines is subordinate to the security interest of the Series 2002A Revenue Bonds. No amounts were outstanding under these facilities at June 30, 2003, and the Authority anticipates that it will renew these credit facilities with similar terms and conditions in December 2003.

Carolina Family Care, Inc. and Carolina Primary Care Physicians, PA, component units of UMA, have signed corporate guarantees with a financial institution for a portion of the $7,729,000 mortgage debt of Lowcountry Real Property, LLC. This corporate guarantee is based upon 50% of CPCP's equity in the partnership times the outstanding principal balance of the mortgage up to a maximum $1,502,863. CFC and CPCP are jointly and severally liable for this amount should LCRP default on its obligation.

Carolina Family Care, Inc. and Carolina Primary Care Physicians, PA have entered into an agreement with Hilton Head Medical Center (HHMC), a Tenet hospital, to develop a program to provide twenty-four hour cardiac care services to the patients of HHMC. The agreement is for a period of five years with a renewal option for an additional three years. Either party may terminate the agreement after one year with a four month written notice. Maximum annual compensation to CFC is $500,000 based upon hours of service provided in various clinical areas. Total revenue recognized under this contract for the year ended June 30, 2003 was $351,567.

UMA has entered into a contract with IDX Information Systems Corporation to replace its non-integrated patient registration and billing systems at an estimated cost of $1.5 million. The project began in June 2003 and will be completed in approximately one year.

PEDF has been named in a lawsuit claiming wrongful termination filed by its former Chief Executive Officer. PEDF has answered the complaint and filed a counterclaim asserting breach of fiduciary duty. The parties have engaged in extensive discovery, but have failed to reach a settlement agreement. PEDF is vigorously defending the litigation and asserting the counterclaim and expects the case to be called for trial before the end of 2003. The plaintiff is claiming damages in excess of $300,000.

PEDF is named in a lawsuit by its insurance company as to whether a policy issued by the company applies to claims against PEDF in the above mentioned lawsuit.

In an agreement dated July 1, 2001, PEDF sold substantially all of its assets and transferred certain liabilities to a company for a base price of $875,000 plus contingent payments over a five years based on the buyer's revenues from the facilities purchased. For the year ended June 30, 2003, the earn-out amount was $0. During the year ended June 30, 2003, PEDF negotiated an additional $100,000 relating to the prior fiscal year.

10. PAYABLES AND ACCRUED LIABILITIES

	The University	The Authority	MUFC	UMA
Accounts payable	$ 12,015,185	$ 19,814,807	$ -	$ 1,601,747
Advances	-	-	-	7,000,000
Retainages	122,185	832,194	-	-
Accrued payroll and related liabilities	5,039,578	24,247,954	-	3,784,044
Accrued interest	1,054,165	2,612,904	733,487	278,663
Other	-	75,211	-	-
	$ 18,231,113	$ 47,583,070	$ 733,487	$ 12,664,454

UMA received non-interest bearing advances from a major third party insurance carrier that were secured by claims for reimbursement against the carrier. These advances total $7,000,000 as of June 30, 2003. Repayment was made in July, 2003.

11. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2003, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
University					
General obligation bonds payable	$ 40,640,000	$ 8,000,000	$ (2,090,000)	$ 46,550,000	$ 2,565,000
Revenue bonds payable	2,680,000	-	(525,000)	2,155,000	2,155,000
Capital leases payable	230,689	954,012	(324,070)	860,631	281,806
Compensated absences payable	19,004,496	10,183,229	(10,175,062)	19,012,663	10,175,062
Total University long-term liabilities	62,555,185	19,137,241	(13,114,132)	68,578,294	15,176,868
Retainages payable	440,878	1,167,065	(171,448)	1,436,495	122,185
Interfund payables	24,812,087	13,500,000	(14,850,722)	23,461,365	2,507,421
Federal loan program liability	11,541,505	515,530	(54,532)	12,002,503	-
Total University noncurrrent liabilities	99,349,655	34,319,836	(28,190,834)	105,478,657	17,806,474
Medical University Hospital Authority					
Notes payable	16,966,912	-	(4,085,085)	12,881,827	489,509
Revenue bonds payable	102,835,000	-	-	102,835,000	-
Capital leases payable	9,844,781	22,113,753	(3,792,682)	28,165,852	6,970,457
Subtotal	129,646,693	22,113,753	(7,877,767)	143,882,679	7,459,966
Less unamortized bond discount and deferred refunding costs on revenue bonds payable	(6,459,551)	-	587,879	(5,871,672)	-
Total Authority noncurrent liabilities	123,187,142	22,113,753	(7,289,888)	138,011,007	7,459,966
Medical University Facilities Corporation					
Revenue bonds payable	11,263,000	-	(444,000)	10,819,000	478,000
Certificates of participation payable	14,300,000	-	(775,000)	13,525,000	13,525,000
Notes payable	-	13,500,000	-	13,500,000	1,000,000
Total MUFC noncurrent liabilities	25,563,000	13,500,000	(1,219,000)	37,844,000	15,003,000
University Medical Associates					
Notes payable	88,432	-	(44,077)	44,355	44,355
Direct note obligations	98,400,000	-	(1,400,000)	97,000,000	2,450,000
Interest rate swap liability	1,682,986	-	(77,083)	1,605,903	77,083
Capital leases payable	1,720,951	51,623	(636,458)	1,136,116	556,752
Structured legal settlement	2,520,000	-	(840,000)	1,680,000	840,000
Compensated absences payable	3,005,890	-	(878,282)	2,127,608	1,276,565
Subtotal	107,418,259	51,623	(3,875,900)	103,593,982	5,244,755
Less deferred refunding costs on direct note obligations	(1,096,453)	-	49,941	(1,046,512)	(49,942)
Total UMA noncurrent liabilities	106,321,806	51,623	(3,825,959)	102,547,470	5,194,813
Grand total	$ 354,421,603	$ 69,985,212	$ (40,525,681)	$ 383,881,134	$ 45,464,253

12. BONDS, NOTES, AND CERTIFICATES OF PARTICIPATION PAYABLE

Bonds Payable

At June 30, 2003, the University's bonds payable consisted of the following:

	Interest Rates	Maturity Dates	Balance June 30, 2003
State Institution Bonds			
1991 C series dated 5/17/91	6%	03/01/06	$ 1,200,000
1992 A series dated 5/1/92	5.9 - 6%	03/01/07	2,310,000
1996 A series dated 7/1/96	4.8 – 5.4%	03/01/11	2,110,000
2000 series dated 4/1/00	4.8 – 6.25%	03/01/20	26,025,000
2001 C series dated 12/01/01	4.25 – 5%	12/01/16	6,905,000
2003 D series dated 1/1/03	3.3 – 4.4%	01/01/18	8,000,000
Total state institution bonds			46,550,000
Parking Facilities Revenue Bonds			
1986 series dated 12/3/86	7.1 – 7.375%	07/01/06	2,155,000
Total			$ 48,705,000

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 requirements for the payment of principal and interest on state institution bonds. S.C. Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees for the preceding year were $11,521,013 which results in a legal debt margin at June 30, 2003, of $10,368,912. The debt service payments for the year ended June 30, 2003, were $4,207,345.

