

Medical University of South Carolina

Charleston, South Carolina

Comprehensive Annual Financial Report

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

For the Year Ended June 30, 2006

Prepared by the Controller's Office

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Introductory Section

President's Letter

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



Dear Friends of MUSC:

I am pleased to share with you this summary of the financial performance of the Medical University of South Carolina for the year ended June 30, 2006. Our continued success is a tribute to the nearly 10,000 employees of MUSC and its affiliates, and it is a privilege to work alongside such diligent and talented colleagues.

Over the past few years, the Medical University has built strong collaborative linkages with our sister research universities, the University of South Carolina and Clemson University. Perhaps most visible among these efforts are the bioengineering program that we share with Clemson and the South Carolina College of Pharmacy that we sponsor jointly with USC. Through the bioengineering alliance, Clemson has placed multiple faculty and graduate students on the MUSC campus, and plans are underway to build a joint facility in Charleston that also will include engineering faculty and students from USC. We are most fortunate to have recruited into a Center of Economic Excellence endowed chair, Dr. Richard Swaja, the former Senior Science Advisor to the National Institute of Biomedical Imaging and Bioengineering, to spearhead this effort.

The South Carolina College of Pharmacy has been created by integrating the separate pharmacy schools at USC and MUSC. The new school will continue to have educational and research activities on both campuses, while also adding an Upstate presence. The national accrediting body for pharmacy schools has given its initial approval and the first entering class has enrolled. Center of Economic Excellence endowed chairs, Drs. Chuck Smith and John Lemasters, have joined the faculty to help establish the Drug Discovery and Development initiative that will be a central part of the new school.

We also have partnered with our sister teaching hospitals in Columbia, Greenville and Spartanburg through Health Sciences South Carolina to improve medical research, education, patient care and economic development. The Duke Endowment has made one of its largest grants ever, a \$21 million award over three years, to this collaborative enterprise, and statewide programs are being developed through the Centers of Economic Excellence endowed chair program.

By partnering with our colleagues around the state, we are leveraging the resources of all of our institutions. This teamwork will help propel South Carolina into a leadership position in the health sciences, giving renewed meaning to the MUSC motto: *Auget Largiendo*, "she enriches by giving generously."

Thank you for the opportunity to give something back to the people of South Carolina.

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

Raymond S. Greenberg, MD, PhD
President

Transmittal Letter

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

November 1, 2006

President Raymond S. Greenberg, MD, Ph.D.
Members of the Board of Trustees
Charleston, South Carolina

We are pleased to present the Comprehensive Annual Financial Report for The Medical University of South Carolina (the University) for the fiscal year ended June 30, 2006.

The Comprehensive Annual Financial Report includes the audited financial statements for the year ended June 30, 2006, and other information relating to the finances of the University. The financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants; however, responsibility for the accuracy of the information and for the completeness and reliability of its presentation rests with the management of the University. We believe this information is accurate in all material respects and fairly presents the University's financial position.

This transmittal letter should be read in conjunction with Management's Discussion and Analysis, found in the financial section, which provides an overview and analysis of currently known facts and activities.

The Comprehensive Annual Financial Report is presented in three sections:

- ♦ The **Introductory Section** includes a message from the President, the transmittal letter and the Certificate of Achievement for Excellence in Financial Reporting awarded for the year ended June 30, 2005. Also included are 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 for the Year ended June 30, 2006.
- ♦ 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 affairs of the University.

Profile of the Government

The Medical University of South Carolina (the University) is a part of the primary government of the State of South Carolina and is included as a business-type activity in the State's Comprehensive Annual Financial Report.

The University, located in Charleston, South Carolina, was created by an act of the General Assembly in 1824 as the "Medical College of South Carolina". Historically, it is recognized as the first medical college in the South. The University is governed by a fourteen-member Board of Trustees consisting of the Governor or his designee (ex officio), twelve members elected by the General Assembly, and one member appointed by the Governor. As determined by the Board, the University's purpose is to preserve and optimize human life for the citizens of South Carolina and the nation through education of health care professionals and biomedical scientists, research in the health sciences, and provision of comprehensive health care.

The financial reporting entity consists of the University (the primary government), and seven separate legal entities, which are considered component units of the University. Two blended major fund entities, three blended non-major fund entities and two discretely presented entities make up the seven component units. The major blended funds are the Medical University Hospital Authority (the Authority) and University Medical Associates of The Medical University of South Carolina (UMA). The non-major blended funds are CHS Development Company (CHS), 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 discretely presented. Further information on the reporting entity is contained in Note 1 in the notes to the financial statements.

Management has established a comprehensive internal control framework designed to safeguard the assets of the University and its component units, to provide reliable accounting data and to ensure that organizational objectives are met. Policies and procedures have been established and made available throughout the organization to promote efficiency and compliance with established laws and regulations at University, State and Federal levels. As a recipient of federal financial awards, the University is responsible for ensuring compliance with all applicable laws and regulations related to these awards. Therefore, an annual single audit is performed in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133.

The State Budget and Control Board requires the University to submit an annual balanced budget. The University and its component units also prepare annual budgets for presentation to the Board of Trustees. Budgetary controls are incorporated into both the University's accounting system and the State's financial management system. Periodic financial reports comparing actual results with budgeted amounts are provided at both the University and the State level.

The Office of the State Auditor contracted with KPMG LLP, a firm of licensed certified public accountants, to perform the annual audit of the Medical University of South Carolina's financial statements and the audit of the University's federal financial assistance programs. The goal of the independent financial audit is to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2006 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, 2006 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report. Information on the Single Audit of federal financial assistance programs is included in a separately issued Single Audit Report.

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

Factors Affecting Financial Condition

The size of the University's student body remains stable, with fiscal year 2006 fall enrollment of 2,500 full- and part-time students in six colleges. The University has approximately 4,600 employees and the Medical University Hospital Authority has approximately 4,900 employees, making the combined enterprise one of the largest employers in the State system and a major employer in the Charleston Tri-county area.

The Economy

Economic factors on both the national and state levels impact the environment in which the University operates. Several years of revenue shortfalls at the state level resulted in permanent reductions in state appropriations for the University over a four-year period. However, during the same period the University saw record growth in federal research awards and in private giving, both of which continued through fiscal year 2006. The State of South Carolina also experienced revenue growth in 2006 and ended the fiscal year with a healthier-than expected surplus. The University benefited from state funding of endowed chairs through the South Carolina Research Centers of Economic Excellence program and from funds made available for construction of several facilities through the State's Life Sciences Act. The University also received additional appropriations of \$7 million, expected to become available in fiscal year 2007 for construction of the College of Dental Medicine Building.

Cash Management

State law requires that all University cash be on deposit with the State Treasurer, with the exception of petty cash funds approved by the State Auditor and certain trust funds associated with debt instruments. The State Treasurer performs all cash management activities for balances on deposit in state bank accounts and invests surplus cash balances. As a participant in the State's cash management pool, the University receives an investment income allocation for certain cash balances. State law requires full collateralization of all State Treasurer bank balances. Additional information on cash deposits and investments is provided in the notes to the financial statements.

Risk Management

The University and its component units pay insurance premiums to certain other state agencies and/or commercial insurers to cover risk that may occur during normal operations. The University participates in a statewide risk management program under which the State assumes substantially all risks for unemployment and workers' compensation benefits and claims of covered employees for health, dental and group-life insurance benefits. The University pays premiums to the State Insurance Reserve Fund and to commercial insurers to cover the University's risk

of loss as described in more detail in the notes to the financial statements. The University believes that coverage is sufficient to preclude any significant uninsured losses.

Major Initiatives

In 2005-2006, the University's initiatives in education, research, and patient care continued at an unprecedented pace. Improved economic conditions at the state level enabled the State to provide support to the Research Universities through programs such as Research Centers of Economic Excellence Act and the Life Sciences Act. This support, in combination with continued growth in research awards, has allowed the University to recruit outstanding faculty, and improve and expand its educational and research facilities. As a result, the University continues to achieve state and national recognition as reflected in awards received by its faculty and staff for their many accomplishments.

Education

- ◆ The University successfully recruited a number of outstanding faculty members, including Dr. John Saunders as Dean of the College of Dental Medicine and Dr. Joseph T. DiPiro as Executive Dean of the newly integrated South Carolina College of Pharmacy.
- ◆ The College of Nursing and the College of Medicine received renewed accreditations from their respective reviewing bodies.
- ◆ The MUSC Education Center opened. This facility provides classrooms, teaching laboratories and a much needed study center for students.
- ◆ The new College of Health Professions facility opened, providing much needed space and updated technology for the University's largest college. The facility was constructed on the site of the former Charleston High School and is a model for the combination of modern and historical beauty and functionality.
- ◆ The newly created South Carolina College of Pharmacy, integrating the separate pharmacy schools at MUSC and USC enrolled its first entering class.

Research

- ◆ The University exceeded the record set in the prior fiscal year, obtaining over \$189 million of extramural grant awards. Highly sought after Federal grants and contracts continued to account for most of the total awards.
- ◆ The newly completed Charles P. Darby Children's Research Institute and the Hollings Cancer Center expansion were occupied by interdisciplinary teams of researchers, teachers and clinicians. These new facilities provide much needed research and clinical space.
- ◆ The University obtained additional funding for new and existing Endowed Chairs through the state-funded Centers of Economic Excellence Program. Five outstanding Center of Economic Excellence Endowed Professors were recruited by the University.
- ◆ Having received approval for funding through the South Carolina Life Sciences Act, the University began design processes for construction of a Drug Discovery and Development Building and for a Bioengineering/Cancer Genomics Building.

Patient Care

Construction of Phase I of the Hospital Replacement Project is ahead of schedule and under budget at fiscal year end. Opening of the facility is anticipated to be in late summer of 2007.

The MUSC Medical Center entered into a three-year contract with the Studer Group to develop systems of accountability. The contract provides an excellence program designed to enable "hardwiring" of best practices to improve patient satisfaction and enhance the work environment for physicians and employees.

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

- ◆ The National Research Corporation for the Consumer Choice Award selected the Authority for having the highest quality and image in our market.
- ◆ Child Magazine recognized MUSC Children's Hospital among the top in the nation, including a ranking in the top 10 for neonatal services.
- ◆ U.S. News and World Report named the Authority among America's best hospitals for digestive disorders treatment.

General

- ◆ Completed the renovation of historic Colcock Hall and Anderson House and opened a new 625-space parking garage to accommodate patients, visitors and employees.
- ◆ Raised \$64 million in gifts, pledges and pledge payments, setting another annual record.
- ◆ Completed the feasibility study and initiated the silent phase of a University-wide \$300 million, five-year Capital Campaign.

Awards and Acknowledgements

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Medical University of South Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the thirteenth consecutive year that the University has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

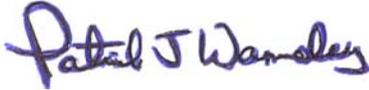
The preparation of the Comprehensive Annual Financial Report in a timely manner would not have been possible without the coordinated efforts of the Controllers Office and other University financial staff and the financial staffs of the University's component units. We would like to thank each member for their contributions. In addition, we would like to acknowledge our auditors, KPMG LLP, for their assistance and the State Auditor's Office and the State Comptroller General's Office for their guidance.

Sincerely,



Lisa P. Montgomery, MHA

Vice President for Finance and Administration



Patrick J. Wamsley, CPA
Chief Financial Officer



Susan B. Haskill, CPA
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to
The Medical University
of South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



Carla E. Perry

President

Jeffrey R. Emer

Executive Director

Board of Trustees and Principal University Officials

July 1, 2005 – June 30, 2006

Board of Trustees

The Hon. Mark Sanford
Governor

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

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

Charles L. Appleby, Jr.
Florence, SC

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

Melvyn Berlinsky
Charleston, SC

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

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

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

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

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

Charles W. Schulze, CFE CPA
Greenwood, SC

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

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

James E. Wiseman, DMD
Prosperity, SC

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

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

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

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

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

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

The Hon. J. Verne Smith
Emeritus
Greer, 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

Lisa P. Montgomery, MHA
Vice President
Finance and Administration

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

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

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

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

Deans

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

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

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

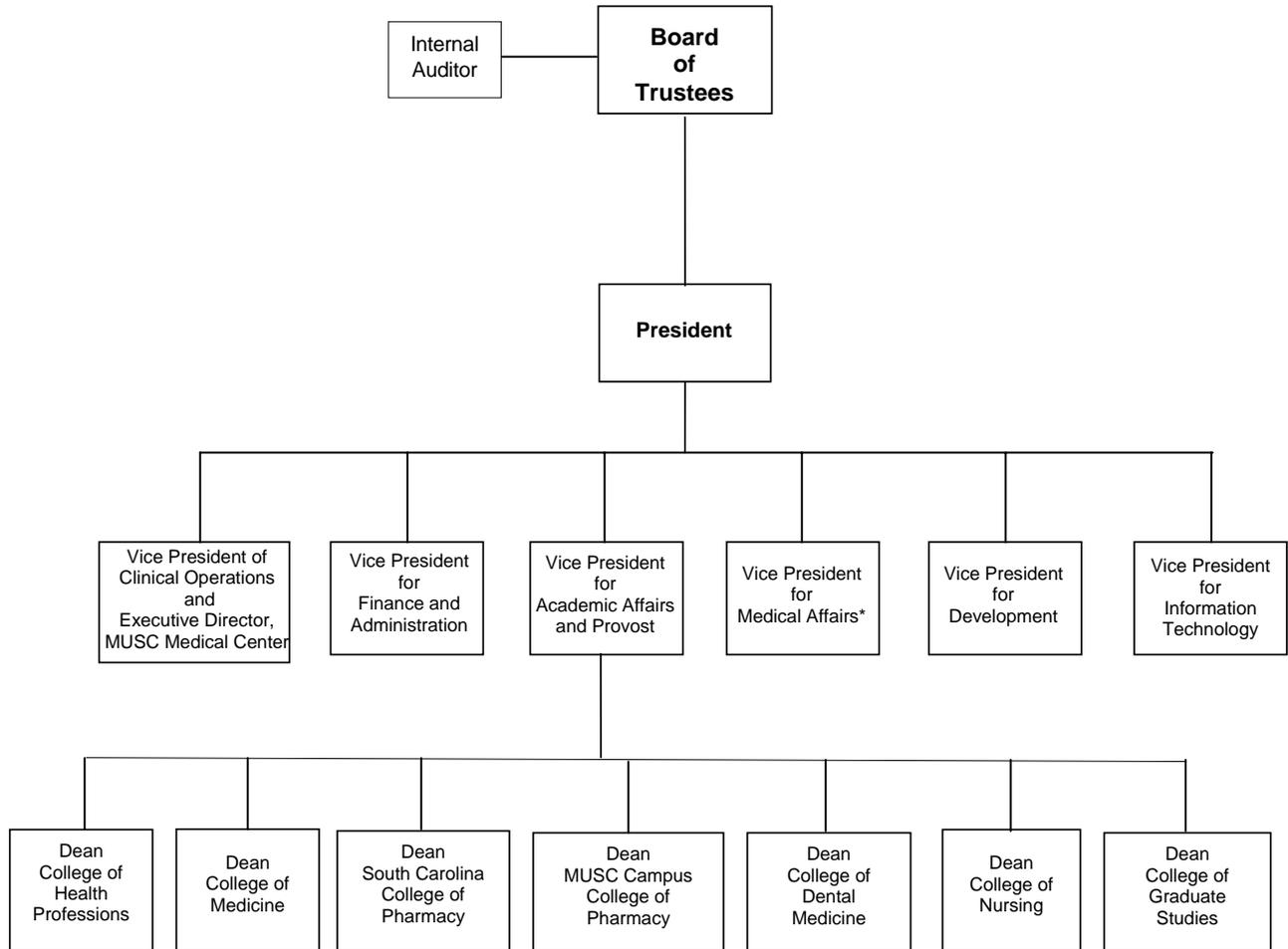
Gail W. Stuart, Ph.D., RN, FAAN, CS
College of Nursing

