

Financial Statements

Consolidated Statement of Net Assets

	June 30,	
	2006	2005
(in thousands)		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 413,605	\$ 369,226
Operating investments	707,101	751,435
Investments for capital activities	649,176	631,174
Investments for student loan activities	30,084	24,976
Investment trade settlements receivable	24,109	821
Accounts receivable, net	380,542	355,866
Current portion of notes and pledges receivable, net	64,516	52,916
Current portion of prepaid expenses and other assets	60,447	52,377
Total Current Assets	2,329,580	2,238,791
Noncurrent Assets:		
Endowment, life income and other investments	5,963,424	5,196,486
Notes and pledges receivable, net	226,879	219,277
Prepaid expenses and other assets	17,052	15,394
Capital assets, net	3,453,441	3,105,468
Total Noncurrent Assets	9,660,796	8,536,625
TOTAL ASSETS	\$ 11,990,376	\$ 10,775,416
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued compensation and other	\$ 249,590	\$ 234,541
Accounts payable	236,904	227,161
Investment trade settlements payable	46,581	736
Deferred revenue	158,537	158,122
Current portion of insurance and benefits obligations	55,986	56,890
Commercial paper and current portion of bonds payable	136,851	54,871
Deposits of affiliates and others	21,288	12,843
Total Current Liabilities	905,737	745,164
Noncurrent Liabilities:		
Deposits of affiliates and other	125,789	110,035
Insurance and benefits obligations	156,113	166,120
Obligations under life income agreements	51,399	38,409
Government loan advances	85,672	84,886
Bonds payable	781,521	820,453
Total Noncurrent Liabilities	1,200,494	1,219,903
Total Liabilities	2,106,231	1,965,067
Net Assets:		
Invested in capital assets, net of related debt	2,615,289	2,342,031
Restricted:		
Nonexpendable	884,209	818,074
Expendable	2,774,719	2,369,729
Unrestricted (see Note 8)	3,609,928	3,280,515
Total Net Assets	9,884,145	8,810,349
TOTAL LIABILITIES AND NET ASSETS	\$ 11,990,376	\$ 10,775,416

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

Consolidated Statement of Revenues, Expenses and Changes in Net Assets

	Year Ended June 30,	
	2006	2005
	(in thousands)	
OPERATING REVENUES		
Student tuition and fees	\$ 834,365	\$ 765,201
Less scholarship allowances	158,659	146,226
Net student tuition and fees	675,706	618,975
Federal grants and contracts	691,934	674,033
State and local grants and contracts	9,282	13,843
Nongovernmental sponsored programs	117,213	120,433
Sales and services of educational departments	107,025	110,089
Auxiliary enterprises:		
Patient care revenues and managed care premiums	1,990,453	1,841,240
Student residence fees (net of scholarship allowances of \$15,689,000 in 2006 and \$14,801,000 in 2005)	70,229	66,254
Other revenues	119,740	113,977
Student loan interest income and fees	1,368	1,831
TOTAL OPERATING REVENUES	3,782,950	3,560,675
OPERATING EXPENSES		
Compensation and benefits	2,757,920	2,592,098
Supplies and services	1,150,214	1,104,824
Depreciation	264,028	253,733
Scholarships and fellowships	83,839	75,398
TOTAL OPERATING EXPENSES	4,256,001	4,026,053
Operating loss	(473,051)	(465,378)
NONOPERATING REVENUES (EXPENSES)		
State educational appropriations	364,908	374,905
Private gifts for other than capital and endowment purposes	90,042	107,181
Net investment income	959,841	874,611
Interest expense	(27,128)	(21,738)
TOTAL NONOPERATING REVENUES, NET	1,387,663	1,334,959
Income before other revenues (expenses)	914,612	869,581
OTHER REVENUES (EXPENSES)		
State capital appropriations	20,126	7,023
Capital gifts and grants	64,787	118,962
Private gifts for endowment purposes	86,228	78,272
Other	(11,957)	6,568
TOTAL OTHER REVENUES, NET	159,184	210,825
Increase in net assets	1,073,796	1,080,406
Net Assets, Beginning of Year	8,810,349	7,729,943
NET ASSETS, END OF YEAR	\$ 9,884,145	\$ 8,810,349

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

Financial Statements

Consolidated Statement of Cash Flows

	Year Ended June 30,	
	2006	2005
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 681,896	\$ 616,174
Federal, state and local grants and contracts	697,866	691,057
Nongovernmental sponsored programs	118,452	116,403
Sales and services of educational and other departmental activities	232,955	226,905
Patient care revenues and managed care premiums	1,954,602	1,851,351
Student residence fees	70,761	66,316
Payments to employees	(2,135,420)	(2,001,381)
Payments for benefits	(615,940)	(554,343)
Payments to suppliers	(1,160,187)	(1,125,085)
Payments for scholarships and fellowships	(83,839)	(75,398)
Student loans issued	(21,506)	(27,567)
Student loans collected	22,792	23,047
Student loan interest and fees collected	1,368	1,831
NET CASH USED IN OPERATING ACTIVITIES	(236,200)	(190,690)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments, net	157,624	165,296
Proceeds from sales and maturities of investments	4,922,366	3,839,630
Purchases of investments	(4,843,118)	(4,066,483)
Net (increase) decrease in cash equivalents from noncurrent investments	(685)	23,707
Increase in deposits of affiliates and others, net	24,228	12,898
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	260,415	(24,952)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriations	21,712	3,432
Private gifts and other receipts	51,284	40,750
Proceeds from issuance of capital debt	98,835	362,200
Principal payments on capital debt	(55,787)	(215,747)
Interest payments on capital debt	(25,778)	(22,879)
Purchases of capital assets	(607,333)	(489,624)
Proceeds from sales of capital assets	2,176	372
Payments for bond issuance costs		(685)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(514,891)	(322,181)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State educational appropriations	362,036	374,486
Private gifts and other receipts	176,406	175,647
Student direct lending receipts	204,390	195,656
Student direct lending disbursements	(202,117)	(193,955)
Amounts received for annuity and life income funds	12,990	2,551
Amounts paid to annuitants and life beneficiaries and related expenses	(18,650)	(7,759)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	535,055	546,626
Net increase in cash and cash equivalents	44,379	8,803
Cash and Cash Equivalents, Beginning of Year	369,226	360,423
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 413,605	\$ 369,226

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

Consolidated Statement of Cash Flows — Continued

	Year Ended June 30,	
	2006	2005
	(in thousands)	
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (473,051)	\$ (465,378)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	264,028	253,733
Changes in assets and liabilities:		
Accounts receivable, net	(24,377)	8,271
Prepaid expenses and other assets	(9,498)	(2,714)
Accrued compensation and other	13,896	30,585
Accounts payable	2,555	7,180
Deferred revenue	613	(1,564)
Insurance and benefits obligations	(10,366)	(20,803)
Net cash used in operating activities	<u>\$ (236,200)</u>	<u>\$ (190,690)</u>

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