Parking fees, except on the Harborview Tower parking facility, paid to the University are pledged for the payment of principal and interest on parking facilities revenue bonds. The parking facilities revenue bonds series 1986 require the University to provide net revenues available for debt service of not less than 120% of the debt service payments to become due in each bond year beginning with the bond year beginning July 1, 1987. In addition, the University must establish and maintain various funds with the State Treasurer for payment of principal and interest for its parking revenue bonds. The bonds were redeemed on July 1, 2003.

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

Year ending June 30,	Principal	Interest	Total
2004	$ 2,565,000	$ 2,300,765	$ 4,865,765
2005	2,705,000	2,163,043	4,868,043
2006	2,920,000	2,017,548	4,937,548
2007	3,005,000	1,858,371	4,863,371
2008	2,630,000	1,703,143	4,333,143
2009 - 2013	14,035,000	6,626,615	20,661,615
2014 - 2018	14,700,000	3,213,409	17,913,409
2019 - 2020	3,990,000	329,140	4,319,140
Total	$ 46,550,000	$ 20,212,034	$ 66,762,034

Total principal payments on bonds for the year ended June 30, 2003 were $2,615,000. Total interest expense relating to bonds payable for the year ended June 30, 2003 was $2,399,425.

Hospital Facilities Refunding Revenue Bonds Payable

At June 30, 2003, the Authority's hospital facilities refunding revenue bonds payable consisted of the following:

	Interest Rates	Maturity Dates	Balance June 30, 2003
2002A series dated 6/27/02	5.6 – 6.5%	08/15/32	$ 102,835,000
Unamortized bond discounts and deferred losses on bond refunding			(5,871,672)
Total			$ 96,963,328

On June 27, 2002, the Authority issued $102,835,000 of Series 2002A Hospital Facilities Refunding Revenue Bonds (2002A Refunding Bonds) at a discount of $1,434,742. The net bond proceeds, as well as monies from the Series 1990A, 1990B, 1993 and 1999 Hospital Facilities Revenue trusteed accounts, were used to defease all prior outstanding Hospital Facilities Revenue Bonds (totaling $96,540,000) through the establishment of a related irrevocable trust for that purpose, to fund trusteed accounts in accordance with the related indenture agreement and to pay certain costs of issuance related to the bonds.

Bond proceeds from the 2002A Refunding Bonds were used to currently refund the Series 1990A and 1990B bonds, defease the Series 1993 bonds, advance refund the Series 1999 bonds and refund all related accrued interest thereon. U.S. government securities were deposited in an irrevocable trust to provide for the debt service of the various bonds payable and, therefore, all amounts related to such bonds have been removed from the Authority's balance sheet. The deposits in trust will be used to: (1) pay the scheduled principal and interest payments due July 2002 on the currently refunded Series 1990A and 1990B bonds and to redeem the remaining aggregate principal amount of $19,990,000 along with accrued interest during August 2002; (2) pay all scheduled principal and interest payments due on the defeased Series 1993 bonds through July 2013, and; (3) pay all scheduled principal and interest payments due on the advance refunded Series 1999 bonds through July 2009, at which time the remaining principal amount of $35,890,000, along with accrued interest and a redemption premium of 1%, will be paid.

The entire 2002 refunding transaction resulted in a deferred loss on refunding of $5,024,809, which will be amortized to expense through 2032 using the interest method. The deferred loss is related entirely to the in-substance defeasance of bonds payable.

The Series 2002A Refunding Bonds are secured by the unrestricted revenues (as defined) of the Authority and certain trusteed funds. Finally, related bond agreements subject the Authority to financial and nonfinancial covenants customary for such agreements. On November 13, 2003, the Authority received written confirmation from its bond trustee that an event of noncompliance during fiscal year 2003 had been cured.

The scheduled maturities of the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ –	$ 6.525.681	$ 6.525.681
2005	–	6,525,681	6,525,681
2006	–	6,525,682	6,525,682
2007	–	6,525,681	6,525,681
2008	–	6,525,681	6,525,681
2009 – 2013	2,450,000	32,554,906	35,004,906
2014 – 2018	14,735,000	29,776,854	44,511,854
2019 – 2023	20,085,000	24,431,594	44,516,594
2024 – 2028	27,550,000	16,969,419	44,519,419
2029 – 2033	38,015,000	6,497,563	44,512,563
Total	$ 102,835,000	$ 142,858,742	$ 245,693,742

Lease Revenue Bonds Payable

On September 20, 1995, Medical University Facilities Corporation issued lease revenue bonds series 1995A in the amount of $12,729,000 and series 1995B 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. Medical University Facilities Corporation paid $444,000 in principal and incurred $822,901 in interest expense on these bonds for the year ended June 30, 2003.

The scheduled maturities of the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 478,000	$ 797,491	$ 1,275,491
2005	513,000	761,201	1,274,201
2006	554,000	722,228	1,276,228
2007	595,000	680,200	1,275,200
2008	640,000	635,042	1,275,042
2009 – 2013	4,008,000	2,368,219	6,376,219
2014 – 2016	4,031,000	645,401	4,676,401
Total	$ 10,819,000	$ 6,609,782	$ 17,428,782

Certificates of Participation Payable

Medical University Facilities Corporation issued certificates of participation dated December 1, 1991, in the amount of $19,740,000 for the purpose of acquiring Harborview Office Tower and the adjacent parking garage. MUFC paid $775,000 in principal and incurred $1,020,153 in interest expense for the year ended June 30, 2003, on the certificates of participation payable. The certificates were redeemed on July 1, 2003 using proceeds of Tax-Exempt Adjustable Mode Economic Development Revenue Bonds issued by the South Carolina Jobs – Economic Development Authority.

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 HSF. 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 HSF of $37 million, pay off a bank line of credit of $9 million, provide working capital of $1.3 million, establish a debt service reserve of $5.5 million, and pay issue costs of $2.2 million. Of the $10.85 million outstanding at year end, $9.45 million is covered by a swap agreement, which effectively fixed the interest rate at 6.82%. Forty-three point six million of these obligations were refunded through the issuance of Series 1999B SAVRS.

The $40 million Series 1997 SAVRS proceeds were use to finance the cost of improving, renovating and equipping Rutledge Tower, the property leased from HSF. Of these proceeds, $35.4 million was used for leasehold improvements, $3.4 million funded a debt service reserve fund, and $1.2 million went to the cost of issuance. Thirty-four point forty five million of these obligations were refunded through the issuance of the Series 1999A SAVRS. The remaining outstanding balance of $5.25 million at year end is not covered by a swap agreement and subject to market fluctuations.

A variable rate of interest accrues on each issue based upon a re-issuing 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.

The Direct Note Obligations are subject to optional redemption at the option of the issuer on the second business day immediately pre-ceding the regular interest payment date at 100% of the principal amount thereof plus accrued and unpaid interest. Payment of the principal and interest on the direct note obligations is insured under a bond insurance policy. The insurance policy will pay any remaining balance after debt service reserve funds are exhausted.