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

John J. Sanders, DMD
Interim, College of Dental Medicine

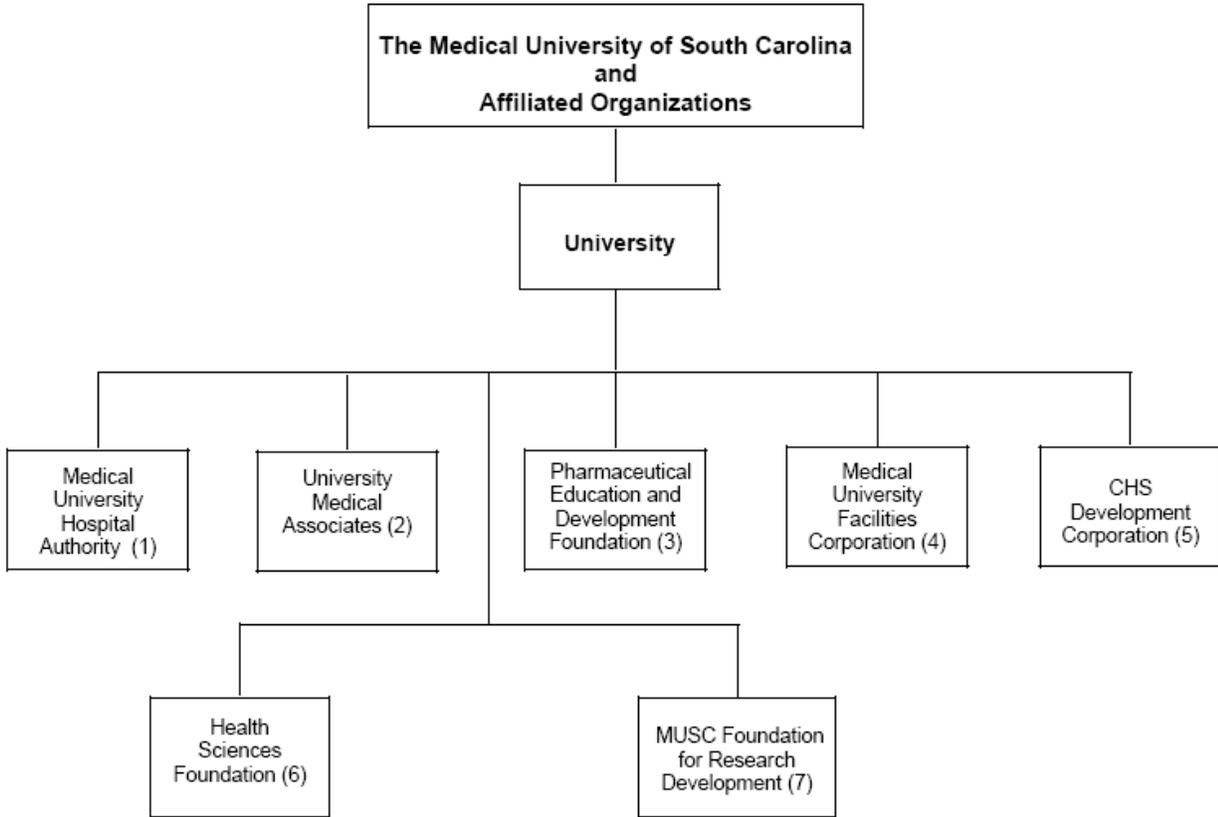
Becki A. Trickey, Ph.D.
Interim Dean, College of Health Professions

ORGANIZATION CHART



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

The Medical University and
Affiliated Organizations



Notes:

1. The Medical University Hospital Authority (MUHA) was formed in June, 2000, to manage and operate the hospitals and clinics of the University.
2. University Medical Associates (UMA) is a non-profit corporation established to promote and support the educational, medical, scientific, and research purposes of the University.
3. 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.
4. 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.
5. CHS Development Corporation (CHS) is a non-profit corporation established in fiscal year 2003 to obtain financing for the University to acquire and develop real property.
6. The Health Sciences Foundation (HSF) is a non-profit corporation established in 1966 as an educational, charitable, eleemosynary foundation.
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.



Financial Section

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State of South Carolina



Office of the State Auditor

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

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

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

November 1, 2006

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, 2006, 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,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb



KPMG LLP
Suite 900
55 Beattie Place
Greenville, SC 29601-2106

Independent Auditors' Report

Mr. Richard H. Gilbert, Jr., CPA
Interim State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Medical University of South Carolina (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2006, which collectively comprise the University's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University Medical Associates, the Health Sciences Foundation, and the MUSC Foundation for Research Development. In addition, we did not audit the financial statements of the Pharmaceutical Education and Development Foundation, which is included as a part of the Nonmajor Enterprise Funds. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University Medical Associates, the Health Sciences Foundation, the MUSC Foundation for Research Development, and the Pharmaceutical Education and Development Foundation, is based on the report of the other auditors.

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

As discussed in note 1, the financial statements of the University are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2006, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the University, as of June 30, 2006, and the respective changes in financial position and, where applicable, its cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 20 through 29 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KPMG LLP

September 22, 2006

Management's Discussion and Analysis

Required Supplementary Information (unaudited)

Introduction

The management of The Medical University of South Carolina offers readers of the financial statements this narrative overview and analysis of the financial position and activities of The Medical University of South Carolina for the fiscal year ended June 30, 2006 with comparative information for the year ended June 30, 2005. Management's discussion and analysis (MD&A) will focus on the financial position and operations of the primary institution (the University) and the two component units that are reported as major funds, Medical University Hospital Authority (the Authority) and University Medical Associates (UMA). This discussion should be read in conjunction with our letter of transmittal in the introductory section of this report and with the accompanying financial statements and notes.

Financial Highlights

At June 30, 2006, total assets reported by the University were \$535.1 million and total liabilities were \$176.4 million. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased \$39.6 million in fiscal year 2006 from \$319.2 to \$358.8 million. Of this amount, \$41.9 million represents unrestricted net assets, which may be used to meet the University's ongoing obligations.

At June 30, 2006, the Authority's assets of \$813.9 million exceeded its liabilities of \$582.8 million by \$231.1 million. Net assets, the residual interest in the assets after liabilities are deducted, increased \$30.6 million in 2006, as compared to \$20.3 million in 2005. The Authority reported operating income in 2006 of \$38.9 million, as compared to \$38.7 million in 2005, an increase of \$0.2 million or one percent. Net non-operating expenses were \$7.7 million for 2006 as compared to \$7.2 million in 2005, an increase of \$0.5 million or 6.9 percent. Payments of non-operating expenses to The Medical University of South Carolina in support of academic programs were \$0.6 and \$11.2 million in 2006 and 2005, respectively.

At June 30, 2006, UMA reported total assets of \$193.8 million and total liabilities of \$106.2 million. Net assets were \$87.6 million, an increase of \$23 million or 36.2 percent from the previous year. Of this amount, \$80.4 million represents unrestricted net assets that are available to meet UMA's ongoing obligations. UMA's operating revenues for the year ended June 30, 2006, increased 13.5 percent or \$24.9 million over the fiscal year ended June 30, 2005 to \$209.8 million. Operating expenses increased by \$15.8 million (10.6 percent) over fiscal year 2005 from \$148.8 million to \$164.6 million.

Overview of the Financial Statements

The financial report includes three financial statements:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles as prescribed in GASB Statement No. 35, Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and Universities. This statement establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on an entity wide basis to focus on the university as a whole rather than on individual fund groups.

Statement of Net Assets

The Statement of Net Assets presents the financial position as of the end of the fiscal year and includes all assets and liabilities of the entity. 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.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Net assets are classified as follows:

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

Summary of Net Assets

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates (As Restated)	
	2006	2005	2006	2005	2006	2005
ASSETS						
Current assets	\$ 124,429	\$ 120,618	\$ 211,745	\$ 166,673	\$ 109,981	\$ 94,721
Noncurrent assets						
Capital assets, net	361,134	333,933	379,853	268,737	45,197	45,986
Other noncurrent assets	49,580	41,268	223,793	330,795	38,634	38,615
Total assets	<u>535,143</u>	<u>495,819</u>	<u>815,391</u>	<u>766,205</u>	<u>193,812</u>	<u>179,322</u>
LIABILITIES						
Current liabilities	63,585	61,554	98,956	83,773	16,781	23,215
Noncurrent liabilities	112,766	115,041	485,309	481,932	89,387	91,747
Total liabilities	<u>176,351</u>	<u>176,595</u>	<u>584,265</u>	<u>565,705</u>	<u>106,168</u>	<u>114,962</u>
NET ASSETS						
Invested in capital assets, net of related debt	270,028	247,812	61,407	42,700	(1,869)	(2,414)
Restricted						
Nonexpendable	20,669	10,209	-	-	-	-
Expendable	26,207	21,324	67,782	71,189	9,081	9,081
Unrestricted	41,888	39,879	101,937	86,611	80,432	57,693
Total net assets	<u>\$ 358,792</u>	<u>\$ 319,224</u>	<u>\$ 231,126</u>	<u>\$ 200,500</u>	<u>\$ 87,644</u>	<u>\$ 64,360</u>

The University's increase in total assets of \$39.3 million resulted primarily from additions to capital assets and to endowment funds. The capital additions included the construction of the Hollings Cancer Center addition, and renovations to historic Colcock Hall. Endowment funds received for the Centers of Economic Excellence program and held on deposit in the Health Sciences Foundation, increased from \$7.7 million in 2005 to \$19.7 million in 2006. Total liabilities remained essentially unchanged from 2005 to 2006.

The Authority's total assets increased by 6.2 percent from 2005 to 2006. Patient accounts receivable, net of estimated uncollectible amounts, increased from \$94 million to \$107.2 million, largely a result of increases in patient activity and a price increase. Capital assets increased during the fiscal year by \$111.2 million, largely a result of construction of the new hospital, as discussed under "Capital Asset and Debt Activities" below. Total liabilities increased by 3.0 percent from 2005 to 2006. Long-term debt increased by \$8.7 million, which was due to the GE capital borrowing. Also, accounts payable and other accrued expenses increased by \$19.6 million, largely resulting from increases in patient activity and capital spending.

UMA's total assets increased \$14.5 million in 2006 and liabilities decreased \$8.8 million. Unrestricted assets increased \$22.7 million from \$57.7 million in 2005 to \$80.4 million in 2006.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the entity. Non-operating revenues are revenues received for which goods and services are 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.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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.

Summary of Revenues, Expenses and Changes in Net Assets

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates (As Restated) 2005	
	2006	2005	2006	2005	2006	2005
Operating revenues	\$ 298,482	\$ 286,328	\$ 698,092	\$ 638,026	\$ 209,813	\$ 184,888
Operating expenses	(416,695)	(391,761)	(659,225)	(599,290)	(164,589)	(148,782)
Operating income (loss)	(118,213)	(105,433)	38,867	38,736	45,224	36,106
Nonoperating revenues	111,849	107,008	1,810	2,826	6,072	6,108
Nonoperating expenses	(4,250)	(4,281)	(9,499)	(10,037)	(6,797)	(5,957)
Net nonoperating revenues (expenses)	107,599	102,727	(7,689)	(7,211)	(725)	151
Income (loss) before other revenues, expenses, gains, losses, and transfers	(10,614)	(2,706)	31,178	31,525	44,499	36,257
Capital appropriations	5,271	2,868	-	-	-	-
Capital grants and gifts	13,660	28,181	-	-	-	-
Additions to permanent endowments	10,443	9,250	-	-	-	-
Transfers	20,808	26,123	(552)	(11,189)	(21,216)	(15,726)
Increase in net assets	39,568	63,716	30,626	20,336	23,283	20,531
Net assets at beginning of year	319,224	255,508	200,500	180,164	64,360	43,829
Net assets at end of year	<u>\$ 358,792</u>	<u>\$ 319,224</u>	<u>\$ 231,126</u>	<u>\$ 200,500</u>	<u>\$ 87,643</u>	<u>\$ 64,360</u>

Revenues

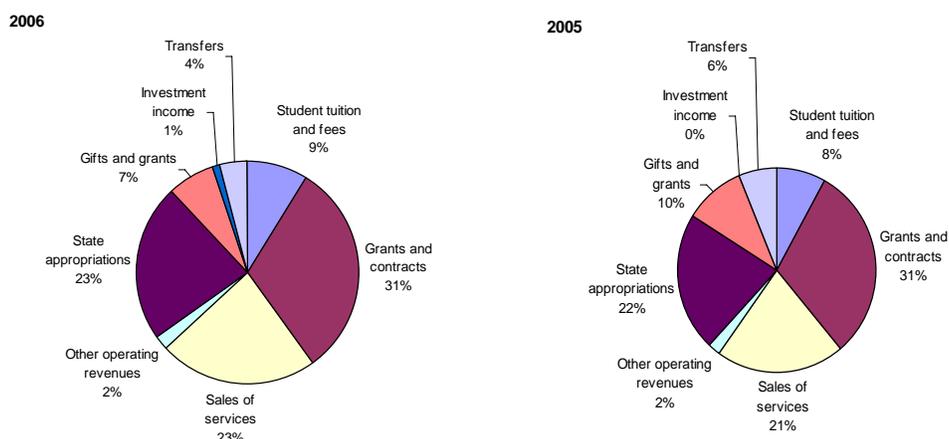
The University's daily operations are funded primarily from grants and contracts, sales of services, and State appropriations. These three sources account for 78 percent of the total fiscal year 2006 revenues of \$460.5 million and 74 percent of the total fiscal year 2005 revenues of \$459.8 million. The following table and chart illustrate the University's revenues by source.

Revenues by Source – The University

Amounts in thousands

	2006		2005	
	Amount	Percent Of Total	Amount	Percent Of Total
Operating revenues				
Student tuition and fees	\$ 39,934	9%	\$ 34,985	8%
Grants and contracts	143,084	31%	144,346	31%
Sales of services	106,667	23%	98,692	21%
Other operating revenues	8,797	2%	8,305	2%
Total operating revenues	<u>298,482</u>	<u>65%</u>	<u>286,328</u>	<u>62%</u>
Nonoperating and other revenues				
State appropriations	108,285	23%	100,524	22%
Gifts and grants	31,384	7%	45,336	10%
Investment income	1,554	1%	1,448	0%
Transfers	20,807	4%	26,123	6%
Total nonoperating and other revenues	<u>162,030</u>	<u>35%</u>	<u>173,431</u>	<u>38%</u>
Total revenues	<u>\$ 460,512</u>	<u>100%</u>	<u>\$ 459,759</u>	<u>100%</u>

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In fiscal year 2006, the University's total revenues remained essentially unchanged from the previous fiscal year. Tuition revenues increased \$5 million, as a result of tuition rate increases averaging 10 percent. State appropriations increased \$7.8 million, which includes \$5.3 million in capital appropriations and Sales and Services revenues increased \$8 million due to growth in educational programs and a \$2.8 increase in supplemental Medicare program revenues. These increases were offset by a decrease of \$14 million in Gifts and Grants, largely a result of completion in 2005 of the Children's Research Institute and Hollings Cancer Center addition, capital projects which utilized capital grant funding.

Operating Revenue by Source for the Component Units

Amounts in thousands

	Medical University Hospital Authority		University Medical Associates	
	2006	2005	2006	As Restated 2005
Net patient service revenue	\$ 681,349	\$ 624,942	\$ 194,387	\$ 171,898
Educational agreements	-	-	8,332	8,382
Other operating revenue	16,743	13,084	7,094	4,608
Total operating revenue	\$ 698,092	\$ 638,026	\$ 209,813	\$ 184,888

Compared to fiscal year 2005, the Authority's net patient service revenue increased by approximately \$56.4 million, or 9.0 percent. Gross patient charges increased by \$163.5 million, or 14.6 percent, from 2005 to 2006 due to increases in patient activity and comprehensive rate increases. Additionally, net revenue received from the Disproportionate Share Program administered by the state Department of Health and Human Services increased in 2006 to \$79.5 million from \$78.7 million in 2005. The Disproportionate Share Program is an important source of patient care financing for the Authority, and any material reduction in such funding would have a correspondingly material adverse effect on the Authority's operations. There can be no assurance that the Authority will continue to qualify for future participation in the program or that the program will not ultimately be discontinued or materially modified.

University Medical Associates' net patient service revenue increased \$22.5 million primarily from an increase in payer reimbursement rates and an increase in patient volume. Approximately \$2.8 million of the increase is due to additional reimbursements under the Supplemental Medicaid Program over the prior year. Educational agreement revenue experienced a slight decrease in 2006 to a total of \$8.3 million in support from the Medical University Hospital Authority for the ambulatory care and primary care programs.

