

Financial Statements

Consolidated Statement of Net Assets

	June 30,	
	2005	2004
	(in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 369,226	\$ 360,423
Operating investments	751,435	594,145
Investments for capital activities	631,174	721,501
Investments for student loan activities	24,976	25,662
Accounts receivable, net	367,375	368,199
Current portion of notes and pledges receivable, net	52,916	41,779
Current portion of prepaid expenses and other assets	50,692	46,492
Total Current Assets	2,247,794	2,158,201
Noncurrent Assets:		
Endowment, life income and other investments	5,196,486	4,348,534
Notes and pledges receivable, net	219,277	132,134
Prepaid expenses and other assets	15,394	18,552
Capital assets, net	3,105,468	2,838,779
Total Noncurrent Assets	8,536,625	7,337,999
TOTAL ASSETS	\$ 10,784,419	\$ 9,496,200
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued compensation and other	\$ 235,277	\$ 203,550
Accounts payable	228,372	199,318
Deferred revenue	165,914	159,885
Current portion of insurance and benefits reserves	56,890	61,883
Commercial paper and current portion of bonds payable	54,871	98,341
Deposits of affiliates and others	12,843	17,850
Total Current Liabilities	754,167	740,827
Noncurrent Liabilities:		
Deposits of affiliates and other	110,035	92,171
Insurance and benefits reserves	166,120	181,933
Obligations under life income agreements	38,409	35,858
Government loan advances	84,886	83,263
Bonds payable	820,453	632,205
Total Noncurrent Liabilities	1,219,903	1,025,430
Total Liabilities	1,974,070	1,766,257
Net Assets:		
Invested in capital assets, net of related debt	2,342,031	2,122,406
Restricted:		
Nonexpendable	818,074	749,127
Expendable	2,369,729	1,946,045
Unrestricted (see Note 8)	3,280,515	2,912,365
Total Net Assets	8,810,349	7,729,943
TOTAL LIABILITIES AND NET ASSETS	\$ 10,784,419	\$ 9,496,200

Consolidated Statement of Revenues, Expenses and Changes in Net Assets

	Year Ended June 30,	
	2005	2004
	(in thousands)	
OPERATING REVENUES		
Student tuition and fees	\$ 765,201	\$ 731,179
Less scholarship allowances	146,226	131,826
Net student tuition and fees	618,975	599,353
Federal grants and contracts	674,033	652,472
State and local grants and contracts	13,843	19,309
Nongovernmental sponsored programs	120,433	120,941
Sales and services of educational departments	110,089	102,227
Auxiliary enterprises:		
Patient care revenues and managed care premiums	1,841,240	1,712,285
Student residence fees (net of scholarship allowances of \$14,801,000 in 2005 and \$14,075,000 in 2004)	63,019	59,925
Other revenues	117,212	115,912
Student loan interest income and fees	1,831	1,377
TOTAL OPERATING REVENUES	3,560,675	3,383,801
OPERATING EXPENSES		
Compensation and benefits	2,592,098	2,484,681
Supplies and services	1,104,824	1,070,899
Depreciation	253,733	245,806
Scholarships and fellowships	75,398	81,284
TOTAL OPERATING EXPENSES	4,026,053	3,882,670
Operating loss	(465,378)	(498,869)
NONOPERATING REVENUES (EXPENSES)		
State educational appropriations	374,905	356,933
Private gifts for other than capital and endowment purposes	107,181	71,798
Net investment income	874,611	714,562
Interest expense	(21,738)	(19,444)
TOTAL NONOPERATING REVENUES, NET	1,334,959	1,123,849
Income before other revenues (expenses)	869,581	624,980
OTHER REVENUES (EXPENSES)		
State capital appropriations	7,023	31,945
Capital gifts and grants	118,962	50,127
Private gifts for endowment purposes	78,272	71,522
Other	6,568	(8,908)
TOTAL OTHER REVENUES, NET	210,825	144,686
Increase in net assets	1,080,406	769,666
Net Assets, Beginning of Year	7,729,943	6,960,277
NET ASSETS, END OF YEAR	\$ 8,810,349	\$ 7,729,943

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

Financial Statements

Consolidated Statement of Cash Flows

	Year Ended June 30,	
	2005	2004
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 616,174	\$ 602,543
Federal, state and local grants and contracts	691,057	673,382
Nongovernmental sponsored programs	116,403	117,902
Sales and services of educational and other departmental activities	230,140	221,988
Patient care revenues and managed care premiums	1,851,351	1,706,747
Student residence fees	63,081	61,316
Payments to employees	(2,001,381)	(1,913,543)
Payments for benefits	(554,343)	(541,988)
Payments to suppliers	(1,125,085)	(1,080,686)
Payments for scholarships and fellowships	(75,398)	(81,284)
Student loans issued	(27,567)	(25,473)
Student loans collected	23,047	24,694
Student loan interest and fees collected	1,831	1,377
NET CASH USED IN OPERATING ACTIVITIES	(190,690)	(233,025)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments, net	165,296	147,880
Proceeds from sales and maturities of investments	3,839,630	3,482,536
Purchases of investments	(4,066,483)	(3,513,974)
Net decrease (increase) in cash equivalents from noncurrent investments	23,707	(120,534)
Increase in deposits of affiliates and others	12,898	45,494
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(24,952)	41,402
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State capital appropriations	3,432	33,575
Private gifts and other receipts	40,750	24,827
Proceeds from issuance of capital debt	362,200	55,970
Principal payments on capital debt	(215,747)	(29,956)
Interest payments on capital debt	(22,879)	(18,191)
Purchases of capital assets	(489,624)	(459,702)
Proceeds from sales of capital assets	372	792
Payments for bond issuance costs	(685)	(4,490)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(322,181)	(397,175)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State educational appropriations	374,486	365,009
Private gifts and other receipts	175,647	147,965
Student direct lending receipts	195,656	182,108
Student direct lending disbursements	(193,955)	(182,408)
Amounts received for annuity and life income funds	2,551	5,666
Amounts paid to annuitants and life beneficiaries and related expenses	(7,759)	(10,015)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	546,626	508,325
Net increase (decrease) in cash and cash equivalents	8,803	(80,473)
Cash and Cash Equivalents, Beginning of Year	360,423	440,896
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 369,226	\$ 360,423

Consolidated Statement of Cash Flows—Continued

	Year Ended June 30,	
	2005	2004
	(in thousands)	
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (465,378)	\$ (498,869)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	253,733	245,806
Changes in assets and liabilities:		
Accounts receivable, net	(1,386)	4,261
Prepaid expenses and other assets	(849)	6,656
Accrued compensation and other	30,585	13,386
Accounts payable	7,180	(20,057)
Deferred revenue	6,228	(3,586)
Insurance and benefits reserves	(20,803)	19,378
Net cash used in operating activities	<u>\$ (190,690)</u>	<u>\$ (233,025)</u>

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