Direct Note Obligations, Series 1994, 1997, 1999A and 1999B Select Auction Variable Rate Securities outstanding at June 30, 2003, were $97,000,000. Debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 2,450,000	$ 5,833,183	$ 8,283,183
2005	1,900,000	5,687,199	7,587,199
2006	2,400,000	5,567,706	7,967,706
2007	2,500,000	5,419,344	7,919,344
2008	2,650,000	5,266,332	7,916,332
2009 – 2013	16,500,000	23,586,397	40,086,397
2014 – 2018	19,750,000	17,899,818	37,649,818
2019 – 2023	30,900,000	10,852,003	41,752,003
2024 – 2027	17,950,000	2,008,115	19,958,115
Total	$ 97,000,000	$ 82,120,097	$ 179,120,097

The obligation is collateralized by unrestricted receivables and leasehold property leased from Health Sciences Foundation. Under the terms of the Master Trust Agreement, interest, sinking, and debt service reserve funds were established with the master trustee and will be maintained as long as the obligations remain outstanding. The agreement, among others, 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, 2003, UMA believes it is in compliance with all significant requirements under the Master Trust Agreement.

UMA has entered into interest rate swap agreements to modify interest rates on a portion of its Series 1994, and all of the 1999A and 1999B direct note obligations 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. These agreements were required by the municipal bond insurance company MBIA, at a time when UMA was experiencing operating losses.

The SAVRS and related swap 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, 2003 are as follows: Series 1994 SAVRS - $9.4 million; Series 1999A SAVRS - $37.55 million; and Series 1999B - $43.35 million, which agrees to the principal outstanding under the various issues except Series 1994, which has outstanding principal of $10.85 million. Under the swap agreements, UMA pays the counterparty a fixed interest payment of 6.82% on the 1994 and 1999A SAVRS and 5.82% on the 1999B SAVRS and receives a variable payment based upon the auction rate determined every 35 days. The variable rates in effect at June 30, 2003 were 1.31% for the 1994 SAVRS, .995% for the 1999A SAVRS and .95% for the 1999B SAVRS. On May 1, 2000, these swap agreements were amended to mitigate adverse income tax consequences to the counterparty 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 recorded as deferred revenue and is being amortized as a reduction of interest expense over the terms of the related obligations on the straight-line method. For the year ended June 30, 2003, 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 of ($3,433,486) of the 1994 SAVRS, ($13,039,638) for the 1999A SAVRS, and ($11,220,572) for the 1999B SAVRS as of June 30, 2003. Because the interest payments on UMA's variable 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 Investor's 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.

Using rates in effect as of June 30, 2003, aggregate debt service requirement of variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt interest payments and net swap payments will vary.

Year Ending June 30,	SAVRS Principal	SAVRS Interest	Swap Payment, Net	Total Debt Service
2004	$ 2,350,000	$ 906,368	$ 4,803,722	$ 8,060,090
2005	1,750,000	883,720	4,682,467	7,316,187
2006	2,300,000	865,201	4,584,066	7,749,267
2007	2,350,000	842,239	4,460,748	7,652,987
2008	2,450,000	818,455	4,334,298	7,602,753
2009 – 2013	15,550,000	3,667,815	19,402,386	38,620,201
2014 – 2018	18,500,000	2,784,039	14,695,698	35,979,737
2019 – 2023	28,900,000	1,687,765	8,888,676	39,476,441
2024 – 2027	16,200,000	312,859	1,615,782	18,128,641
Total	$ 90,350,000	$ 12,768,461	$ 67,467,843	$ 170,586,304

Notes Payable

The Authority has a promissory note payable to Charleston County for the purchase of hospital property and equipment, payable in varying amounts through May 2021 with semiannual interest payments at a rate of 5.1%. The note is secured by the pledged revenue (as defined) of the Authority. The security interest of the note is subordinate to the security interest of the Series 2002A refunding bonds. The scheduled maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 489,509	$ 650,344	$ 1,139,853
2005	508,832	624,645	1,133,477
2006	528,155	597,931	1,126,086
2007	547,477	570,203	1,117,680
2008	571,094	547,757	1,118,851
2009 – 2013	3,237,630	2,333,349	5,570,979
2014 – 2018	4,051,333	1,432,055	5,483,388
2019 – 2021	2,947,797	314,703	3,262,500
Total	$ 12,881,827	$ 7,070,987	$ 19,952,814

On June 28, 2003, the Authority renewed its agreement with a commercial bank for working capital lines of credit totaling approximately $24,500,000 (bank lines). Advances under the bank lines bear interest at approximately 88% of Adjusted 30-day London Interbank Offered Rate (LIBOR), as defined, and are due on demand. The bank lines are secured by gross revenues (as defined) of the Authority. The security interest of the bank lines is subordinate to the security interest of the Series 2002A Revenue Bonds. No amounts were outstanding under these facilities at June 30, 2003, and the Authority anticipates that it will renew these credit facilities with similar terms and conditions in December 2003.

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 maturing 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 trusteed 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, 2003, was $13,500,000 and the variable rate in effect at that date was 1.07 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, 2003, the swap had a negative fair value of ($126,117). 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.

As of June 30, 2003, 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, variable rate interest payments and the net swap payment will vary.

Year ending June 30,	Variable-Rate Notes Principal	Variable-Rate Notes Interest	Interest Rate Swaps, Net	Total
2004	$ 1,000,000	$ 88,959	$ 191,491	$ 1,280,450
2005	1,000,000	133,621	287,727	1,421,348
2006	1,050,000	122,932	264,528	1,437,460
2007	1,095,000	111,707	240,458	1,447,165
2008	1,145,000	100,002	215,261	1,460,263
2009 - 2013	8,210,000	305,458	657,553	9,173,011
Total	$ 13,500,000	$ 862,679	$ 1,857,018	$ 16,219,697

University Medical Associates has two notes payable collateralized by various medical equipment. These notes mature May 1, 2004, and require sixty monthly payments of $4,097 which includes interest at 8%. The scheduled maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 44,355	$ 716	$ 45,071

UMA entered into a structured legal settlement of $5,200,000 with the United States of America dated April 4, 2000 for damages in connection with a lawsuit brought under the False Claims Act. A $1,000,000 principal payment was paid during the year ended June 30, 2000. The remainder of the settlement is payable in five equal annual installments of $840,000 plus interest at 5% on each anniversary date of the settlement agreement. The scheduled maturities are as follows at June 30, 2003:

Year Ending June 30,	Principal	Interest	Total
2004	$ 840,000	$ 84,000	$ 924,000
2005	840,000	42,000	882,000
Total	$ 1,680,000	$ 126,000	$ 1,806,000

University Medical Associates has a line of credit shared by two financial institutions with a maximum borrowing limit of $15,500,000 which UMA draws on for working capital. The line of credit is allocated sixty percent to one financial institution and forty percent to the other and bearing interest at the 30 day LIBOR rate plus 2.75%. All advances, payments, and fees must be allocated between the financial institutions according to the ratios indicated. The agreement expires on January 31, 2004, and the obligations are collateralized by the unrestricted receivables of UMA. There was a total of $15,500,000 outstanding as of June 30, 2003.

	Beginning Balance	Increases	Decreases	Ending Balance
Line of Credit	$ 14,624,612	$ 15,500,000	$ 14,624,612	$ 15,500,000

PEDF has an interest free loan payable to the Health Sciences Foundation for advances in prior years of working capital. At June 30, 2003, the balance of the loan was $5,362,792. Provisions of this debt call for voting board seats and conversion to equity rights.