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Expenses

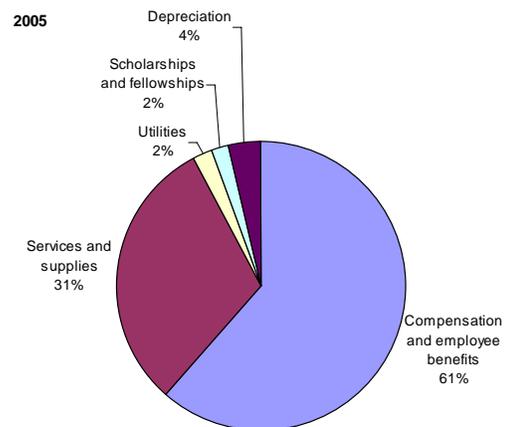
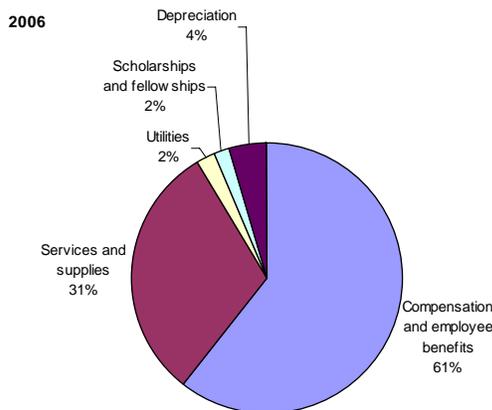
The University's total expenses were \$420.9 million in fiscal year 2006 and \$396.0 million in fiscal year 2005. Non-operating expenses of \$4.2 million and \$4.3 million respectively, account for 1% of the total expenses in each year.

The University's operating expenses were \$416.7 million for the fiscal year ended June 30, 2006, an increase of \$24.9 million from fiscal year 2005. The increase of 6.4 percent resulted primarily from increases in compensation and benefits of \$12.1 million (5.1 percent) and services and supplies of \$6.9 million (5.6 percent). These increases are the result of a combination of growth in programs and inflation. An increase of \$1.1 million (14.5 percent) in utility cost and an increase of \$4.6 million in depreciation (32.7 percent) both resulted largely from increased facilities space due to the new buildings in use for 2006.

The operating expenses are reported by natural classification (object) in the financial statement and by functional classification in the notes. The following tables and charts illustrate the University's operating expenses by the two classifications.

Operating Expenses by Object – The University
Amounts in thousands

	<u>2006</u>	<u>Percent Of Total</u>	<u>2005</u>	<u>Percent Of Total</u>
Compensation and employee benefits	\$ 252,358	61%	\$ 240,221	61%
Services and supplies	128,468	31%	121,603	31%
Utilities	8,915	2%	7,785	2%
Scholarships and fellowships	8,287	2%	8,087	2%
Depreciation	<u>18,667</u>	<u>4%</u>	<u>14,065</u>	<u>4%</u>
Total operating expenses	<u>\$ 416,695</u>	<u>100%</u>	<u>\$ 391,761</u>	<u>100%</u>

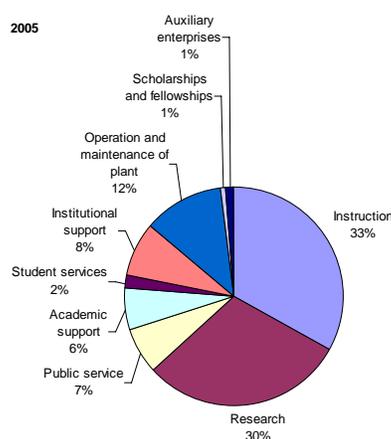
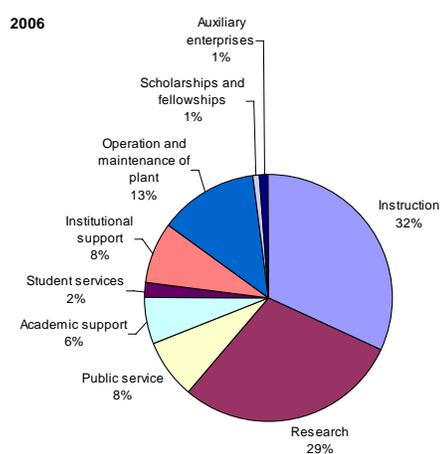


MEDICAL UNIVERSITY OF SOUTH CAROLINA

Operating Expenses by Function – The University

Amounts in thousands

	2006	Percent Of Total	2005	Percent Of Total
Instruction	\$ 136,877	32%	\$ 129,898	33%
Research	119,065	29%	117,024	30%
Public service	31,337	8%	27,124	7%
Academic support	26,739	6%	25,298	6%
Student services	7,823	2%	7,194	2%
Institutional support	34,475	8%	30,295	8%
Operation and maintenance of plant	54,110	13%	47,278	12%
Scholarships and fellowships	2,025	1%	3,780	1%
Auxiliary enterprises	4,244	1%	3,870	1%
Total operating expenses	\$ 416,695	100%	\$ 391,761	100%



The Authority's operating expenses increased by \$59.9 million, from \$599.3 million in 2005 to \$659.2 million in 2006. This 10.0 percent increase is primarily the result of increases in compensation and employee benefits of \$28.0 million, or 10.9 percent, and in service and supplies expense of \$31.1 million, or 9.6 percent. Presently, there is a national shortage of registered nurses and technical personnel in such areas as diagnostic imaging, laboratory, anesthesia, radiation therapy, and pharmacy. The Authority has implemented salary adjustments and other scheduling and staffing initiatives to help address these shortages. Also, supply costs and pharmaceutical costs continue to increase at rates exceeding those of general inflation.

UMA's operating expenses increased by \$15.8 million primarily due to increases in incentive payments and pension costs. Transfers to the University and its affiliates increased \$5.5 million in support of their educational mission.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity during the year. This statement aids in the assessment of the entity's ability to generate future net cash flows and to meet obligations and commitments as they come due. The University's primary sources of operating and noncapital related cash in fiscal 2005 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 of the University produced a net cash outflow of \$110.7 million.
- Non-capital financing activities include state appropriations received for operations and noncapital gifts, and had a net cash inflow of \$141.4 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 \$37.4 million.
- The net cash inflow from investing activities of \$1.6 million consists of interest received on investments.
- The last section of the statement reconciles the net cash provided or used by operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital Asset and Debt Activities

The following is a summary of capital asset and long-term debt activity for fiscal year 2006. 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	
	2006	2005	2006	2005	2006	2005
Land	\$ 11,646	\$ 11,646	\$ 6,093	\$ 6,093	\$ -	\$ -
Construction in progress	71,016	89,308	180,866	85,051	62	-
Land improvements	1,483	1,415	-	-	-	-
Buildings and improvements	212,406	181,322	127,718	116,926	-	44,409
Machinery and equipment	63,817	49,277	64,907	60,254	42,979	727
Vehicles	766	964	269	413	1,425	-
Intangible assets	-	-	-	-	731	850
	<u>\$ 361,134</u>	<u>\$ 333,932</u>	<u>\$ 379,853</u>	<u>\$ 268,737</u>	<u>\$ 45,197</u>	<u>\$ 45,986</u>

The University

Capital additions, other than construction in progress, totaled \$64.8 million in fiscal year 2006. The \$29.4 million Hollings Caner Center addition was completed along with renovations to the Alumni Memorial House, the Student Services/Library Building and the renovation of the historically significant Colcock Hall as the new executive administration location. The University also made a significant investment in medical, scientific and laboratory equipment.

Included in construction in progress are renovations of several classrooms and research facilities, and the new College of Dental Medicine Building. The University had outstanding commitments under construction contracts related to these and other projects of approximately \$18 million at June 30, 2006. These projects are being funded by bond proceeds, federal grants, state appropriations, restricted gifts, and unrestricted university funds.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Construction in Progress – The University

Amounts in thousands

Childrens Research Building	\$	6,929
Basic Science Building renovation		5,470
Hollings Cancer Center expansion		14,212
Dental Medicine Pre-Clinical Lab		1,171
Clinical Science Building renovation		2,048
Research lab renovation		3,785
College buildings exterior waterproofing		2,162
Psychiatric Institute mechanical system		1,515
Campus high voltage substation upgrade		7,936
Thurmond Gazes Research Building renovation		8,909
Hospital relocation project		2,530
Harper Student Center pool repairs		2,278
Campus Wide Storm Damage Mitigation		1,286
College of Dental Medicine Building		2,057
Other		8,728
	\$	71,016

Medical University Hospital Authority

At the end of 2006 the Authority had \$379.9 million invested in capital assets, net of accumulated depreciation. Net capital assets increased \$111.2 million in 2006 as compared to an increase of \$39.9 million in 2005. The 2006 increase includes \$95.8 million of construction in progress.

University Medical Associates

UMA's investment in capital assets as of June 30, 2006, amounts to \$45.2 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.

The following table shows the amounts and types of bonds, notes, and capital leases outstanding as of June 30, 2006.

Bonds, Notes, Capital Lease Obligations, and Interfund Payables

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2006	2005	2006	2005	2006	2005
State institution bonds, net	\$ 49,485	\$ 52,880	\$ -	\$ -	\$ -	\$ -
Revenue bonds, net	-	-	474,865	474,309	-	-
Notes	-	-	9,396	-	-	-
Direct note obligations, net	-	-	-	-	89,353	91,703
Capital lease obligations	3,912	1,102	6,272	13,349	243	242
Interfund payables	42,656	44,968	-	-	-	-
	\$ 96,053	\$ 98,950	\$ 490,533	\$ 487,658	\$ 89,596	\$ 91,945

The University

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

State Institution Bonds (SIB)

These bonds require the University to pledge revenue from student tuition for the repayment of this debt. If the University fails to pay this debt, the State would pay since these bonds are backed by the State's full faith, credit and taxing power. The proceeds from State Institution Bonds provided a portion of the funding for the Harper Student Center, the site for the Strom Thurmond Biomedical Research Facility, the Storm Eye Institute addition, the Children's Research Institute, and a number of major renovation projects. The University's state institution bonds are general obligation bonds of the State of South Carolina. Standard and Poor's has rated these bonds as "AAA" and Moody's Investors Services rates them as "Aaa". At June 30, 2006 SIB payable totaled \$49.5 million.

Capital Leases

The University has outstanding capital leases with Medical University Facilities Corporation, a blended component unit, for Harborview Office Tower and a portion of the Strom Thurmond Biomedical Research Center. Monthly payments are made to a financial institution as trustee under the leases. At June 30, 2006, the lease liability totalled \$18.7 million. The University also has an outstanding capital lease with CHS Development Company, a blended component unit, for the College of Health Professions complex and a parking garage. Monthly payments are made to a financial institution as trustee under this lease. At June 30, 2006 the lease liability was \$23.9 million. The University has \$3.9 million in capital leases payable at June 30, 2006 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. The University is not obligated to repay these monies.
- *State Capital Improvement Bonds.* The State issues these bonds and makes the proceeds available for the University to spend on approved projects. The University is using capital improvement bond proceeds to partially fund the construction of the new College of Dental Medicine Building. The University is not obligated to repay these funds to the State, therefore, the debt is not recorded on the University's financial statements. As of June 30, 2006 the University had approximately \$6.5 million of State capital improvement bonds approved for College of Dental Medicine Building and Hollings Cancer Center.
- *Research Infrastructure Bond.* The State issues these bonds and make the proceeds available for the University to spend on approved projects. The University is using research infrastructure bond proceeds to fund the construction of a new Drug Discovery Building. The University is not obligated to repay these funds to the state; therefore, the debt is not recorded on the University's financial statements.
- *Private Gifts and Grants.* Cash and other resources donated to the Health Sciences Foundation (HSF) are periodically transferred to the University for capital projects. The HSF has pledged to raise \$11 million toward the Dental Medicine Building.

Medical University Hospital Authority

The Authority has begun a phased approach replacement of much of its principal patient care facilities, a project planned for completion in stages over the next 20 years. Phase 1 of the project involves building a facility comprised of a four-story diagnostic and treatment facility, a seven-story hospitality (bed) tower, and a garden atrium uniting the two sections of the building. No new clinical health services will be added as a result of this phase of the project. There are 156 replacement beds involved. On December 22, 2004, the Authority issued \$422.1 million of FHA Insured Mortgage Hospital Facilities and Refunding Revenue Bonds, Series 2004, consisting of \$304 million

Series A Tax-Exempt Bonds and \$118.1 million Series B Taxable Bonds for the purpose of providing funds, to (a) pay the costs of Phase I of the project mentioned above, (b) pay a portion of the interest accruing on the bonds during construction of Phase I, (c) prepay the

outstanding amount of the Charleston County Memorial Hospital Revenue Note, (d) advance refund the \$102.8 million Hospital Facilities refunding Revenue Bonds, Series 2002A, (e) fund a debt service reserve fund with respect to the bonds, and (f) pay certain costs incurred in connection with the issuance of the bonds.

On December 29, 2004, the South Carolina Jobs-Economic Development Authority issued \$61 million of Economic Development Revenue Bonds (MUFC Central Energy Plant Project), Series 2004. Proceeds of the bonds were loaned to MUFC Central Energy Plant, LLC, a single member limited liability company organized under the laws of the State of South Carolina, whose sole member is Medical University Facilities Corporation. Pursuant to a Loan Agreement between the issuer and the borrower, the borrower will use the proceeds to finance the construction of an approximately 52,000 square foot central energy plant and certain other improvements, renovations, and furnishings, fixtures, and equipment to provide steam and chilled water for the use and benefit of the new 156 bed Phase I Authority project mentioned above. Pursuant to the loan agreement, the borrower will be obligated to make payments to the issuer in amounts sufficient to pay the principal and interest on the Bonds. Applicable GASB principles indicate that MUFC Central Energy Plant, LLC should be reported as a blended component unit of the Authority. Based on the GASB guidance, the audited financial statements include the Central Energy Plant, LLC using the blended method.

University Medical Associates

At year-end, UMA had \$89.6 million in outstanding bonds, notes and capital lease obligations compared to \$91.9 million outstanding in the prior year. UMA added no new debt other than the accrual of vacation pay due to employees.

Reductions resulted from scheduled principal payments and there being no need to borrow under the line of credit agreement. UMA's Direct Note Obligations Select Auction Variable Rate Securities (SAVRS) carry an AAA rating due to the impact of bond insurance from MBIA.

UMA restated the prior year balances to reflect a decrease of \$1,081,470 to the June 30, 2006 fund balance (See Note 22).