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, 2003, were as follows:

Year Ending June 30	Capital Leases with Component Unit	Capital Leases with External Parties	Operating Leases with Component Unit	Operating Leases with External Parties
2004	$ 2,558,119	$ 323,474	$ 50,685	$ 733,141
2005	2,699,018	253,238	-	468,841
2006	2,715,130	190,164	-	355,598
2007	2,724,835	185,896	-	326,938
2008	2,737,933	2,351	-	-
2009 - 2013	15,561,361	-	-	-
2014 - 2017	4,155,679	-	-	-
Total minimum lease payments	33,152,075	955,123	$ 50,685	$ 1,884,518
Less interest	(10,165,078)	(94,492)		
Present value of minimum lease payments	$ 22,986,997	$ 860,631		

The capital leases with component unit are reported on the statement of net assets as due to other funds (current portion) and interfund payables (noncurrent portion).

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, 2003, were as follows:

Year Ending June 30	Capital Leases with External Parties	Operating Leases with Component Units	Operating Leases with External Parties
2004	$ 8,139,365	$ 1,543,393	$ 210,945
2005	7,112,457	1,207,363	132,622
2006	6,966,973	679,212	103,332
2007	5,858,741	266,316	68,976
2008	2,914,463	190,737	-
Total minimum lease payments	30,991,999	$ 3,887,021	$ 515,875
Less interest	(2,826,147)		
Present value of minimum lease payments	28,165,852		
Less current portion	(6,970,457)		
Long term portion	$ 21,195,395		

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 financial institutions as trustee under 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.

The following is a summary of the carrying value of assets held under capital leases at June 30, 2003:

	Capital leases with component units	Capital leases with external parties
Equipment	$ –	$1,105,691
Land	2,335,580	–
Buildings	45,727,801	–
Total	48,063,381	1,105,691
Less accumulated amortization	(14,899,776)	(105,396)
Total assets acquired under capital leases, net	$ 33,163,605	$ 1,000,295

Authority equipment with original cost totaling approximately $37,000,000 and related accumulated amortization of approximately $6,100,000 is held under the Authority capital leases.

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

Following is an analysis of the leased property under capital leases at June 30, 2003:

	Capitalized Costs	Accumulated Depreciation	Net Book Value
Leasehold improvements	$ 374,798	$ 18,419	$ 356,379
Computers and equipment	3,243,456	2,282,395	961,061
Total	$ 3,618,254	$ 2,300,814	$ 1,317,440

Included in depreciation expense for the year ended June 30, 2003, was $636,630 for these capital leases.

The future UMA minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2003, were as follows:

Year Ending June 30,	
2004	$ 617,588
2005	361,291
2006	208,560
2007	53,201
Total minimum lease payments	1,240,640
Less interest	(104,524)
Present value of minimum lease payment	1,136,116
Less current portion	(556,752)
Long term portion	$ 579,364

On January 9, 1995, UMA prepaid MUSC Health Sciences Foundation (HSF) $37 million in connection with the acquisition of Rutledge Towers from Bon Secours St. Francis Hospital. This facility is used to house ambulatory care clinics, administrative offices and space subleased to others and includes a parking garage. This agreement was entered into because UMA's charter prohibits it from owning real estate. The lease term expires on June 30, 2027 and is renewable for successive five-year terms. This prepayment was allocated based upon appraised values as follows: (a) cost of land was recorded as prepaid rent, (b) cost of buildings and fixed equipment was recorded as building under capital lease, and (c) cost of other equipment was recorded as equipment under capital lease. 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 $679,743 and depreciation expense of $770,024 was recorded for the year ending 2003. The following schedule reflects the remaining basis of assets acquired under this capital lease as of June 30, 2003.

Description	Capitalized Cost	Accumulated Depreciation	Net Book Value
Prepaid rent - HSF	$ 20,052,400	$ 5,777,809	$ 14,274,591
Building under capital lease	13,989,600	4,030,902	9,958,698
Equipment under capital lease	2,958,000	2,514,300	443,700
Totals	$ 37,000,000	$ 12,323,011	$ 24,676,989

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 2003 was approximately $4,425,000, including approximately $1,400,000 paid to University Medical Associates, for the University and approximately $3,630,000, including approximately $3,000,000 paid to UMA, for the Authority. The University and the Authority have an annual operating lease agreement with each other which 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. As discussed in Note 18 and Note 19, for the year ended June 30, 2003, 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 $1,088,628 for office copier contingent rentals on a cost-per-copy basis.

University Medical Associates leases facilities and equipment under leases expiring at various dates from 2004 through 2018 including those facilities referred to in Note 18. Rent expense under these various agreements was $5,966,677 in fiscal year 2003. The future minimum lease payments under UMA noncancelable leases with initial or remaining terms in excess of one year are as follows:

Year Ending June 30,	
2004	$ 3,412,050
2005	2,481,712
2006	2,312,881
2007	1,737,587
2008	1,250,154
2009 – 2013	7,115,190
2014 – 2018	1,565,960
Total	$ 19,875,534

UMA subleases various properties to the University and the Authority. UMA received rent of approximately $4,400,000 for the fiscal year ended June 30, 2003 under these lease agreements. The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows:

Year Ending June 30,	
2004	$ 2,826,207
2005	2,233,215
2006	2,216,973
2007	1,627,400
2008	287,790
Total	$ 9,191,585

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-MC of Part IA of the 2002-03 Appropriation Act. The following 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, 2003:

	AHEC	The University	Total
Non-capital appropriations			
Current year's appropriations			
Original appropriations per Annual Appropriations Act	$ 17,859,527	$ 99,860,527	$ 117,720,054
State Budget and Control Board Allocations			
For employer contributions (Proviso 72..22)	5,514	274,295	279,809
From Commission on Higher Education:			
Academic Endowment	-	57,231	57,231
Appropriation transfer from Clemson University:			
Agromedicine Program	-	235,950	235,950
Less 5% reduction	(894,152)	(5,011,783)	(5,905,935)
Less 3.73% reduction	(633,744)	(3,552,181)	(4,185,925)
Total non-capital appropriations	$ 16,337,145	$ 91,864,039	$ 108,201,184
Capital appropriations			
Capital Improvement Bond revenues	$ -	$ 2,341,207	$ 2,341,207

Proviso 72.43 of the 2002-03 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 which have 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 $21,008 to fiscal year 2003.

15. MEDICARE AND MEDICAID COST REIMBURSEMENTS

The Authority has agreements with governmental payors that provide for reimbursement to the Authority at amounts different from its established rates. A summary of the basis of reimbursement with major governmental third-party payors follows.

Substantially all of the Authority's inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is 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 a tentative rate, 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 settled for all fiscal years through 1996, as well as fiscal 1998. The Authority's cost reports for 1997 and 1999 have been audited, but not yet settled.

Revenue from the Medicare program accounted for approximately 26.2% of the Authority's net patient service revenue for the year ended June 30, 2003.