Requests for Information

These financial statements are designed to provide a general overview of The Medical University of South Carolina and its component units' financial activities and to demonstrate the University's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Controller's Office, Medical University of South Carolina, 19 Hagood Avenue, Post Office Box 250817, Charleston, South Carolina, 29425. These financial statements may also be obtained from our website:

<http://academicdepartments.musc.edu/vpfa/finance/controller/reporting/>

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF NET ASSETS

June 30, 2006

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Total Primary Government
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 76,739,225	\$ 42,156,460	\$ 30,915,127	\$ 1,563	\$ 149,812,375
Investments	-	-	42,092,887	-	42,092,887
Receivables, net	30,315,711	119,682,343	28,389,205	7,283	178,394,542
Due from other funds	9,486,874	1,458,587	6,174,424	-	17,119,885
Due from component units	3,326,736	-	-	-	3,326,736
Prepaid items	3,758,401	-	631,355	156,349	4,546,105
Restricted assets					
Cash and cash equivalents	801,746	21,877,108	-	273,946	22,952,800
Investments	-	-	-	316,193	316,193
Due from other funds	-	-	-	3,222,204	3,222,204
Other current assets	-	26,570,217	1,777,791	124,610	28,472,618
Total current assets	<u>124,428,693</u>	<u>211,744,715</u>	<u>109,980,789</u>	<u>4,102,148</u>	<u>450,256,345</u>
Noncurrent Assets					
Student loans receivable, net	649,273	-	-	-	649,273
Restricted assets					
Cash and cash equivalents	16,469,747	162,094,886	4,534,832	5,373,567	188,473,032
Investments	-	43,769,294	15,841,906	496,185	60,107,385
Due from component units	19,693,102	-	-	-	19,693,102
Interfund receivables	-	-	-	39,433,900	39,433,900
Student loans receivable	12,736,758	-	-	-	12,736,758
Prepaid items	-	-	10,733,041	2,584,292	13,317,333
Investment in partnerships	-	-	3,277,726	-	3,277,726
Capital assets, net of accumulated depreciation	361,134,049	379,853,285	45,196,748	-	786,184,082
Other noncurrent assets	31,000	17,928,905	4,246,609	2,044,699	24,251,213
Total noncurrent assets	<u>410,713,929</u>	<u>603,646,370</u>	<u>83,830,862</u>	<u>49,932,643</u>	<u>1,148,123,804</u>
Total assets	<u>535,142,622</u>	<u>815,391,085</u>	<u>193,811,651</u>	<u>54,034,791</u>	<u>1,598,380,149</u>
LIABILITIES					
Current liabilities					
Payables and accrued liabilities	18,324,577	84,257,152	11,163,829	1,085,065	114,830,623
Due to other funds	6,174,424	9,474,414	1,458,587	12,460	17,119,885
Deferred revenues	20,428,894	-	-	-	20,428,894
Interfund payables	3,222,204	-	-	-	3,222,204
Long-term liabilities	14,329,446	5,224,823	4,158,910	2,825,326	26,538,505
Other current liabilities	1,105,254	-	-	188,266	1,293,520
Total current liabilities	<u>63,584,799</u>	<u>98,956,389</u>	<u>16,781,326</u>	<u>4,111,117</u>	<u>183,433,631</u>
Noncurrent liabilities					
Interfund payables	39,433,900	-	-	-	39,433,900
Federal loan program liability	12,755,429	-	-	-	12,755,429
Long-term liabilities	60,576,413	485,308,812	89,386,478	48,877,032	684,148,735
Total noncurrent liabilities	<u>112,765,742</u>	<u>485,308,812</u>	<u>89,386,478</u>	<u>48,877,032</u>	<u>736,338,064</u>
Total liabilities	<u>176,350,541</u>	<u>584,265,201</u>	<u>106,167,804</u>	<u>52,988,149</u>	<u>919,771,695</u>
NET ASSETS					
Invested in capital assets, net of related debt	270,028,153	61,407,115	(1,868,957)	-	329,566,311
Restricted					
Nonexpendable	20,668,918	-	-	-	20,668,918
Expendable for					
Education	8,903,231	-	-	-	8,903,231
Loans	3,654,778	-	-	-	3,654,778
Capital projects	8,393,451	-	-	-	8,393,451
Debt service	5,255,109	67,781,406	9,080,953	1,046,642	83,164,110
Unrestricted	41,888,441	101,937,363	80,431,851	-	224,257,655
Total net assets	<u>\$ 358,792,081</u>	<u>\$ 231,125,884</u>	<u>\$ 87,643,847</u>	<u>\$ 1,046,642</u>	<u>\$ 678,608,454</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2006

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Total Primary Government
Operating revenues					
Student tuition and fees (net of scholarship allowances of \$ 2,182,502)	\$ 39,933,837	\$ -	\$ -	\$ -	\$ 39,933,837
Federal operating grants and contracts	120,472,305	-	-	-	120,472,305
State operating grants and contracts	4,342,956	-	-	-	4,342,956
Local government operating grants and contracts	92,913	-	-	-	92,913
Nongovernmental operating grants and contracts	18,175,967	-	-	-	18,175,967
Interfund services provided	66,973,034	-	-	-	66,973,034
Sales and services of educational and other activities	34,179,341	-	-	-	34,179,341
Net patient service revenue	-	681,348,573	194,387,200	-	875,735,773
Ambulatory care and primary care agreements	-	-	8,331,945	-	8,331,945
Auxiliary enterprises	5,514,245	-	-	-	5,514,245
Interest income (used as security for revenue bonds and notes)	-	-	-	2,443,036	2,443,036
Other operating revenues	8,797,164	16,742,904	7,094,017	79,578	32,713,663
Total operating revenues	<u>298,481,762</u>	<u>698,091,477</u>	<u>209,813,162</u>	<u>2,522,614</u>	<u>1,208,909,015</u>
Operating expenses					
Compensation and employee benefits	252,358,214	283,431,515	116,631,223	-	652,420,952
Services and supplies	128,467,965	277,941,476	45,829,939	221,254	452,460,634
Utilities	8,915,209	9,720,882	-	-	18,636,091
Interfund services used	-	66,973,034	-	-	66,973,034
Scholarships and fellowships	8,286,908	-	-	-	8,286,908
Interest expense	-	-	-	2,533,500	2,533,500
Depreciation and amortization	18,666,838	21,157,778	2,127,453	280,959	42,233,028
Total operating expenses	<u>416,695,134</u>	<u>659,224,685</u>	<u>164,588,615</u>	<u>3,035,713</u>	<u>1,243,544,147</u>
Operating income (loss)	<u>(118,213,372)</u>	<u>38,866,792</u>	<u>45,224,547</u>	<u>(513,099)</u>	<u>(34,635,132)</u>
Nonoperating revenues (expenses)					
State appropriations	103,013,799	-	-	-	103,013,799
Gifts and grants	7,280,726	-	-	-	7,280,726
Gifts made	-	-	(936,723)	-	(936,723)
Refunds to grantors	(461,744)	-	-	-	(461,744)
Investment income	1,554,172	1,809,902	1,904,497	-	5,268,571
Interest expense	(3,508,119)	(9,498,994)	(5,860,510)	-	(18,867,623)
Gain (loss) on sale of capital assets	(279,413)	-	3,569	-	(275,844)
Liquidation gain	-	-	-	8,038,316	8,038,316
Other nonoperating revenues (expenses)	-	-	4,164,413	-	4,164,413
Net nonoperating revenues (expenses)	<u>107,599,421</u>	<u>(7,689,092)</u>	<u>(724,754)</u>	<u>8,038,316</u>	<u>107,223,891</u>
Income (loss) before other revenues, expenses, gains, losses, and transfers	(10,613,951)	31,177,700	44,499,793	7,525,217	72,588,759
Capital appropriations	5,270,749	-	-	-	5,270,749
Capital grants and gifts	13,660,288	-	-	-	13,660,288
Additions to permanent endowments	10,443,101	-	-	-	10,443,101
Interfund transfers	21,134,917	(552,241)	(21,215,995)	633,319	-
Transfers to other state funds	(327,444)	-	-	-	(327,444)
Increase in net assets	<u>39,567,660</u>	<u>30,625,459</u>	<u>23,283,798</u>	<u>8,158,536</u>	<u>101,635,453</u>
Net assets (deficit) at beginning of year	<u>319,224,421</u>	<u>200,500,425</u>	<u>64,360,049</u>	<u>(7,111,894)</u>	<u>576,973,001</u>
Net assets at end of year	<u>\$ 358,792,081</u>	<u>\$ 231,125,884</u>	<u>\$ 87,643,847</u>	<u>\$ 1,046,642</u>	<u>\$ 678,608,454</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006**

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Total Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES					
Student tuition and fees	\$ 41,163,185	\$ -	-	-	\$ 41,163,185
Grants and contracts	128,897,170	-	-	-	128,897,170
Auxiliary enterprise charges	5,513,201	-	-	-	5,513,201
Receipts from interfund services provided	70,156,124	-	-	-	70,156,124
Receipts from services of educational activities	33,416,551	-	-	-	33,416,551
Receipts from patients and third-party payors	-	655,519,179	191,420,057	-	846,939,236
Payments to employees	(251,132,873)	(280,392,124)	(116,631,223)	-	(648,156,220)
Payments to suppliers	(137,921,410)	(287,856,348)	(45,473,873)	(220,417)	(471,472,048)
Payments for scholarships and fellowships	(8,286,908)	-	-	-	(8,286,908)
Payments for interfund services provided	-	(70,156,124)	-	-	(70,156,124)
Loans issued to students	(2,804,781)	-	-	-	(2,804,781)
Collection of loans to students	2,625,501	-	-	-	2,625,501
Student loan program receipts	25,811,889	-	-	-	25,811,889
Student loan program disbursements	(25,811,889)	-	-	-	(25,811,889)
Other receipts	8,852,903	18,210,073	20,790,143	17	47,853,136
Other payments	(1,147,417)	-	(985,585)	-	(2,133,002)
Net cash provided (used) by operating activities	<u>(110,668,754)</u>	<u>35,324,656</u>	<u>49,119,519</u>	<u>(220,400)</u>	<u>(26,444,979)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
State appropriations	103,059,032	-	-	-	103,059,032
Interfund transfers	21,134,917	(552,241)	(21,215,995)	633,319	-
Transfers to other state funds	(396,493)	-	-	-	(396,493)
Gifts and grants received	18,120,577	-	-	-	18,120,577
Refunds to grantors	(461,744)	-	-	-	(461,744)
Proceeds of loan from affiliated entity	-	-	-	21,095	21,095
Repayment of advances	-	-	(7,000,000)	-	(7,000,000)
Interest paid on noncapital debt	(101,149)	-	-	-	(101,149)
Principal paid on bonds and notes payable	-	-	(1,165,105)	(2,704,000)	(3,869,105)
Interest paid on bonds and notes payable	-	-	(2,741,994)	(1,072,316)	(3,814,310)
Payment of agent fees and bond issuance costs	-	-	(20,194)	-	(20,194)
Net cash provided (used) by noncapital financing activities	<u>141,355,140</u>	<u>(552,241)</u>	<u>(32,143,288)</u>	<u>(3,121,902)</u>	<u>105,537,709</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	4,045,340	10,000,000	-	-	14,045,340
Capital appropriations	3,255,319	-	-	-	3,255,319
Capital grants and gifts received	13,660,288	-	-	-	13,660,288
Proceeds from sale of capital assets	408,918	9,947	4,000	-	422,865
Purchases of capital assets	(48,345,045)	(115,013,648)	(1,885,982)	(2,232,717)	(167,477,392)
Principal paid on capital debt and leases	(6,940,962)	(7,680,613)	(1,444,136)	-	(16,065,711)
Interest paid on capital debt and leases	(3,435,274)	(26,336,901)	(2,914,694)	(1,468,250)	(34,155,119)
Payment of fees and issuance cost	-	(2,005,791)	(26,777)	-	(2,032,568)
Net cash provided (used) by capital and related financing activities	<u>(37,351,416)</u>	<u>(141,027,006)</u>	<u>(6,267,589)</u>	<u>(3,700,967)</u>	<u>(188,346,978)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Collection of interfund receivables	-	-	-	2,311,513	2,311,513
Interest received on interfund receivables	-	-	-	2,262,045	2,262,045
Purchases of investments	-	(16,399,482)	(34,104,581)	(2,105,402)	(52,609,465)
Proceeds from sales and maturities of investments	-	31,124,921	16,846,938	1,958,948	49,930,807
Distributions from investments	-	-	185,862	-	185,862
Interest on investments	1,577,757	14,141,242	2,653,080	261,546	18,633,625
Net cash provided (used) by investing activities	<u>1,577,757</u>	<u>28,866,681</u>	<u>(14,418,701)</u>	<u>4,688,650</u>	<u>20,714,387</u>
Net decrease in cash and cash equivalents	(5,087,273)	(77,387,910)	(3,710,059)	(2,354,619)	(88,539,861)
Cash and cash equivalents at beginning of year	99,097,991	303,516,364	39,160,018	8,003,695	449,778,068
Cash and cash equivalents at end of year	<u>\$ 94,010,718</u>	<u>\$ 226,128,454</u>	<u>\$ 35,449,959</u>	<u>\$ 5,649,076</u>	<u>\$ 361,238,207</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	<u>The University</u>	<u>Medical University Hospital Authority</u>	<u>University Medical Associates</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents is reported in the following Statement of Net Assets captions					
Current Assets	\$ 76,739,225	\$ 42,156,460	\$ 30,915,127	\$ 1,563	\$ 149,812,375
Restricted assets	801,746	21,877,108	-	273,946	22,952,800
Noncurrent restricted assets	16,469,747	162,094,886	4,534,832	5,373,567	188,473,032
Total cash and cash equivalents	<u>\$ 94,010,718</u>	<u>\$ 226,128,454</u>	<u>\$ 35,449,959</u>	<u>\$ 5,649,076</u>	<u>\$ 361,238,207</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (118,213,372)	\$ 38,866,792	\$ 45,224,547	\$ (513,099)	(34,635,132)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	18,666,838	21,157,778	2,127,453	280,959	42,233,028
Provision for bad debts	-	98,819,380	37,111,260	-	135,930,640
Rental income, net	-	-	5,086,953	-	5,086,953
Gifts made	-	-	(936,723)	-	(936,723)
Other	-	-	11,866	-	11,866
Interest income	-	-	-	(2,522,597)	(2,522,597)
Interest expense	-	-	-	2,533,500	2,533,500
Loss on sale of equipment	-	85,361	-	-	85,361
Changes in assets and liabilities					
Receivables	(6,357,942)	(114,220,721)	(39,821,970)	-	(160,400,633)
Student loans receivable	218,457	-	-	-	218,457
Due from other funds	3,287,019	-	(896,424)	-	2,390,595
Due from component unit	(11,709,071)	(5,393,419)	(18,066)	-	(17,120,556)
Prepaid items	(1,020,798)	-	631,355	-	(389,443)
Other assets	-	(10,410,998)	(503,566)	-	(10,914,564)
Payables and accrued liabilities	(254,215)	4,301,273	807,320	837	4,855,215
Accrued compensated absences	806,777	2,119,210	149,559	-	3,075,546
Deferred revenues	2,899,984	-	-	-	2,899,984
Due to other funds	927,867	-	-	-	927,867
Federal loan program liability	109,006	-	-	-	109,006
Other liabilities	(29,304)	-	145,955	-	116,651
Net cash provided (used) by operating activities	<u>\$ (110,668,754)</u>	<u>\$ 35,324,656</u>	<u>\$ 49,119,519</u>	<u>\$ (220,400)</u>	<u>\$ (26,444,979)</u>

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

STATEMENT OF FINANCIAL POSITION
HEALTH SCIENCES FOUNDATION OF THE MEDICAL UNIVERSITY OF SOUTH CAROLINA
 Nongovernmental Discretely Presented Component Unit

June 30, 2006

ASSETS	
Cash and cash equivalents	\$ 10,052,673
Receivables	
Accounts and other receivables	227,128
Contributions, net	13,498,024
Investments	149,443,943
Funds held in trust by the Foundation	3,723,601
Funds held in trust by others	2,410,838
Income producing property	57,825,233
Property and equipment, net	512,178
Other assets	306,714
Total assets	<u>\$ 238,000,332</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	\$ 2,972,515
Annuities payable	4,328,629
Long-term debt	49,777,391
Unearned income	13,536,441
Contributions payable to primary government	17,852,400
Total liabilities	<u>88,467,376</u>
Net Assets	
Unrestricted	
Undesignated	6,475,469
Designated for primary government programs	17,581,370
Total unrestricted	<u>24,056,839</u>
Temporarily restricted	73,397,501
Permanently restricted	52,078,616
Total net assets	<u>149,532,956</u>
Total liabilities and net assets	<u>\$ 238,000,332</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF ACTIVITIES
HEALTH SCIENCES FOUNDATION OF THE MEDICAL UNIVERSITY OF SOUTH CAROLINA
Nongovernmental Discretely Presented Component Unit

For the year ended June 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support				
Contributions	\$ 2,239,649	\$ 10,254,507	\$ 4,150,192	\$ 16,644,348
Interest and dividends	1,711,561	3,156,747	-	4,868,308
Net unrealized and realized gain	959,208	3,992,145	19,469	4,970,822
Special events revenues	-	471,087	75	471,162
Rental income	3,720,510	-	23,690	3,744,200
Other income	235,960	881,274	525,349	1,642,583
	<u>8,866,888</u>	<u>18,755,760</u>	<u>4,718,775</u>	<u>32,341,423</u>
Net assets released from restrictions				
Program restrictions satisfied	13,580,032	(14,952,743)	1,372,711	-
Total revenues, gains, and other support	<u>22,446,920</u>	<u>3,803,017</u>	<u>6,091,486</u>	<u>32,341,423</u>
Expenses and losses				
Program expenses	13,632,809	-	-	13,632,809
Supporting services				
General and administrative	1,083,473	-	-	1,083,473
Fundraising and promotion	1,671,892	-	-	1,671,892
Total expenses	<u>16,388,174</u>	<u>-</u>	<u>-</u>	<u>16,388,174</u>
Changes in net assets	6,058,746	3,803,017	6,091,486	15,953,249
Net assets at beginning of year	17,998,093	69,594,484	45,987,130	133,579,707
Net assets at end of year	<u>\$ 24,056,839</u>	<u>\$ 73,397,501</u>	<u>\$ 52,078,616</u>	<u>\$ 149,532,956</u>

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

STATEMENT OF FINANCIAL POSITION
MUSC FOUNDATION FOR RESEARCH DEVELOPMENT
 Nongovernmental Discretely Presented Component Unit

June 30, 2006

ASSETS

Cash and cash equivalents	\$ 49,768
Interest receivable	16,165
Accounts receivable	232,188
Prepaid expense	29,180
Investments	1,046,696
Property and equipment (at cost less accumulated depreciation)	1,708
Total assets	<u>\$ 1,375,705</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 149,016
Accrued expenses	2,065
Due to primary government	707,952
Unearned revenue and deposits	8,258
Total liabilities	<u>867,291</u>

Net Assets

Unrestricted	508,414
Total liabilities and net assets	<u>\$ 1,375,705</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF ACTIVITIES
MUSC FOUNDATION FOR RESEARCH DEVELOPMENT
Nongovernmental Discretely Presented Component Unit
For the year ended June 30, 2006

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
State grants and contracts	\$ 750,664	\$ -	\$ 750,664
Corporate contracts and awards	8,360	116,658	125,018
Program contributions and private grants	297,705	3,000	300,705
License fees and royalties	390,276	-	390,276
Interest and dividend income	68,804	2,003	70,807
Net unrealized and realized (loss) on investments	(53,394)	777	(52,617)
Registration and seminar fees	88,654	-	88,654
Loss on equity from technology transfer	(35,981)	-	(35,981)
Miscellaneous income	8,180	-	8,180
Subtotal	1,523,268	122,438	1,645,706
Net assets released from restrictions			
Program restrictions satisfied	122,438	(122,438)	-
Total revenues, gains, and other support	1,645,706	-	1,645,706
Expenses			
Program services			
Research	85,463	-	85,463
Training	328,288	-	328,288
Public service	2,780	-	2,780
Technology transfer activity	645,476	-	645,476
Residuals	105,191	-	105,191
Total program expenses	1,167,198	-	1,167,198
Supporting services			
Management and general			
Operations	558,645	-	558,645
Clinical Innovation Group	36	-	36
Total supporting services	558,681	-	558,681
Total expenses	1,725,879	-	1,725,879
Changes in net assets	(80,173)	-	(80,173)
Net assets at beginning of year	588,587	-	588,587
Net assets at end of year	\$ 508,414	\$ -	\$ 508,414

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

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

Reporting Entity

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

Blended Component Units

The University's blended component units, although legally separate from the University, are so intertwined with it that they are, in substance, the same as the primary entity. The Medical University Hospital Authority (the Authority), University Medical Associates (UMA), Medical University Facilities Corporation (MUFC), and CHS Development Company (CHS) are considered to be governmental entities that conduct business-type activities. Their balances and transactions are blended with those of the University and reported as if they were balances and transactions of the primary entity. Pharmaceutical Education and Development Foundation (PEDF) is deemed not to be a governmental entity because a controlling majority of its governing body is not appointed or approved by government officials, however, its balances and transactions have been reformatted and reported as balances and transactions of the primary entity. The Authority and UMA are reported as major funds and MUFC, CHS, and PEDF are considered nonmajor funds.

Major Funds

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

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

University Medical Associates (UMA) was organized as a nonprofit corporation under the laws of South Carolina on June 3, 1991, and received tax-exempt status recognition from the Internal Revenue Service. UMA was established by the Board of Trustees of The Medical University of South Carolina to benefit the programs and further the mission of the University. UMA bills, collects, and administers all clinical income generated by its participating physicians and provides the full-time professional clinical faculty of the University and other health professionals with group practice arrangements. UMA also operates as a multi-specialty group practice of medicine and related services in the furtherance of medicine, medical research, and education. UMA is considered a component unit because the University is financially accountable for UMA, has appointment authority over a majority of the UMA board and is able to affect UMA's operations. UMA is a blended component unit because it almost exclusively benefits the University even though UMA does not provide all of its services directly to the University. The bylaws of UMA provide for all of its assets to be transferred to the University upon its dissolution.

UMA has formed for-profit and non-profit subsidiaries for the purpose of creating a primary care network by establishing satellite and affiliate offices and contracting with area physicians to provide primary care and other services. Carolina Family Care, Inc. (CFC) and Carolina Primary Care Physicians, P.A. (CPCP) are organized as for-profit corporations under South Carolina law, whereas Carolina Health Management Services (CHMS) is organized as a non-profit public benefit corporation. All financial activities of these companies are blended into the financial statements of UMA since they serve an essentially identical purpose. Certain component units are income taxable under state and federal law. 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 US generally accepted accounting principles, the University's financial statements include UMA and its component units. Copies of the separately issued financial statements of UMA can be obtained by sending a request to the following address: University Medical Associates, 1180 Sam Rittenberg Blvd., Suite 355, Charleston, SC 29407.

Nonmajor Funds

Medical University Facilities Corporation (MUFC) is a nonprofit corporation established in 1992 to obtain the financing for the University to purchase land, an office building, and a parking garage. A majority of the members of the Board of Directors of MUFC are employees of the University or members of the University's Board of Trustees. The agreement between the University and MUFC requires the University to pay all costs of MUFC. 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. MUFC is a blended component unit since its only purpose is to provide financing services to the University. Medical University Facilities Corporation does not issue separate financial statements.

CHS Development Company (CHS) is a nonprofit corporation organized under the laws of South Carolina on August 27, 2002, to develop and lease property for the University. The development of the property furthers the public educational goals of the University by providing necessary classroom, office, and parking space. CHS Development Company is considered to be a component unit because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. CHS is a blended component unit since its only purpose is to provide financing services to the University. CHS Development Company 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. Substantially all the assets of PEDF were sold on July 1, 2001. The foundation has existed since that time only to receive contingent payments under the asset sale agreement. No contingent payments were received in fiscal year 2006 (See note 23). 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 definition of a governmental entity. 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.

Discretely Presented Component Units

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

Health Sciences Foundation (HSF) was incorporated in July, 1966 under the laws of South Carolina as an educational, charitable, eleemosynary foundation to promote educational, research, clinical and other facilities and programs of the University. HSF acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The board of HSF is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from HSF, the majority of resources or income thereon that HSF holds and invests is restricted to the activities of the University by the donors. The HSF reporting entity includes Parking Garage Associates, LLC, which is a single member limited liability company and a wholly owned subsidiary of HSF. This subsidiary owns and leases a parking garage to the Authority. Because the restricted resources held by HSF can only be used by, or for the benefit of the University, HSF is considered a component unit of the University and is discretely presented in the University's financial statements. Copies of the separately issued financial statements of Health Sciences 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.

MUSC Foundation for Research Development (MFRD) was incorporated in March 1995, as a direct support organization for the University. The mission of MFRD is to support the educational, research, and health care mission of the University by fostering creativity and innovation. Additionally, MFRD is charged with providing the mechanisms by which the University's scientific discoveries, inventions and processes may be developed, applied, or patented, and providing the means by which funds generated by such discoveries or patents can be utilized to stimulate and promote further investigation and research at the University. Based on its close relationship with the University, MFRD is deemed to be financially integrated with the University. Therefore, MFRD is reported as a discretely presented component unit of the University. Copies of the separately issued financial statements of MFRD can be obtained by sending a request to the following address: MUSC Foundation for Research Development, 261 Calhoun Street, P.O. Box 250194, Charleston, SC 29425.

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.

Health Sciences Foundation and MUSC Foundation for Research Development are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information in the University's financial reporting entity for these differences.

Effective June 30, 2006, the board of directors of the MUSC Pharmaceutical Education and Development Foundation of The Medical University of South Carolina (PEDF) gave consent for dissolution of PEDF and revalued PEDF's assets and liabilities to the amounts expected to be paid during the liquidation. The effect of the revaluation is included in the statement of activities as "Liquidating gain". Because the change to the liquidation basis occurred on June 30, 2006, the statements of activities and cash flows are presented on the going concern basis except for the effect of the revaluation.

Cash and Cash Equivalents

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

Investments and Investment Income

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

Receivables

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

The University receives certain supplemental Medicaid payments pursuant to an amendment to the South Carolina Medicaid Plan, approved by the US Department of Health and Human Services on September 20, 2002 to be effective retroactive to October 1, 2001, for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. As of June 30, 2006, the University has recorded a receivable from Medicaid of \$5,434,020.

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.

Inventories

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

Prepaid Items

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

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 2006 were \$1,428,700 for the University and \$6,163,000 for the Authority. Financing costs and the deferred accounting loss on refunding are amortized by the Authority over the terms of the related indebtedness using the interest method. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expense in the year in which the expense was incurred.

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

Compensated Absences

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

Deferred Revenues

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

Net Assets

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

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

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

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

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

When an expense is incurred for a purpose for which both restricted and unrestricted resources are available, the University policy is to first apply the restricted resources then the unrestricted resources.

Classification of Revenues and Expenses

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

Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues of the University include: (1) tuition and fees received in exchange for providing educational services to students; (2) grants and contracts that are essentially the same as contracts for services and that finance programs the University would not otherwise undertake; and (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University. Operating expenses consist primarily of payments of compensation and employee benefits and purchases of services and supplies.

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

Medical University Facilities Corporation and CHS Development Company report interest income as operating revenue because investing constitutes their principal ongoing operations.

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

Scholarship Allowances

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

Net Patient Service Revenue

The Authority and 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. Beginning in fiscal year 2005, this category includes 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. The income of the University is exempt under Section 115(1) of the Internal Revenue Code, as amended. The Authority is also recognized as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income tax under Section 501(a) of the Internal Revenue Code.

University Medical Associates, Medical University Facilities Corporation, Pharmaceutical Education and Development Foundation, and CHS Development Company are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income under Code Section 501(a).

Use of Estimates

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

2. DEPOSITS AND INVESTMENTS

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

	The University	The Authority	UMA	MUFC	CHS	PEDF
Statement of Net Assets:						
Current assets						
Cash and cash equivalents	\$ 76,739,225	\$ 42,156,460	\$ 30,915,127	\$ -	\$ -	\$ 1,563
Investments	-	-	42,092,887	-	-	-
Restricted assets						
Cash and cash equivalents	801,746	21,877,108	-	91,170	182,776	-
Investments	-	-	-	316,193	-	-
Noncurrent assets						
Restricted assets						
Cash and cash equivalents	16,469,747	162,094,886	4,534,832	1,350,000	4,023,567	-
Investments	-	43,769,294	15,841,906	213,000	283,185	-
Total Statement of Net Assets	<u>\$ 94,010,718</u>	<u>\$ 269,897,748</u>	<u>\$ 93,384,752</u>	<u>\$ 1,970,363</u>	<u>\$ 4,489,528</u>	<u>\$ 1,563</u>
Disclosure, Deposits and Investments plus reconciling items:						
Carrying value of deposits						
Held by State Treasurer	\$ 93,964,173	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	42,156,460	23,003,416	1,441,170	4,206,343	1,563
Investments, reported amount						
Unrestricted	-	-	49,974,003	-	-	-
Restricted	-	227,741,288	20,376,738	529,193	283,185	-
Cash on hand	46,545	-	30,595	-	-	-
Total Notes plus reconciling items	<u>\$ 94,010,718</u>	<u>\$ 269,897,748</u>	<u>\$ 93,384,752</u>	<u>\$ 1,970,363</u>	<u>\$ 4,489,528</u>	<u>\$ 1,563</u>

Deposits Held by State Treasurer

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

Other Deposits

The Authority's bank balances at June 30, 2006 follows:

Insured (FDIC)	\$ 216,805
Uninsured, uncollateralized, or collateralized by securities held by the pledging institution or by its trust department or agent in other than the Authority's name	<u>46,975,822</u>
Total	<u>\$ 47,192,627</u>
Carrying amount (cash and cash equivalents)	<u>\$ 42,156,460</u>

UMA and its blended component units maintain their cash accounts in a commercial bank. Accounts are guaranteed by the Federal Depository Insurance Corporation (FDIC) up to \$100,000 for both demand and time deposits per depositor. At June 30, 2006, the carrying amount of unrestricted deposits was \$23,003,416. Bank balances before reconciling items were \$28,186,650. Of these unrestricted bank balances, \$700,633 was insured by the FDIC, and the remainder was uninsured and uncollateralized.

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Investments

As of June 30, 2006, the investment balances were as follows:

<u>Investment</u>	<u>Carrying Value</u>	<u>Percentages</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Credit Rating</u>
Medical University Hospital Authority					
Cash	\$ 382,347	0.2%	N/A	N/A	N/A
State Investment Pool	149,919	0.1%	N/A	N/A	N/A
US Treasury Note	6,273,771	2.8%	2/15/2011	5.00%	N/A
US Treasury Note	8,540,727	3.8%	5/15/2008	2.63%	N/A
US Treasury Tri-party Repurchase Agreement	28,954,796	12.7%	N/A	N/A	N/A
Guaranteed Investment Contract	63,400,440	27.8%	N/A	3.08%	AAA
Guaranteed Investment Contract	76,461,611	33.6%	N/A	4.26%	AAA
Commercial Paper	32,942,385	14.5%	8/15/2006	N/A	A1
Money Market Fund	10,635,292	4.7%	N/A	N/A	AAA
Total Hospital Authority investments	<u>\$ 227,741,288</u>				
University Medical Associates, unrestricted					
Federal Home Loan Bank Notes	\$ 2,978,130		9/22/2006 - 7/28/2008		
SC Student Loan Corporation Revenue Bonds	8,500,000		6/1/2033		AAA/Aaa
NC Educational Assistance Authority Bonds	6,000,000		7/1/2015		AAA/Aaa
PA Higher Education Assistance Revenue Bonds	9,000,000		10/1/2040		AAA/Aaa
FL Development Financial Bonds	800,000		5/1/2022		AAA/Aaa
Citizens Property Insurance Bonds	8,500,000		7/1/2026		AAA/Aaa
Commercial Paper:					
Atlas Capital Funding	4,963,200		12/21/2006		A1,P1
DaimlerChrysler NA	1,989,460		8/8/2006		A2,P2
Mermaid Funding Corp	3,995,920		7/10/2006		A2,P2
TXU Energy Company LLC	2,095,737		7/17/2006		A2,P2
Mutual Funds	1,151,556				N/A
Total UMA investments, unrestricted	<u>\$ 49,974,003</u>				
University Medical Associates, restricted					
Federal National Mortgage Association Discount Notes	\$ 3,594,253		11/7/2006		N/A
Federal Home Loan Bank Tranche	1,027,692		9/9/2008		N/A
Philadelphia, PA Authority for Industrial Dev. Pension Bonds	4,805,734		4/15/2028		AAA/Aaa
US Treasury Notes	2,308,430		5/31/2007 - 2/15/2010		N/A
Federal National Mortgage Association Debentures	1,900,828		7/15/2007 - 6/15/2009		N/A
Federal National Mortgage Association Preassigned Issues	1,015,881		8/15/2008 - 6/15/2010		N/A
Mutual Funds	1,189,088		N/A		N/A
Money Market Funds	4,534,832		N/A		N/A
Total UMA investments, restricted	<u>\$ 20,376,738</u>				
Medical University Facilities Corporation					
Berkshire Hathway Investment	316,193		10/13/2016	5.78%	NA
Berkshire Hathway Investment	213,000		10/14/2016	5.20%	NA
Total MUFC Investments	<u>529,193</u>				
CHS Development Company					
Federal Home Loan Mortgage Corporation	\$ 283,185		12/11/2006		AAA
Total CHS investments	<u>\$ 283,185</u>				

Custodial Credit Risk

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

To minimize this risk, UMA's investment policy requires that all negotiable instruments shall be held in safekeeping in the trust department of a bank. All investments are held in UMA's name by a safekeeping agent that is independent of all counterparties.