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

The Authority participates in a voluntary contribution program available to certain qualifying hospitals in the South Carolina Medicaid program. Amounts received or accrued by the Authority in excess of amounts paid into this program totaled approximately $67.9 million in fiscal 2003. The net reimbursement benefits associated with this program are recognized as reductions in related contractual adjustments in the accompanying statement of revenues, expenses, and changes in net assets. 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.

Revenue from the Medicaid program including disproportionate share payments described above, accounted for approximately 31.1% of the Authority's net patient service revenue for the year ended June 30, 2003.

16. SPECIAL ITEM AND EXTRAORDINARY ITEM

UMA management has determined that certain primary care practices will be disposed of in an effort to make the primary care network financially self-sustaining. UMA reached an agreement on June 28, 2002 with one of these practices and as such recorded a special item related to this sale of a segment of its primary care network. The special item is composed of the write-off of intangibles related to the segment's acquisition as well as various payments to the physicians in the termination of their employment contracts and legal expenses related to the settlement.

UMA entered into a structured legal settlement with the United States of America on April 4, 2000 for the payment of $5.2 million in damages in connection with a lawsuit brought under the False Claims Act. In November, 2002, a settlement was reached with the carrier that provided the UMA Directors and Officers' coverage during the period covered by the negotiations with the federal government related to this lawsuit. UMA received a reimbursement of legal fees of $950,000 and reported an extraordinary item for $927,080 net of additional legal fees of $22,920. This was reported as an extraordinary item to be consistent with the treatment of the original settlement with the United States Government and legal fees in defense of the action that resulted in an extraordinary loss in excess of $7 million in previous years.

17. INCOME TAXES

The blended component units of University Medical Associates are entities subject to federal and state income taxes. However, they had cumulative estimated net operating loss carryovers totaling approximately $38,400,000 which may be offset against future taxable income of the respective companies.

Approximately $6,900,000 in 2011, $8,300,000 in 2012, $10,000,000 in 2013, $9,500,000 in 2019, $1,600,000 in 2020, $500,000 in 2021, and $1,600,000 in 2022, will expire if unused by those years. No tax benefit has been reported in the 2003 financial statements due to the uncertainty regarding future taxable income of the component units.

18. COMPONENT UNITS

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 ends June 30, 2005 with automatic renewal of an additional five years unless either party provides written notification to cancel at least 180 days prior to the end of the term.

The Authority paid the University $55,821,940 during the fiscal year ended June 30, 2003 for interns and residents, professional services of the College of Medicine, physical plant, rent, public safety, and other administrative and financial services. Also during the fiscal year, the Authority made nonmandatory transfers to the University of $5,810,171 for academic support. The University paid the Authority approximately $2,055,000 during the fiscal year ended June 30, 2003 for rent, various administrative and support services.

The Authority owed the University $7,919,072 at June 30, 2003.

University Medical Associates

Revenues of University Medical Associates are available to pay operating expenses of UMA and support activities of the academic departments at The Medical University of South Carolina including faculty and staff compensation. Any excess may be paid to the University or retained within UMA for future use. For the year ended June 30, 2003, pursuant to this practice, UMA provided support to the University which totaled $10,756,917. This amount is reported by the University as gifts and by UMA as gifts made.

The University, the Authority, and UMA have entered into agreements whereby UMA will be reimbursed an annual fixed amount for providing an environment for clinical education and research for University residents and students. UMA shall be entitled to reimbursement for, but not limited to expenses for facilities necessary to perform these agreements, personnel costs, insurance, necessary supplies and equipment, and necessary capital improvements. The parties agree each year to an estimated budget, to be paid ratably over the year to UMA as reimbursement of its costs. For the fiscal year ending June 30, 2003, the University paid UMA $4,000,000 and the Authority paid UMA $8,158,845.

The University and UMA entered into an agreement on April 20, 2003 whereby UMA will provide patient care to Medicaid recipients in appropriate clinical and educational settings. The University will reimburse UMA in an amount equal to the supplemental payment made to the University by the South Carolina Department of Health and Human Services (SC DHHS). Payments to the University from SC DHHS are made in accordance with the State plan amendment which provides reimbursement for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. For the fiscal year ended June 30, 2003, the University reported income of $20,664,897 from SC DHHS and expense to UMA of $20,664,897.

The Authority and UMA entered into an agreement to provide a facility to treat patients with digestive diseases. The agreement is renewed annually and can be terminated upon 180 days written notice. UMA has responsibility for the management of the daily operations of the center. The Authority reimburses UMA for certain direct costs of the operation. During fiscal year 2003, UMA under this agreement received from the Authority $76,353.

Carolina Health Management Services, Inc., a blended component unit of UMA, has a managed care contract and reimbursement agreement with the Authority. CHMS performs services regarding managed care operations for the Authority and its affiliates, including arranging for contracts with various third party payers. The agreement is renewed annually and can be terminated by either party by 30 days prior to the expiration of the term in effect. All costs from these operations of the managed care services are shared between UMA (40%), CHMS (10%) and the Authority (50%).

The UMA, the Authority and CMH have entered into an agreement to provide emergency care services to patients. This agreement is renewed annually and can be terminated by any party upon 120 days written notice. UMA has responsibility for the management of the daily operations of the emergency services. Any net gain/loss from operations of the Authority emergency care services is shared equally as defined in the financial accountability and distribution plan. Under the CMH portion of the agreement, UMA is paid a twelve percent billing fee based on net patient revenues and is reimbursed for all costs in excess of revenues.

Billing functions under the Ambulatory Patient Care and Clinical Education Agreements are performed by the Authority except for pharmacy charges and certain supplies charges that were billed by UMA until the Authority billing system became operational during the fiscal year ended June 30, 2000. UMA continues the process of collecting and remitting these bills to the Authority for these prior year receivables less a collection fee. During the year ended June 30, 2003, UMA remitted collections net of refunds of ($85,730) and net of collection fees of ($2,304).

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. UMA has the responsibility for management of the daily operations of the Clinical Enterprise. An annual budget is prepared and approved by both parties with monthly settlement of any expenses in excess of patient service revenues collected. Any gain from operations is paid over to the Authority to cover facility costs and overhead expenses. Annually the operations of the Clinical Enterprise will be reviewed against goals established at the beginning of each year. Based upon this assessment, the Authority will transfer an agreed upon amount of academic support to the University and UMA. For the year ended June 30, 2003, this academic support to be received from the Authority has not been determined.

The University amounts due (to) from UMA as of June 30, 2003, are as follows:

Parking fees receivable	$ 23,580
Other receivables	38,621
Settlement costs, including accrued interest	(494,831)
Other payables	(258,844)
Rent	(302,916)
Grant salary reimbursement	(435,470)
Medicaid supplemental reimbursement	(11,215,209)
Net due (to) UMA	(12,645,069)
Current portion	12,400,452
Noncurrent portion	$ (244,617)

The Authority amounts due (to) from UMA as of June 30, 2003, are as follows:

Psychiatry Clinical Education Agreement	$ 189,741
Other receivables	355,400
DHHS Funds	2,470,214
Ambulatory Care Clinical Education Agreement	(98,182)
Other payables	(143,807)
Patient receivables	(273,191)
Settlement costs, including accrued interest	(1,664,886)
Due from UMA	$ 835,289

The University, the Authority, and UMA entered into a five-year agreement during fiscal year 2000 for the settlement of the False Claims Act lawsuit. The entire liability was recorded by UMA as a structured legal settlement. Payments of $260,443 from the University and $876,278 from the Authority including interest at 6.4 percent are paid to UMA each November 1 starting November 1, 2000 through November 1, 2004.

Pharmaceutical Education and Development Foundation

UMA provides payroll and personnel functions to PEDF. PEDF reimburses UMA for all funds expended on its behalf plus an administrative fee of one and one-half percent. The contract is automatically renewed for one-year terms unless either party gives notice. UMA treats the reimbursement received from PEDF as a reduction of related expenses except for the administrative fee, which is reported as other operating revenue. The reimbursement totaled $162,449 for the year ending June

30, 2003. Revenue earned under the agreement was $1,493. This agreement was terminated as of November 30, 2002. As of June 30, 2003, the amount due from PEDF is $1,000,000. This receivable has been written down to agree with its best estimate of future collections of the receivable.

Medical University Facilities Corporation

For the year ended June 30, 2003, pursuant to the trust agreement, MUFC transferred $34,702 of excess funds on deposit to the University.

19. RELATED PARTIES

Foundation for Research Development

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 initiating and sustaining cooperation and collaboration between the University and business and industry, acting as the University's intellectual property management and technology marketing arm, and advancing health related economic development for South Carolina and the nation.

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. The value of the State resources utilized by MFRD is estimated to be $161,809 and is reported as an MFRD in-kind donation and expense. The value is calculated using actual personnel costs prorated by MFRD effort plus an overhead allocation. During the fiscal year ended June 30, 2003, MFRD provided services to the University which offset the support provided.

MFRD entered into a contract with the University to provide management services for research activities and intellectual property activities. The contracts provide for annual payments of $520,000. For the fiscal year ended June 30, 2002, MFRD has recognized income of $520,000 from these contracts.

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

MFRD recorded the corpus of the Healthy South Carolina funds as a liability to the University and the University has this amount recorded as due from MFRD. 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.

The assets, liabilities and financial operations of MFRD, as summarized on the following schedule, are not included in the accompanying financial statements of the University.

STATEMENT OF FINANCIAL POSITION	
Assets	$ 4,678,704
Liabilities	$ 3,898,019
Net assets	780,685
Total liabilities and net assets	$ 4,678,704

STATEMENT OF ACTIVITIES	
Revenues, gains, and other support	$ 5,634,088
Expenses	6,754,201
Change in net assets	(1,120,113)
Net assets at beginning of year	1,900,798
Net assets at end of year	$ 780,685

Health Sciences Foundation

The Health Sciences Foundation (HSF), a separately chartered legal entity whose activities are related to those of the University, exists primarily to provide financial assistance and other support to the University and its educational program. The financial statements of the Health Sciences Foundation are audited by independent auditors retained by the foundation. The activities of HSF are not included in the University's financial statements. However, the University's statements include transactions between the University and the Foundation.

In conjunction with its implementation of GASB Statement No. 14, management annually reviews its relationship with the Health Sciences Foundation. The University excluded HSF from the reporting entity because it is not financially accountable for the foundation. In May 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14.* This statement addresses certain organizations which warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. Under the criteria of Statement No. 39, management believes that the Health Sciences Foundation will be required to be reported as a component unit of the University. Statement No. 39 is effective for financial statements for periods beginning after June 15, 2003.

The Health Sciences Foundation was incorporated in July 1966, under the laws of the State of South Carolina as an educational, charitable, eleemosynary foundation to promote education, research, clinical, and other facilities and programs of the University. In the event of dissolution of HSF, its assets would be transferred to the University and applied to any function germane to the University's activities.

The University provides office space and pays certain administrative costs for HSF. The total value of these items was $207,215 in fiscal year 2003. The University was not reimbursed for these costs. HSF provided support to the University for general and department expenses which totaled $10,318,556 in fiscal year 2003. This revenue is recorded as gifts. In addition, HSF had transactions which totaled $413,537 for equipment and supply items donated to the University. The University also has a deposit from HSF of $50,000 included in other liabilities. HSF leased various properties to the University, to the Authority, and to UMA in fiscal year 2003.

Health Sciences Foundation acquired the Rutledge Tower (formerly the St. Francis facilities) in 1993 and these properties are leased to University Medical Associates. During April 1996, HSF’s board of directors passed a resolution to transfer the title on the St. Francis Hospital and associated facilities to the University at the end of the lease term which is the later of (1) June 30, 2024, or (2) the date on which all principal of and premium, if any, and interest on the direct note obligations has been paid. This was considered a contribution by HSF, and was recorded by HSF 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.

Also, the Health Sciences Foundation provided funds on an interest free basis to PEDF to provide working capital. Provisions of this debt call for voting board seats and conversion to equity rights. At June 30, 2003, HSF discounted its receivable from PEDF by $2,804,704. The HSF receivable from PEDF is $0 at June 30,2003.

The assets, liabilities and financial operations of HSF, as summarized on the following schedule, are not included in the accompanying financial statements of the University.

STATEMENT OF FINANCIAL POSITION	
Assets	$ 162,484,488
Liabilities	$ 50,783,294
Net assets	111,701,194
Total liabilities and net assets	$ 162,484,488
STATEMENT OF ACTIVITIES	
Revenues, gains, and other support	$ 23,960,122
Expenses and losses	20,514,077
Change in net assets	3,446,045
Net assets at beginning of year	108,255,149
Net assets at end of year	$111,701,194

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

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

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

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

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

UMA and its component units are exposed to various risks related to: torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. UMA, as the recognized clinical practice plan of The Medical University of South Carolina, is granted statutory protection and recovery limitations for MUSC physicians' clinical activities. Pursuant to State law, these physicians are insured by the South Carolina Insurance Reserve fund, a creation of the State of South Carolina, which is sustained through premiums paid by State agencies and governmental entities. For coverage of all other individuals and activities, UMA maintains coverage from commercial insurance companies. Management believes these coverages are sufficient to preclude any significant uninsured losses to UMA from risks that occur in normal and expected activities. Funds administered by the State of South Carolina or commercial insurance covers the following risks:

1. unemployment compensation benefits;
2. long-term disability benefits for employees;
3. theft of assets;
4. damage to property;
5. tort liability claims.

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 have established an employee benefit plan to self-insure employees for health, accident, and dental expenses. Life insurance benefits are insured through commercial insurance companies. 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, 2003 was $269,079. This amount is included as other accrued liabilities on the Statement of Net Assets.

Changes in the incurred but not reported claims liability for fiscal year ended June 30, 2003 and 2002 were as follows:

	UMA
Liability balance, July 1, 2001	$ 606,913
Claims and changes in estimate	5,517,189
Claims payments	(5,675,427)
Liability balance, June 30, 2002	448,675
Claims and changes in estimate	3,384,009
Claims payments	(3,563,605)
Liability balance, June 30, 2003	$ 269,079

21. INFORMATION FOR STATEMENT OF ACTIVITIES

The following information is presented for use in the State's government-wide Statement of Activities.