Credit Risk

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

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

The investment policy adopted by the UMA board allows investment of idle funds in money market and mutual funds, US treasury obligations, Certificates of Deposit and Bankers Acceptances of US or foreign banks rated A1 or higher, repurchase agreements 100% collateralized by US Treasury obligations, commercial paper rated A2 or higher, AAA rated money market auction rate securities, and corporate obligations rated A+ or higher.

CHS Development Company has no investment policy that limits its investment choices other than the limitations imposed by the Indenture of Trust related to the SC Jobs-Economic Development Authority Economic Development Revenue Bonds which limits investments to "Investment Obligations" meeting certain requirements as defined in the indenture.

Concentration of Credit Risk

An increased risk of loss occurs as more investments are acquired from one issuer. UMA's investment policy limits investment in any one equity issuer to five percent and investment in a particular market segment to 20% of the total portfolio balance. Limits on fixed income investments are no more than 10% of the total portfolio in any one issuer other than federal obligations and maintenance of an average quality rating of A or better with a minimum quality rating of BBB for individual issues.

CHS places no limit on the amount it may invest in any one issuer. At June 30, 2006, 100 percent of CHS investments were in the Federal Home Loan Mortgage Corporation.

Interest Rate Risk

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

CHS has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at June 30, 2006, are provided in the schedule above.

Investments in Partnerships

UMA accounts for investments in partnerships either by the cost or equity method. If UMA is a 20 percent or more owner and is able to exercise significant influence over the partnership, then UMA records the investment under the equity method, whereby UMA's percentage of the net profit or loss increases or decreases the investment and the gain or loss is reported in the Statement of Revenues, Expenses and Changes in Net Assets. If UMA owns less than 20 percent or does not possess the ability to exercise control over operations, then the investment is recorded at cost.

On May 8, 1998, Carolina Primary Care Physicians, P.A., a blended component unit of UMA, entered into a partnership with several physicians and medical practices by purchasing a 35 percent interest in Lowcountry Medical Group of Beaufort County, LLC (LCMG). UMA's ownership interest decreased to 33.34% due to members exiting LCMG during the year ended June 30, 2000 and 2003. 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. During fiscal year 2005, LCRP refinanced the mortgage debt on its facilities and distributed a pro-rata share of the loan proceeds as a return of capital to the members of which CPCP received \$345,751. UMA's investment in the partnership at June 30, 2006, is \$2,733,758 and \$542,968 for LCMG and LCRP, respectively. For year ended June 30, 2006, distributions received and reported as investment income were \$179,510 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. This partnership was terminated effective December 31, 2005, and all remaining assets were distributed. Additional capital contributions of \$6,318 were made by UMA in fiscal year 2006. At June 30, 2006, UMA's investment is \$0 and for the year ended June 30, 2006, UMA's share of HHCD's net loss was \$7,882.

On February 10, 2004, University Medical Associates entered into a partnership agreement to be effective August 5, 2003, with Georgetown Hospital System to form Georgetown Radiation Therapy Center, L.L.C (GRTC) to provide radiation therapy for patients of Georgetown County, South Carolina. UMA received a one percent equity interest for a

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contribution of \$1,000. UMA will receive an additional one percent equity for each \$100,000 of cumulative net income the entity produces up to a maximum of ten percent equity for the use of its intellectual property pursuant to a licensing agreement. UMA can appoint one representative to the three-member Executive Committee, which makes all management decisions regarding the operations of the entity. This investment is reported on the cost method with all distributions reported as investment income due to the limited ability to influence operations and its relatively minor equity interest. For the year ended June 30, 2006, no distributions were received.

3. RECEIVABLES

Receivables at June 30, 2006, including applicable allowances, were as follows:

	<u>The University</u>	<u>The Authority</u>	<u>UMA</u>	<u>MUFC</u>
Student accounts	\$ 903,315	\$ -	\$ -	\$ -
Patient accounts	-	190,402,343	95,002,131	-
Less allowances for:				
Contractual adjustments	-	-	(59,516,423)	-
Uncollectibles	-	(83,200,000)	(7,279,220)	-
Due from third party payors	-	12,480,000	-	-
Federal grants and contracts	15,496,181	-	-	-
State grants and contracts	1,591,086	-	-	-
Nongovernmental grants and contracts	3,097,110	-	-	-
Capital improvement bond proceeds	1,830,235	-	-	-
Research infrastructure bond proceed	185,195	-	-	-
Interest	464,270	-	-	7,283
Due from Medicaid	5,434,020	-	-	-
Other	1,314,299	-	182,717	-
Receivables, net	<u>\$ 30,315,711</u>	<u>\$ 119,682,343</u>	<u>\$ 28,389,205</u>	<u>\$ 7,283</u>

4. RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2006, were as follows:

<u>Asset/Restricted for</u>	<u>The University</u>	<u>The Authority</u>	<u>UMA</u>	<u>MUFC</u>	<u>CHS</u>
Current:					
Cash and cash equivalents:					
Debt service	\$ 801,746	\$ -	\$ -	\$ 91,170	\$ 182,776
Capital projects	-	21,877,108	-	-	-
Total cash and cash equivalents	<u>\$ 801,746</u>	<u>\$ 21,877,108</u>	<u>\$ -</u>	<u>\$ 91,170</u>	<u>\$ 182,776</u>
Investments:					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,193</u>	<u>\$ -</u>
Due from other funds:					
Capital lease receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,372,670</u>	<u>\$ 849,534</u>
Noncurrent:					
Cash and cash equivalents:					
Debt service	\$ -	-	\$ 4,534,832	\$ 1,350,000	\$ 4,023,567
Capital projects	12,817,262	162,094,886	-	-	-
Student loan programs	2,816,751	-	-	-	-
Endowments	835,734	-	-	-	-
Total cash and cash equivalents	<u>\$ 16,469,747</u>	<u>\$ 162,094,886</u>	<u>\$ 4,534,832</u>	<u>\$ 1,350,000</u>	<u>\$ 4,023,567</u>
Investments					
Debt Service	<u>\$ -</u>	<u>\$ 43,769,294</u>	<u>\$ 15,841,906</u>	<u>\$ 213,000</u>	<u>\$ 283,185</u>
Due from component units					
Endowments	<u>\$ 19,693,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interfund receivables:					
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,340,348</u>	<u>\$ 23,093,552</u>
Student loans receivable:					
Student loan programs	<u>\$ 12,736,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MEDICAL UNIVERSITY OF SOUTH CAROLINA

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
The University				
Capital assets not being depreciated				
Land	\$ 11,646,316	\$ -	\$ -	\$ 11,646,316
Construction in progress	89,308,095	24,624,096	(42,916,120)	71,016,071
Total capital assets not being depreciated	<u>100,954,411</u>	<u>24,624,096</u>	<u>(42,916,120)</u>	<u>82,662,387</u>
Other capital assets				
Depreciable land improvements	5,702,781	249,512	-	5,952,293
Buildings and improvements	304,298,214	42,688,389	-	346,986,603
Machinery and equipment	90,376,691	21,816,335	(2,959,501)	109,233,525
Vehicles	4,488,727	97,247	(291,244)	4,294,730
Total other capital assets at historical cost	<u>404,866,413</u>	<u>64,848,483</u>	<u>(3,250,745)</u>	<u>466,464,151</u>
Less accumulated depreciation for				
Depreciable land improvements	(4,287,615)	(181,837)	-	(4,469,452)
Buildings and improvements	(122,976,080)	(11,601,383)	-	(134,577,463)
Machinery and equipment	(41,099,678)	(6,588,272)	2,271,170	(45,416,780)
Vehicles	(3,524,687)	(295,346)	291,239	(3,528,794)
Total accumulated depreciation	<u>(171,888,060)</u>	<u>(18,666,838)</u>	<u>2,562,409</u>	<u>(187,992,489)</u>
Other capital assets, net	<u>232,978,353</u>	<u>46,181,645</u>	<u>(688,336)</u>	<u>278,471,662</u>
University Capital assets, net	<u>333,932,764</u>	<u>70,805,741</u>	<u>(43,604,456)</u>	<u>361,134,049</u>
Medical University Hospital Authority				
Capital assets not being depreciated				
Land and land improvements	6,092,725	-	-	6,092,725
Construction in progress	85,051,063	115,085,634	(19,270,248)	180,866,449
Total capital assets not being depreciated	<u>91,143,788</u>	<u>115,085,634</u>	<u>(19,270,248)</u>	<u>186,959,174</u>
Other capital assets				
Buildings and improvements	227,350,227	19,270,248	-	246,620,475
Machinery and equipment	147,497,963	17,204,524	(2,896,053)	161,806,434
Vehicles	1,939,788	78,938	(24,095)	1,994,631
Total other capital assets at historical cost	<u>376,787,978</u>	<u>36,553,710</u>	<u>(2,920,148)</u>	<u>410,421,540</u>
Less accumulated depreciation for				
Buildings and improvements	(110,424,273)	(8,478,644)	-	(118,902,917)
Machinery and equipment	(87,243,505)	(12,456,121)	2,800,745	(96,898,881)
Vehicles	(1,526,713)	(223,013)	24,095	(1,725,631)
Total accumulated depreciation	<u>(199,194,491)</u>	<u>(21,157,778)</u>	<u>2,824,840</u>	<u>(217,527,429)</u>
Other capital assets, net	<u>177,593,487</u>	<u>15,395,932</u>	<u>(95,308)</u>	<u>192,894,111</u>
Hospital Authority capital assets, net	<u>268,737,275</u>	<u>130,481,566</u>	<u>(19,365,556)</u>	<u>379,853,285</u>
University Medical Associates				
Capital assets not being depreciated				
Construction in progress	-	61,540	-	61,540
Total capital assets not being depreciated	<u>-</u>	<u>61,540</u>	<u>-</u>	<u>61,540</u>
Other capital assets				
Buildings and improvements	59,530,439	570,228	-	60,100,667
Machinery and equipment	8,861,744	1,323,265	(791,990)	9,393,019
Intangible assets	3,400,729	55,014	-	3,455,743
Total other capital assets at historical cost	<u>71,792,912</u>	<u>1,948,507</u>	<u>(791,990)</u>	<u>72,949,429</u>
Less accumulated depreciation for				
Buildings and improvements	(15,121,047)	(1,649,232)	-	(16,770,279)
Machinery and equipment	(8,134,475)	(304,455)	119,869	(8,319,061)
Intangible assets	(2,551,115)	(173,766)	-	(2,724,881)
Total accumulated depreciation	<u>(25,806,637)</u>	<u>(2,127,453)</u>	<u>119,869</u>	<u>(27,814,221)</u>
Other capital assets, net	<u>45,986,275</u>	<u>(178,946)</u>	<u>(672,121)</u>	<u>45,135,208</u>
University Medical Associates capital assets, net	<u>45,986,275</u>	<u>(117,406)</u>	<u>(672,121)</u>	<u>45,196,748</u>
Grand Total	<u>\$ 648,656,314</u>	<u>\$ 201,169,901</u>	<u>\$ (63,642,133)</u>	<u>\$ 786,184,082</u>

6. PENSION PLANS

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

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of the University and the Authority are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally, all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Since July 1, 1988, employees participating in the SCRS were required to contribute 6.0 percent of eligible compensation. Effective July 1, 2005, the employee contribution rate is 6.25 percent. Effective July 1, 2004, the employer contribution rate became 10.95 percent, which included a 3.25 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, 2006, 2005, and 2004, were approximately \$8,189,000, \$7,235,000, and \$6,925,000, 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, 2006, 2005, and 2004 were approximately \$19,400,000, \$17,900,000, and \$17,200,000, respectively. Also, the University paid employer group-life insurance contributions of approximately \$163,000 in the current fiscal year at the rate of 0.15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firefighters killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2004, the employer contribution rate became 13.55 percent which, as for the SCRS, included the 3.25 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2006, 2005, and 2004, were approximately \$232,000, \$167,000, and \$160,000, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$4,504 and accidental death insurance contributions of \$4,504 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is 0.20 percent of compensation.

Optional Retirement Program

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

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.25 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 \$7,529,000 (excluding the surcharge) from the University as employer and \$4,357,000 from its employees as plan members. Also, the University paid employer group-life insurance contributions of approximately \$105,000 in the current fiscal year. Employee contributions of 6.25 percent and 5 percent of the employer contribution were remitted directly to the respective annuity policy providers. The balance of the employer portion was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefits resides with the insurance companies.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows active members of the South Carolina Retirement System who are eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for a program period of up to five years. The length of the program period must be specified by the employee prior to retirement. Participants entering the program prior to June 30, 2005 are entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon retirement and again at the end of the program period for annual vacation leave earned during the program period. Participants entering the program after June 30, 2005 maintain their current annual leave balance and are entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon ending participation in the TERI program. The University recorded expenses of approximately \$1,432,000 for lump-sum vacation leave payments to its employees retiring under TERI in fiscal year 2006.

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 2006 totaled approximately \$276,000.

University Medical Associates provides a defined contribution plan covering all employees. The plan provides for contributions by UMA in such amounts as the Board of Directors may annually determine. The plan prohibits participant contributions except for rollovers from other qualified retirement plans. Current year contributions are based upon a four-tier percentage determined by the participant's compensation as follows: (a) eight percent of compensation up to \$40,000; (b) twelve percent of compensation from \$40,001 to \$80,000; (c) twenty-five percent of compensation from \$80,001 to \$150,000; and (d) twenty-nine percent for compensation from \$150,001 to \$200,000. The maximum annual contribution per participant is \$40,000. Participants become fully vested in their accounts after five years of credited service. Total contributions to this plan totaled \$12,338,482 in fiscal year 2006. 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 \$18,000 of compensation annually. The employer makes safe-harbor contributions for all employees of three percent of compensation up to \$210,000. A separate employer contribution of five percent of compensation up to \$210,000 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, 2006 were \$242,293.

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 \$13,871,000 for the year ended June 30, 2006. The University paid approximately \$3,598,000 applicable to the 3.25 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

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

UMA and its component units provide employee life and disability benefits through commercial insurance companies and have established an employee benefit plan to self-insure employees for health, accident, and dental expenses. UMA records an estimated liability for incurred but not reported claims based on estimates of the ultimate cost of reported claims using the gross method. The estimated claims liability at June 30, 2006 was \$349,313. 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 these benefits and no separate estimate is available for the cost of the coverage for retirees. Twenty-two retirees are covered under UMA's self-insured health plan as of June 30, 2006.

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 \$14,000 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 2006 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 \$18,190,715 at June 30, 2006. The University anticipates funding these projects out of current resources, current bond issues, private gifts, and state capital improvement bond proceeds.

The Authority's construction in progress consists primarily of costs associated with construction of new hospital facilities funded by the issuance of debt. The estimated total remaining costs to complete at June 30, 2006 is approximately \$149,000,000. These projects are planned for completion at various dates through fiscal year 2008.

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

On October 7, 2004, UMA entered into an agreement with the Authority to provide assistance with respect to the financing of a new hospital facility. This assistance is in the form of an irrevocable \$6 million line of credit with a major bank made available to the Authority to cover any negative arbitrage during the construction phase of the hospital and until the Authority can fully fund a \$20 million Special Reserve Fund required by the bond insurers. The issuance of this line of credit facility has received MBIA approval to issue as parity debt with the outstanding Select Auction Variable Rate Securities. Any draws against the line of credit will be repaid and any expenses of obtaining and maintaining the line of credit shall be reimbursed within six months after construction is substantially complete and the Special Reserve Fund is fully funded or within six years of construction beginning, unless specifically authorized by the UMA board.

CHS had outstanding commitments related to the Charleston High School renovation project of approximately \$49,861 at June 30, 2006.