	2003	2002	Increase/ (Decrease)
The University			
Charges for services	$ 237,038,195	$ 194,699,899	$ 42,338,296
Operating grants and contributions	23,637,649	23,943,012	(305,363)
Capital grants and contributions	10,154,446	6,258,538	3,895,908
Less: expenses	(370,331,445)	(341,139,748)	(29,191,697)
Net program revenue (expense)	(99,501,155)	(116,238,299)	16,737,144
Transfers			
State appropriations	108,201,184	121,241,984	(13,040,800)
Capital improvement bond proceeds	2,341,207	1,163,711	1,177,496
Other transfers in from state agencies/funds	16,601,790	9,169,907	7,431,883
Less: transfers out to state agencies/funds	(127,986)	(98,687)	(29,299)
Total general revenue and transfers	127,016,195	131,476,915	(4,460,720)
Change in net assets	27,515,040	15,238,616	12,276,424
Net assets - beginning	176,321,499	161,082,883	15,238,616
Net assets - ending	$ 203,836,539	$ 176,321,499	$ 27,515,040
The Authority			
Charges for services	$ 535,211,188	$ 507,630,776	$ 27,580,412
Operating grants and contributions	13,176,209	10,874,745	2,301,464
Less: expenses	(529,861,579)	(504,697,804)	(25,163,775)
Net program revenue (expense)	18,525,818	13,807,717	4,718,101
Transfers			
Transfers out to state agencies/funds	(5,810,171)	(3,750,934)	(2,059,237)
Total general revenue and transfers	(5,810,171)	(3,750,934)	(2,059,237)
Change in net assets	12,715,647	10,056,783	2,658,864
Net assets - beginning	151,305,909	141,249,126	10,056,783
Net assets - ending	$ 164,021,556	$ 151,305,909	$ 12,715,647
Medical University Facilities Corporation			
Operating grants and contributions	$ 1,909,609	$ 2,033,990	$ (124,381)
Less: expenses	(1,939,881)	(1,947,004)	7,123
Net program revenue (expense)	(30,272)	86,986	(117,258)
Transfers			
Transfers out to state agencies/funds	(34,702)	(44,236)	9,534
Total general revenue and transfers	(34,702)	(44,236)	9,534
Change in net assets	(64,974)	42,750	(107,724)
Net assets - beginning	1,398,100	1,355,350	42,750
Net assets - ending	$ 1,333,126	$ 1,398,100	$ (64,974)
University Medical Associates			
Charges for services	$ 184,452,959	$ 176,750,670	$ 7,702,289
Operating grants and contributions	10,595,989	12,299,165	(1,703,176)
Less: expenses	(159,583,921)	(175,865,113)	16,281,192
Net program revenue (expense)	35,465,027	13,184,722	22,280,305
Transfers			
Transfers out to state agencies/funds	(10,756,917)	(5,374,737)	(5,382,180)
Special items	(457,464)	(2,571,399)	2,113,935
Extraordinary items	927,080	(2,150,000)	3,077,080
Total general revenue and transfers	(10,287,301)	(10,096,136)	(191,165)
Change in net assets	25,177,726	3,088,586	22,089,140
Net assets - beginning	2,236,773	(851,813)	3,088,586
Net assets - ending	$ 27,414,499	$ 2,236,773	$ 25,177,726
Pharmaceutical Education and Development Foundation			
Operating grants and contributions	$ 105,422	$ 214,437	$ (109,015)
Less: expenses	(267,170)	(1,248,104)	980,934
Net program revenue (expense)	(161,748)	(1,033,667)	871,919
Extraordinary items		(575,383)	575,383
Total general revenue and transfers	-	(575,383)	575,383
Change in net assets	(161,748)	(1,609,050)	1,447,302
Net assets - beginning	(7,327,822)	(5,718,772)	(1,609,050)
Net assets - ending	$ (7,489,570)	$ (7,327,822)	$ (161,748)

22. OPERATING EXPENSES BY FUNCTION

Operating expenses of the University by functional classification for the year ended June 30, 2003, are as follows:

	Compensation and Employee Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 81,712,147	$ 50,091,443	$ -	$ 1,000,431	$ -	$ 132,804,021
Research	64,674,157	32,886,349	14,627	2,295,398	-	99,870,531
Public service	18,020,778	6,573,503	8,258	159,587	-	24,762,126
Academic support	17,141,428	7,225,134	7,927	56,920	-	24,431,409
Student services	5,307,728	1,470,981	3,285	57,090	-	6,839,084
Institutional support	17,657,256	9,946,832	97,327	-	-	27,701,415
Operation and maintenance of plant	14,548,339	12,180,086	5,758,560	-	11,953,499	44,440,484
Scholarships and fellowships	-	-	-	1,524,621	-	1,524,621
Auxiliary enterprises	934,390	2,222,313	93,412	-	-	3,250,115
	$ 219,996,223	$ 122,596,641	$ 5,983,396	$ 5,094,047	$ 11,953,499	$ 365,623,806

23. SUBSEQUENT EVENTS

The University Board of Trustees at its May 15, 2003, meeting approved the issuance of $12,000,000 in State Institution Bonds to finance improvements to the Strom Thurmond Biomedical Research Center and upgrades to the University electrical substations.

Also at its May meeting, the board approved a lease agreement between CHS Development Company, as lessor, and the University, as lessee, relating to the issuance subsequent to June 30, 2003 by the South Carolina Jobs – Economic Development Authority of not exceeding $35,000,000 principal amount of its Economic Development Revenue Bonds (CHS Development Company Project) to finance the Charleston High School redevelopment project.

UMA has begun negotiations with Georgetown Hospital System to form a limited liability company for the purpose of owning and operating a radiation therapy center in Georgetown, South Carolina. It is anticipated that UMA will provide the professional staff and receive professional fees billed plus a nominal equity interest in the limited liability company in return for a licensing agreement for its name and other intellectual property.

The Health Science Foundation has begun negotiations to sell a portion of the property adjacent to the Rutledge Tower Complex to private developers for approximately $1 million. This property is subject to UMA's lease agreement with HSF and is included in the prepaid rent reflected on the balance sheet. It is anticipated that the net sales price will be remitted to UMA as a refund of its prepaid rent expense.

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Statistical Section

Accreditation Statement

Revenues by Source

Expenses by Use

Debt Service Coverage

Debt Burden

Enrollment Statistics

Employee Statistics

ACCREDITATION STATEMENT

The Medical University of South Carolina is accredited by the Southern Association of Colleges and Schools (SACS). In addition, the various University colleges and programs are accredited by their respective professional agencies.

SCHEDULE OF REVENUES BY SOURCE
LAST TWO FISCAL YEARS
(DOLLARS IN THOUSANDS)

	For the Year Ended June 30, 2003	2002
Operating Revenues		
Student tuition and fees (net of scholarship allowances)	$ 22,587	$ 21,100
Federal operating grants and contracts	103,271	83,239
State operating grants and contracts	2,765	3,292
Local operating grants and contracts	228	247
Nongovernmental operating grants and contracts	15,116	19,239
Interfund services	55,822	51,425
Sales and services of educational and other activities	31,279	10,979
Auxiliary enterprises	5,971	5,178
Other operating revenues	10,141	9,432
Total operating revenues	247,180	204,131
Nonoperating Revenues and Other Revenues		
State appropriations	108,201	121,242
Gifts	9,880	11,260
Private grants	889	585
Investment income	2,727	2,667
Capital appropriations	2,341	1,164
Capital grants and gifts	10,155	6,258
Interfund transfers	16,602	9,071
Total nonoperating revenues	150,795	152,247
Total revenues	$ 397,975	$ 356,378

Source: The Medical University of South Carolina financial statements.