10. PAYABLES AND ACCRUED LIABILITIES

	The University	The Authority	UMA	MUFC	CHS	PEDF
Accounts payable	\$ 10,321,554	\$ 41,315,636	\$ 1,631,619	\$ -	\$ 160,015	\$ 837
Retainages	1,532,337	-	-	-	-	-
Accrued payroll and related liabilities	5,744,080	30,483,716	7,780,861	-	-	-
Accrued interest	726,606	-	420,052	206,588	717,625	-
Other	-	12,457,800	1,331,297	-	-	-
	<u>\$ 18,324,577</u>	<u>\$ 84,257,152</u>	<u>\$ 11,163,829</u>	<u>\$ 206,588</u>	<u>\$ 877,640</u>	<u>\$ 837</u>

11. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
University					
General obligation bonds payable	\$ 54,065,000	\$ -	\$ (3,475,000)	\$ 50,590,000	\$ 3,495,000
Capital leases payable	1,101,672	4,045,340	(1,234,797)	3,912,215	1,314,346
Compensated absences payable	20,701,647	11,275,514	(10,468,737)	21,508,424	9,600,448
Less deferred loss on early retirement of general obligation bonds	<u>(1,185,128)</u>	<u>-</u>	<u>80,348</u>	<u>(1,104,780)</u>	<u>(80,348)</u>
Total University long-term liabilities	74,683,191	15,320,854	(15,098,186)	74,905,859	14,329,446
Interfund payables	44,967,617	-	(2,311,513)	42,656,104	3,222,204
Federal loan program liability	<u>12,574,030</u>	<u>392,714</u>	<u>(211,315)</u>	<u>12,755,429</u>	<u>-</u>
Total University noncurrent liabilities	<u>132,224,838</u>	<u>15,713,568</u>	<u>(17,621,014)</u>	<u>130,317,392</u>	<u>17,551,650</u>
Medical University Hospital Authority					
Bonds payable	483,060,000	-	-	483,060,000	-
GE Notes payable	-	10,000,000	(603,526)	9,396,474	1,272,015
Capital leases payable	<u>13,348,816</u>	<u>-</u>	<u>(7,077,087)</u>	<u>6,271,729</u>	<u>3,952,808</u>
Subtotal	496,408,816	10,000,000	(7,680,613)	498,728,203	5,224,823
Less unamortized bond discount	10,988,317	-	(826,304)	10,162,013	-
Less deferred (loss) on refunding	<u>(19,739,529)</u>	<u>-</u>	<u>1,382,948</u>	<u>(18,356,581)</u>	<u>-</u>
Total Authority noncurrent liabilities	<u>487,657,604</u>	<u>10,000,000</u>	<u>(7,123,969)</u>	<u>490,533,635</u>	<u>5,224,823</u>
University Medical Associates					
Direct note obligations	92,650,000	-	(2,400,000)	90,250,000	2,500,000
Interest rate swap liability	1,451,736	-	(77,083)	1,374,653	77,083
Capital leases payable	241,688	210,535	(209,242)	242,981	87,103
Compensated absences payable	<u>2,424,883</u>	<u>3,069,542</u>	<u>(2,919,983)</u>	<u>2,574,442</u>	<u>1,544,665</u>
Subtotal	96,768,307	3,280,077	(5,606,308)	94,442,076	4,208,851
Less deferred refunding costs on direct note obligations	<u>(946,628)</u>	<u>-</u>	<u>49,941</u>	<u>(896,687)</u>	<u>49,941</u>
Total UMA noncurrent liabilities	<u>95,821,679</u>	<u>3,280,077</u>	<u>(5,556,367)</u>	<u>93,545,389</u>	<u>4,158,910</u>
Medical University Facilities Corporation					
Revenue bonds payable	9,828,000	-	(554,000)	9,274,000	595,000
Notes payable	<u>11,500,000</u>	<u>-</u>	<u>(1,050,000)</u>	<u>10,450,000</u>	<u>1,095,000</u>
Total MUFC noncurrent liabilities	<u>21,328,000</u>	<u>-</u>	<u>(1,604,000)</u>	<u>19,724,000</u>	<u>1,690,000</u>
CHS Development Company					
Notes payable	32,985,000	-	(1,100,000)	31,885,000	1,130,000
Unamortized premium	<u>98,685</u>	<u>-</u>	<u>(5,326)</u>	<u>93,359</u>	<u>5,326</u>
Total CHS noncurrent liabilities	<u>33,083,685</u>	<u>-</u>	<u>(1,105,326)</u>	<u>31,978,359</u>	<u>1,135,326</u>
Grand total	<u>\$ 770,115,806</u>	<u>\$ 28,993,645</u>	<u>\$ (33,010,676)</u>	<u>\$ 766,098,775</u>	<u>\$ 29,760,709</u>

12. BONDS AND NOTES PAYABLE

Bonds Payable

The University's bonds payable at June 30, 2006, consisted of the following:

	Interest <u>Rates</u>	Maturity <u>Dates</u>	Balance <u>June 30, 2006</u>
State Institution Bonds			
1991 C series dated 5/17/91	6%	03/01/06	\$ -
1992 A series dated 5/1/92	6%	03/01/07	630,000
1996 A series dated 7/1/96	5.2 - 5.4%	03/01/11	1,420,000
2000 A series dated 4/1/00	4.8 - 6.25%	03/01/10	5,805,000
2001 series dated 12/01/01	4.25 - 5%	12/01/16	5,780,000
2003 D series dated 1/1/03	3.3 - 4.4%	01/01/18	6,880,000
2003 J series dated 12/1/03	3.0 - 5.0%	12/01/23	11,195,000
2005A Refunding dated 4/1/05	3.0-5%	03/01/20	<u>18,880,000</u>
Total state institution bonds			<u>\$ 50,590,000</u>

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt service requirement for the payment of principal and interest on state institution bonds. SC Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees for the preceding year were \$33,172,937, which results in a legal debt margin at June 30, 2006, of \$29,855,643.

The scheduled maturities of the bonds are as follows:

Year Ending <u>June 30,</u>	State Institution Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 3,495,000	\$ 2,162,334	\$ 5,657,334
2008	3,135,000	1,992,180	5,127,180
2009	3,270,000	1,857,874	5,127,874
2010	3,390,000	1,716,748	5,106,748
2011	3,505,000	1,568,249	5,073,249
2012-2016	17,755,000	5,495,214	23,250,214
2017-2021	13,470,000	1,806,636	15,276,636
2022-2026	2,570,000	176,850	2,746,850
Total	<u>\$ 50,590,000</u>	<u>\$ 16,776,085</u>	<u>\$ 67,366,085</u>

Total principal payments on bonds for the year ended June 30, 2006 were \$3,475,000. Total interest expense relating to bonds payable for the year ended June 30, 2006 was \$2,271,557.

The total amount of defeased debt outstanding at June 30, 2006, was \$17,845,000 for the University and \$161,250,000 for the Authority.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

The Authority's hospital facilities and refunding revenue bonds payable at June 30, 2006, consisted of the following:

	Interest Rates	Balance June 30, 2006
2004 A Series	4.85 - 5.25%	\$ 303,965,000
2004 B Series	3.92 - 5.38%	118,095,000
		422,060,000
Unamortized bond discounts and deferred losses on bond refunding		(8,194,568)
		413,865,432
Less current installments		-
Total		\$ 413,865,432

The 2004 Series A and B bonds bear interest at fixed rates for tranches defined by the principal payments due each year. The average interest rates during fiscal 2006 were 5.20% and 4.94% for the Series A and Series B bonds, respectively. The bond indenture contains certain terms and restrictive covenants typical of such agreements, including maintenance of certain debt service coverage levels and limitations on additional indebtedness.

The Authority entered into an Enhanced Total Return Contract (ETRC) with a bank to assist in minimizing the difference between the interest rate related to the Series A Tax Exempt Serial Bonds that mature February 15, 2027 through August 15, 2028 and the Series A Tax Exempt Term Bond that matures August 15, 2034, and reinvest earnings related to those respective bonds during the construction period of the replacement hospital facility. The ETRC essentially converts the Authority's borrowing costs for the related bonds during the construction period from a fixed rate to a variable rate instrument based on the Bond Market Association index, subject to a cap of 4.93%.

The ETRC also includes an option for the bank to obtain reimbursement from the Authority for the negative difference, if any, between the amortized purchase price of the bonds underlying the ETRC and the bonds' market value adjusted for the bank's cumulative net settlement receipts (if any) under the ETRC. Under the option terms, the Authority receives from the bank a premium of 0.85% of the notional amount of the underlying bonds. The Authority's liability related to the net settlement of the option is subject to a cap of \$8,750,000 and is secured with funds deposited by the Authority in an escrow account whose balance approximates \$8,900,000 at June 30, 2006.

The effective term of the ETRC extends from December 29, 2004 until December 1, 2009, although the Authority anticipates terminating the ETRC on or about June 1, 2008, which is the expected date of substantial completion of the associated construction project. The fair value of the ETRC at June 30, 2006 was approximately (\$2,400,000).

The aggregate surplus of funds, if any, to be realized in connection with the ETRC will accumulate during the construction period in a separate custodial account not associated with or pledged as security for any of the bonds. After completion of the project, the ETRC account will be directed to a redemption fund for the special mandatory redemption of the Series A Tax Exempt Bonds commencing with the term bond maturing August 15, 2031, followed by the term bond maturing August 15, 2034.

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

Fiscal Year End <u>June 30,</u>	Hospital Facilities & Refunding Revenue Bonds		
	Principal	Interest	Total
2007	\$ -	\$ 21,494,426	\$ 21,494,426
2008	-	21,494,426	21,494,426
2009	16,005,000	21,198,426	37,203,426
2010	8,590,000	20,653,082	29,243,082
2011	8,950,000	20,291,646	29,241,646
2012 - 2016	51,480,000	94,798,797	146,278,797
2017 - 2021	66,285,000	80,114,931	146,399,931
2022 - 2026	86,145,000	60,402,176	146,547,176
2027 - 2031	111,280,000	35,464,493	146,744,493
2032 - 2034	73,325,000	5,653,200	78,978,200
Total	\$ 422,060,000	\$ 381,565,603	\$ 803,625,603

The Medical University Facilities Corporation (MUFC) on September 20, 1995, issued lease revenue bonds series 1995 A in the amount of \$12,729,000 and series 1995 B in the amount of \$472,000. Related bond issue costs totaling \$356,900 were capitalized as deferred charges to be amortized over the lives of the bonds. The bonds were issued for the purpose of providing a portion of the payment for the costs of completing the acquisition and construction of the Strom Thurmond Biomedical Research Center. Interest rates range from 7.45% to 7.5%. The final maturity is in 2016, and the bonds are secured by the rental payments received under the capital lease as detailed in Note 13. The bond covenants require that MUFC establish and maintain funds with a trustee for the payment of principal and interest on the lease revenue bonds. Medical University Facilities Corporation paid \$554,000 in principal and incurred \$711,907 in interest expense on these bonds for the year ended June 30, 2006.

The scheduled maturities of the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	595,000	783,790	1,378,790
2008	640,000	733,434	1,373,434
2009	689,000	677,943	1,366,943
2010	741,000	616,794	1,357,794
2011	797,000	477,921	1,274,921
2012-2016	4,992,000	1,258,833	6,250,833
2017	820,000	156,265	976,265
	<u>\$9,274,000</u>	<u>\$4,704,980</u>	<u>\$13,978,980</u>

Direct Note Obligations

UMA has issued several Select Auction Variable Rate Securities (SAVRS) Direct Note Obligations to finance the acquisition and renovation of facilities for its ambulatory care operations. The SAVRS are secured by unrestricted receivables and the property under lease with 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 \$10.25 million outstanding at year end, \$9.05 million is covered by a swap agreement, which effectively fixed the interest rate at 6.82%. A total of \$43.6 million of these obligations were refunded through the issuance of Series 1999A SAVRS.

The \$40 million Series 1997 SAVRS proceeds were used to finance the cost of improving, renovating and equipping Rutledge Tower, the property leased from HSF. Of these proceeds, \$35.9 million was used for leasehold improvements, \$3.4 million funded a debt service reserve fund, and \$ 700 thousand went to the cost of issuance. \$34.5 million of these obligations were refunded through the issuance of the Series 1999B SAVRS. The remaining outstanding balance of \$4.95 million at year end is not covered by a swap agreement and subject to market fluctuations.

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

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UMA has issued the following Series of Select Auction Variable Rate Securities (SAVRS) Direct Note Obligations that are outstanding at June 30, 2006.

Description	Covered By Swap	Effective Interest Rate	Original Amount	Outstanding Balance June 30, 2006
Series 1994 SAVRS issued January 9, 1995 due in annual Installments ranging from \$100,000 to \$1,200,000; final maturity is May 15, 2024.	Partially	6.82%	\$ 55,000,000	\$ 10,250,000
Series 1997 SAVRS issued December 1, 1997, due in annual Installments ranging from \$50,000 to \$450,000; final maturity is May 15, 2027.	No	Variable	40,000,000	4,950,000
Series 1999A Refunding SAVRS Issued December 13, 1999, due in annual Installments ranging from \$450,000 to \$3,550,000; final maturity is May 15, 2024.	Yes	6.82%	39,400,000	34,650,000
Series 1999B Refunding SAVRS Issued December 13, 1999, due in annual Installments ranging from \$650,000 to \$3,150,000; final maturity is May 15, 2007.	Yes	5.82%	<u>45,600,000</u>	<u>40,400,000</u>
Total Debt			<u>\$ 180,000,000</u>	90,250,000
Less deferred refunding costs				<u>896,687</u>
Total per Statement of Net Assets				89,353,313
Less current portion				<u>2,450,059</u>
Total long-term portion				<u>\$86,903,254</u>

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

The Master Trust Agreement limits incurrence of additional borrowing, disposition of certain properties, and requires that UMA satisfy certain measures of financial performance as long as the notes are outstanding. As of June 30, 2006, UMA believes it is in compliance with all significant requirements under the Master Trust Agreement.

The 1999A and B Refunding SAVRS Direct Note Obligations were issued pursuant to an ordinance by Charleston County, South Carolina in order to obtain tax-exempt status for the interest payments to the bond holders and reduce the total interest costs. These bonds are subject to compliance with the arbitrage regulations of the Internal Revenue Code. UMA management believes it has complied with all material requirements as of June 30, 2006.

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

Year Ending June 30,	Principal	Interest	Total
2007	\$ 2,500,000	\$ 5,419,344	\$ 7,919,344
2008	2,650,000	5,266,332	7,916,332
2009	3,050,000	5,102,778	8,152,778
2010	3,100,000	4,917,920	8,017,920
2011	3,350,000	4,722,572	8,072,572
2012 - 2016	19,900,000	20,345,651	40,245,651
2017 - 2021	23,950,000	14,025,522	37,975,522
2022 - 2027	<u>31,750,000</u>	<u>5,231,890</u>	<u>36,981,890</u>
Total	90,250,000	65,032,009	155,282,009
Less:			
Deferred Refunding Cost	896,687	-	896,687
Current Portion	<u>2,450,059</u>	<u>5,419,344</u>	<u>7,869,403</u>
Long Term Portion	<u>\$ 86,903,254</u>	<u>\$ 59,612,665</u>	<u>\$ 146,515,919</u>

UMA has entered into interest rate swap agreements with Lehman Brothers to modify interest rates on a portion of its Series 1994 and all of the 1999A and 1999B SAVRS in an effort to convert its variable rate debt to a fixed rate of 6.82% on the 1994 and 1999A SAVRS and 5.82% on the 1999B SAVRS. 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 on May 15, 2027 for the 1999B. The notional amounts as of June 30, 2006 are as follows: Series 1994 SAVRS - \$8.9 million; Series 1999A SAVRS - \$34.65 million; Series 1999B - \$40.4 million which agrees to principal outstanding under the various issues except for Series 1994 which has outstanding principal of \$10.25 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, 2006 were 3.30% for the 1994 SAVRS, 3.30% for the 1999A SAVRS, and 3.45% for the 1999B SAVRS. On May 1, 2000, UMA and Lehman Brothers amended these swap agreements to mitigate adverse income tax consequences to Lehman Brothers should certain triggering events occur in the future resulting in a payment to UMA of \$1,850,000 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, 2006 interest expense was reduced by \$77,083.