SCHEDULE OF EXPENSES BY OBJECT
LAST TWO FISCAL YEARS
(DOLLARS IN THOUSANDS)

	For the Year Ended June 30,	
	2003	**2002**
Operating Expenses		
Compensation and employee benefits	$ 219,996	$ 213,753
Services and supplies	122,597	99,000
Utilities	5,983	6,153
Scholarships and fellowships	5,094	5,065
Depreciation	11,954	12,089
Total operating expenses	365,624	336,060
Nonoperating Expenses and Other		
Interest expense	4,211	4,271
Loss on sales of capital assets	37	316
Refunds to grantors	422	403
Other nonoperating expenses	166	90
Total nonoperating expenses	4,836	5,080
Total expenses	$ 370,460	$ 341,140

Source: The Medical University of South Carolina financial statements.

REVENUE BOND DEBT SERVICE COVERAGE

LAST TEN FISCAL YEARS

(DOLLARS IN THOUSANDS)

	2003	2002	2001	2000
NET PLEDGED REVENUES:				
Parking revenue	$ 5,760	$ 5,036	$ 3,981	$ 3,192
Related Parking Expense	(3,250)	(2,832)	(2,463)	(1,856)
Net pledged revenues available for debt service	**$ 2,510**	**$ 2,204**	**$ 1,518**	**$ 1,336**
REVENUE BOND DEBT SERVICE:				
Parking debt service requirements	$ 692	$ 694	$ 693	$ 694
Revenue bond debt service coverage	**3.6**	**3.2**	**2.2**	**1.9**

Source: Financial Reporting Department

DEBT BURDEN RATIO

(DOLLARS IN THOUSANDS)

	For the Year Ended June 30, 2003	2002
Debt service requirements	$ 8,562	$ 7,837
University expenditures	$ 362,209	$ 332,044
Debt Burden Ratio	2.4%	2.4%

Note: Debt service requirements include interest the University paid on all indebtedness, plus the current year's principal payments. University expenditures include only University operating and non-operating expenses less depreciation expense plus debt service principal payments.

Source: The Medical University of South Carolina financial statements.

1999	1998	1997	1996	1995	1994
$ 3,137	$ 2,636	$ 2,357	$ 1,917	$ 1,658	$ 1,647
(1,592)	(1,169)	(951)	(878)	(697)	(704)
$ 1,545	**$ 1,467**	**$ 1,406**	**$ 1,039**	**$ 961**	**$ 943**
$ 693	$ 700	$ 695	$ 697	$ 698	$ 702
2.2	**2.1**	**2.0**	**1.5**	**1.4**	**1.3**

ENROLLMENT STATISTICS
LAST TEN ACADEMIC YEARS
(FALL ENROLLMENTS)

	2002	2001	2000	1999
LEVEL				
Undergraduate	357	400	409	422
Graduate	865	888	944	993
First Professional	1041	1009	1004	968
STATUS				
Full-Time	1989	1899	2055	1792
Part-Time	274	398	302	591
ORIGIN				
In State	1878	1941	1979	1966
Out of State	348	318	341	387
Foreign	37	38	37	30
RACE				
Caucasian	1816	1821	1873	1873
African American	218	267	273	255
Asian	106	108	91	108
Hispanic	25	20	20	24
Other	98	81	100	123
GENDER				
Women	1438	1482	1488	1523
Men	825	815	869	860
COLLEGES				
Medicine	585	574	580	580
Pharmacy	242	227	210	176
Nursing	324	374	372	399
Graduate Studies	214	176	178	221
Dental Medicine	214	208	214	212
Health Professions	661	695	747	726
Non-Degree Seeking	23	43	56	69
Total enrollment	**2263**	**2297**	**2357**	**2383**

Source: Office of Enrollment Services

1998	1997	1996	1995	1994	1993
505	596	682	918	904	1010
931	860	807	562	574	525
919	870	849	799	792	775
1949	1895	1922	1887	1848	1786
406	431	416	392	422	524
1946	1932	1919	1869	1984	1840
369	340	360	345	207	379
40	54	59	65	79	91
1892	1888	1926	1892	1912	1990
245	201	180	173	154	138
99	86	81	78	74	58
21	26	22	23	21	22
98	125	129	113	109	102
1454	1383	1325	1317	1344	1407
901	943	1013	962	926	903
576	584	588	572	572	550
185	181	212	219	253	257
408	407	410	399	383	399
225	222	257	220	182	178
209	204	199	190	182	184
705	617	573	608	639	678
47	111	99	71	59	64
2355	**2326**	**2338**	**2279**	**2270**	**2310**

EMPLOYEE STATISTICS

LAST TEN CALENDAR YEARS

(AS OF JANUARY 1)

	2003	2002	2001	2000
EMPLOYEES				
Permanent Full-time and Part-time Employees				
Full-time classified	1,594	1,603	1,646	4,045
Part-time classified	35	37	45	730
Full-time unclassified	909	911	961	1,028
Part-time unclassified	235	229	209	199
Total	2,773	2,780	2,861	6,002
Other Categories				
Residents	554	557	544	560
Pre/post doctoral fellows	205	198	160	167
Externs	-	-	-	-
Temporary	778	725	738	1,411
Contractual	-	-	-	-
Dual employment-other agencies	22	17	20	29
Total	1,559	1,497	1,462	2,167
Grand Total Employees	**4,332**	**4,277**	**4,323**	**8,169**

	2003	2002	2001	2000
POSITIONS				
Authorized FTE positions				
State	1,347	1,347	1,347	1,600
Federal	365	349	349	348
Other	1,704	1,720	1,720	5,016
Total Authorized FTE Positions	**3,416**	**3,416**	**3,416**	**6,964**

Note: The total number of employees at June 30, 2003 was 4,392.
For fiscal year 2000-01, the reduction in total number of employees and total authorized FTE positions is a result of the Medical Center division becoming a separate entity.

Source: Office of Human Resources Management

1999	1998	1997	1996	1995	1994
4,386	4,238	4,130	4,255	4,282	4,821
714	598	592	472	421	394
1,008	943	904	896	907	913
199	178	179	172	156	153
6,307	5,957	5,805	5,795	5,766	6,281
540	534	540	550	552	547
146	113	106	102	99	102
-	1	-	-	-	1
1,651	1,469	1,164	1,124	1,084	1,324
-	-	-	-	-	1
21	25	17	16	30	21
2,358	2,142	1,827	1,792	1,765	1,996
8,665	**8,099**	**7,632**	**7,587**	**7,531**	**8,277**

1999	1998	1997	1996	1995	1994
1,600	1,600	1,604	1,598	1,631	1,764
348	313	364	418	426	385
4,640	4,360	4,163	5,221	5,244	5,007
6,588	**6,273**	**6,131**	**7,237**	**7,301**	**7,156**