Interest rates have declined since execution of the swap agreements resulting in the swaps having a negative fair value of (\$1,884,910) for the 1994 SAVRS, (\$6,986,947) for the 1999A SAVRS, and (\$5,391,823) for the 1999B SAVRS as of June 30, 2006. Because the interest payments on UMA's variable rate debt adjust to changing interest rates, the SAVRS do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

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

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Using rates in effect as of June 30, 2006, aggregate debt service requirements of variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	SAVRS Principal	SAVRS Interest	Swap Payment, Net	Total Debt Service
2007	\$ 2,350,000	\$ 2,821,186	\$ 2,481,801	\$ 7,652,987
2008	2,450,000	2,741,597	2,411,156	7,602,753
2009	2,850,000	2,657,537	2,335,317	7,842,854
2010	2,950,000	2,560,997	2,250,530	7,761,527
2011	3,150,000	2,461,288	2,157,669	7,768,957
2012 - 2016	18,800,000	10,614,679	9,268,971	38,683,650
2017 - 2021	22,250,000	7,337,221	6,346,992	35,934,213
2022 - 2027	<u>29,150,000</u>	<u>2,822,299</u>	<u>2,241,520</u>	<u>34,213,819</u>
Totals	<u>83,950,000</u>	<u>34,016,804</u>	<u>29,493,956</u>	<u>147,460,760</u>

Notes Payable

UMA had a line of credit with Wachovia Bank with a maximum borrowing limit of \$11,500,000, on which UMA could draw on for working capital. The loan bore interest at the 30 day LIBOR rate plus 2.00% and was secured by all unrestricted accounts receivable. This line of credit was terminated on August 19, 2005 and UMA did not borrow any funds under this line of credit during the year ended June 30, 2006. UMA has negotiated a new line of credit with a maximum borrowing capacity of \$10 million beginning in July 2006. The line of credit is secured by all unrestricted accounts receivable of UMA and bears interest at the 30 day LIBOR rate plus 2.00%.

The Authority financed the acquisition of certain medical equipment in 2006 with promissory notes payable to GE Capital Public Finance payable in variable amounts through January 2013. The scheduled maturities are as follows.

Fiscal Year End June 30,	GE Capital Notes	
	Principal	Interest
2007	\$ 1,272,015	\$ 400,394
2008	1,330,742	341,666
2009	1,392,277	280,131
2010	1,456,758	215,650
2011	1,524,332	148,076
2012 - 2013	<u>2,420,350</u>	<u>88,263</u>
Total	<u>\$ 9,396,474</u>	<u>\$ 1,474,180</u>

On December 29, 2004, the South Carolina Jobs-Economic Development Authority (JEDA) issued \$61,000,000 of Economic Development Revenue Bonds (MUFC Central Energy Plant Project), Series 2004. Proceeds of the bonds were loaned to MUFC Central Energy Plant, LLC, a single member limited liability company organized under the laws of the State of South Carolina, whose sole member is Medical University Facilities Corporation. Pursuant to a Loan Agreement between the issuer and the borrower, the borrower will use the proceeds to finance the construction of an approximately 52,000 square foot central energy plant and certain other improvements, renovations, and furnishings, fixtures, and equipment to provide steam and chilled water for the use and benefit of the new 156 bed Phase I Authority project mentioned above. Pursuant to the loan agreement, the borrower will be obligated to make payments to the issuer in amounts sufficient to pay the principal and interest on the Bonds. Applicable GASB principles indicate that MUFC Central Energy Plant, LLC should be reported as a blended component unit of the Authority. Based on the GASB guidance, the audited financial statements include the Central Energy Plant, LLC using the blended method.

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The scheduled maturities are as follows.

Fiscal Year End <u>June 30,</u>	CEP Project Series2004	
	<u>Principal</u>	<u>Interest</u>
2007	\$ -	\$ 1,268,800
2008	1,585,000	1,268,800
2009	1,625,000	1,235,832
2010	1,680,000	1,202,032
2011	1,730,000	1,167,088
2012 - 2016	9,450,000	5,274,152
2017 - 2021	10,950,000	4,230,720
2022 - 2026	12,710,000	3,020,784
2027 - 2031	14,740,000	1,617,096
2032 - 2034	6,530,000	204,776
Total	<u>\$ 61,000,000</u>	<u>\$ 20,490,080</u>

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

In connection with the loan from JEDA, MUFC entered into an interest rate swap agreement with Wachovia Bank, NA to hedge its interest rate exposure and establish a fixed rate payment. The swap agreement provides that MUFC will pay the swap provider interest on a notional amount equal to the aggregate principal amount of the loan at a fixed rate of 3.37 percent per annum and the swap provider will pay MUFC a variable rate of interest on such notional amount in an amount sufficient to pay the variable rate of interest on the loan. The notional amount at June 30, 2006, was \$10,450,000 and the variable rate in effect at that date was 2.45 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, 2006, the swap had a positive fair value of \$292,075. Because the interest payments on the variable rate loan adjust to changing interest rates, the loan does not have a corresponding fair value increase. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. MUFC or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. Termination of the agreement would subject MUFC to the risk of fluctuating interest rates.

Using rates as of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Year ending <u>June 30,</u>	MUFC Variable-Rate Notes		Interest Rate Swaps, Net	Total
	<u>Principal</u>	<u>Interest</u>		
2007	\$ 1,095,000	\$ 397,751	\$ (60,962)	\$ 1,431,789
2008	1,145,000	353,341	(54,129)	1,444,212
2009	1,195,000	306,941	(47,029)	1,454,912
2010	1,245,000	258,551	(39,659)	1,463,892
2011	1,300,000	208,088	(31,893)	1,476,195
2011 - 2013	4,470,000	227,557	(34,852)	4,662,705
Total	<u>\$ 10,450,000</u>	<u>\$ 1,752,229</u>	<u>\$ (268,524)</u>	<u>\$ 11,933,705</u>

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MUFC paid \$1,050,000 in principal and incurred \$375,169 in interest expense on these notes for the year ended June 30, 2006.

On November 1, 2003, the South Carolina Jobs-Economic Development Authority issued Economic Development Revenue Bonds (CHS Development Company Project) Series 2003 in the amount of \$32,985,000 with final maturity on January 1, 2025. Interest rates range from 3 percent to 4.875 percent. The proceeds were loaned to CHS Development Company and used to finance the renovation and equipping of the old Charleston High School to accommodate approximately 40,000 square feet of classroom and office space, the construction and equipping of an adjacent building consisting of approximately 40,000 square feet of additional classroom and office space, the construction of an adjacent parking garage, and the construction of approximately 10,000 square feet of mixed use retail/services space. The renovated high school building, the new adjacent building, and the parking garage are leased to the University. Pursuant to the loan agreement, CHS is obligated to make payments in amounts sufficient to pay the principal and interest on the bonds and certain other fees and expenses. Payment of principal and interest on the bonds is insured under a financial guaranty insurance policy.

The scheduled maturities are as follows:

Year ending June 30,	CHS Development Company Project Series 2003		
	Principal	Interest	Total
2007	\$ 1,130,000	\$ 1,435,250	\$ 2,565,250
2008	1,165,000	1,401,350	2,566,350
2009	1,200,000	1,366,400	2,566,400
2010	1,235,000	1,330,400	2,565,400
2011	1,300,000	1,268,650	2,568,650
2012 - 2016	7,460,000	5,376,950	12,836,950
2017 - 2021	9,265,000	3,568,850	12,833,850
2022 - 2025	9,130,000	1,146,504	10,276,504
Total	<u>31,885,000</u>	<u>16,894,354</u>	<u>48,779,354</u>

For the year ended June 30, 2006, CHS Development Company incurred \$1,446,424 in interest expense on these notes.

PEDF had an interest free loan of \$5,464,522 payable to the Health Sciences Foundation for advances in prior years of working capital. At June 30, 2006, in connection with PEDF's change to the liquidation basis of accounting, the loan amount was reduced to zero. 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, 2006, were as follows:

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

Year Ending June 30	Capital Leases with		Operating Leases with		
	Blended Component Units	External Parties	Blended Component Units	Discretely Presented Component Units	External Parties
2007	\$ 4,586,776	\$ 1,314,346	\$ 2,466,540	\$ 391,454	\$ 1,867,637
2008	4,599,200	1,061,608	772,067	58,668	1,555,175
2009	4,609,898	971,903	64,464	-	367,268
2010	4,618,878	897,829	-	-	259,368
2011	4,631,181	-	-	-	328,378
2012-2016	20,437,638	-	-	-	9,800
2017-2021	9,714,633	-	-	-	-
2022-2026	6,883,493	-	-	-	-
Total minimum lease payments	\$ 60,081,697	\$ 4,245,686	<u>\$ 3,303,071</u>	<u>\$ 450,122</u>	<u>\$ 4,387,626</u>
Less interest	(17,425,593)	(333,471)			
Present value of minimum lease payments	<u>\$ 42,656,104</u>	<u>3,912,215</u>			

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Authority equipment with original cost totaling approximately \$33,500,000 and related accumulated amortization of approximately \$14,400,000 is held under the Authority capital leases. Future minimum lease payments due under these capital leases, by year and in the aggregate follow:

Year Ending 30-Jun	Capital Leases with	Operating Leases with		
	External Parties	Blended Component Unit	Discretely Presented Component Unit	External Parties
2007	\$ 4,122,919	\$ 10,432,854	\$ 2,094,221	\$ 4,649,025
2008	2,189,106	10,061,409	1,980,000	4,339,429
2009	170,606	596,727	1,980,000	4,054,727
2010	-	322,267	1,980,000	3,577,147
2011	-	241,246	1,980,000	1,865,529
2012-2016	-	248,484	3,960,000	5,927,062
2017-2021	-	-	-	-
2022-2026	-	-	-	-
Total minimum lease payments	\$ 6,482,631	\$ 21,902,987	\$ 13,974,221	\$ 24,412,919
Less interest	(210,902)			
Present value of minimum lease payments	\$ 6,271,729			

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 2006 was approximately \$5,387,273 for the University and \$12,686,854 for the Authority. The University and the Authority have an annual operating lease agreement with each other that covers space each uses in real property owned by the other. During the fiscal year the University paid the Authority \$1,105,340 and the Authority paid the University \$2,892,146 under this lease agreement. As discussed in Note 17 and Note 18, for the year ended June 30, 2005, 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 \$646,129 for office copier contingent rentals on a cost-per-copy basis.

University Medical Associates leases facilities and equipment under leases expiring at various dates. Rent expense under these various agreements was \$4,474,768 in fiscal year 2006.

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,	
2007	\$ 4,311,937
2008	3,938,307
2009	3,170,394
2010	2,354,077
2011	2,309,563
2012 – 2016	6,893,664
2017 – 2018	1,206,180
Total	\$ 24,184,122

UMA subleases various properties to the University and the Authority. UMA received rent of approximately \$5,364,181 for the fiscal year ended June 30, 2006 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,	
2007	\$ 5,060,018
2008	3,214,674
2009	373,112
Total	\$ 8,647,804

Capital Leases

Capital leases are generally payable in monthly installments from current resources. Certain University capital leases provide for renewal and/or purchase options. Generally, purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Monthly payments are made to a financial institution as trustee under two capital leases with MUFC for the Harborview Office Tower and the Strom Thurmond Biomedical Research Center. The payment amounts are based on the amount necessary to fund the payments due under the lease revenue bonds and the note payable (see Note 12). These payment requirements are reduced by interest earned on the cash held by the trustee. A portion of the Strom Thurmond Biomedical Research Center has been subleased to the Veterans Administration for a period of 20 years at an annual rent of \$1,264,670.

Monthly payments are made to a financial institution as trustee under a capital lease with CHS Development Company for the CHS building, an adjacent office building, and a parking garage.

The following is a summary of the carrying value of assets held under capital leases at June 30, 2006:

	Capital Leases with blended component units	Capital leases with external parties
Equipment	\$ -	\$ 5,244,382.00
Land	2,335,580	-
Buildings	72,380,408	-
Total	74,715,988	5,244,382
Less accumulated amortization	<u>(18,901,546)</u>	<u>(719,359)</u>
Total assets acquired under capital leases, net	<u>\$ 55,814,442</u>	<u>\$ 4,525,023</u>

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, 2006:

	Capitalized Costs	Accumulated Depreciation	Net Book Value
Leasehold improvements	\$ 374,798	\$ 47,250	\$ 327,548
Computers and equipment	165,937	52,014	113,923
Prepaid maintenance expense	96,221	-	96,221
Total	<u>\$ 636,956</u>	<u>\$ 99,264</u>	<u>\$ 537,692</u>

Depreciation and amortization expense related to these assets was \$35,812 for the year ended June 30, 2006.

The future UMA minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, are as follows:

Year Ending June 30,	
2007	\$ 97,781
2008	47,996
2009	47,996
2010	47,996
2011	<u>27,999</u>
Total minimum lease payments	269,768
Less interest	<u>(26,787)</u>
Present value of minimum lease payment	242,981
Less current portion	<u>(87,103)</u>
Long term portion	<u>\$ 155,878</u>

On January 9, 1995, UMA prepaid MUSC Health Sciences Foundation (HSF) \$37 million in connection with the acquisition of Rutledge Tower from Bon Secours St. Francis Hospital. This facility is used to house ambulatory care

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clinics, administrative offices and space subleased to others and includes a parking garage. This agreement was entered into because UMA's charter prohibits it from owning real estate. The lease term expires on June 30, 2027 and is renewable for successive five-year terms. This prepayment was allocated based upon appraised values as follows: (a) cost of land was recorded as prepaid rent, (b) cost of buildings and fixed equipment was recorded as building under capital lease, and (c) cost of other equipment was recorded as equipment under capital lease. In October 2003, HSF sold a portion of the property subject to this lease agreement and refunded \$1,000,000 of the prepaid rent attributable to the agreement. These amounts are being amortized on a straight-line basis over the useful lives of 10 years for the equipment and 29.5 years for the land and building. Rent expense of \$631,355 and depreciation expense of \$474,224 was recorded for the year ending 2006. The following schedule reflects the remaining basis of assets acquired under this capital lease as of June 30, 2006.

<u>Description</u>	<u>Capitalized Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Prepaid rent – HSF	\$ 19,052,400	\$ 7,688,004	\$ 11,364,396
Building under capital lease	13,989,600	5,453,573	8,536,027
Equipment under capital lease	<u>2,958,000</u>	<u>2,958,000</u>	–
Totals	<u>\$ 36,000,000</u>	<u>\$ 16,099,577</u>	<u>\$ 19,900,423</u>

14. STATE APPROPRIATIONS

The Medical University of South Carolina is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5MA-MB of Part IA of the 2005-2006 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, 2006:

Non-capital appropriations	
Current year's appropriations	
Original appropriations per Annual Appropriations Act	\$ 96,799,976
Nursing Clinical Teaching Lab (Proviso 73.18)	1,500,000
Hollings Cancer Center (Proviso 73.17)	500,000
State Budget and Control Board allocations:	
Employee base pay increases and related employee benefits (Proviso 63.38)	3,307,873
Employer contributions (SC Code of Laws section 1-11-475)	633,729
From Commission on Higher Education:	
Academic Endowment	43,630
Appropriation transfer from Clemson University:	
Agromedicine Program	<u>228,591</u>
Total non-capital appropriations recorded as current year revenue	<u>\$ 103,013,799</u>
 Capital improvement bond proceeds	
Capital Improvement bond proceeds recorded as current year revenue	\$ 5,085,554
 Research infrastructure bond proceeds	
Research Infrastructure bond proceeds recorded as current year revenue	<u>\$ 185,195</u>
Total capital appropriations	<u>\$ 5,270,749</u>

Capital Improvement and Research Infrastructure bonds are issued by the State to fund improvements and expansion of various State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenses have been incurred. The University has authorized state capital improvement bond funds at June 30, 2006, of \$6,514,446 and Research Infrastructure bond funds of \$17,814,805. In fiscal year 2006, the University received capital improvement bond proceeds of \$5,085,554 and Research Infrastructure bond proceeds of \$185,195.

Proviso 72.30 of the 2005-2006 Appropriation Act authorized each agency to bring forward unspent State General Fund appropriations from the prior year into the current fiscal year up to a maximum of ten percent of its original appropriation less any appropriation reductions. Agencies having separate carry-forward authority had to exclude the amount brought forward by such separate authority from their base for purposes of calculating the ten percent carry-forward. Pursuant to this proviso, the University carried forward \$129,685 and AHEC carried forward \$5,101 to fiscal year 2007.

15. MEDICARE AND MEDICAID COST REIMBURSEMENTS

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

Substantially all of the Authority's inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the Authority is reimbursed for both its direct and indirect medical education costs (as defined), based principally on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Authority generally is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Authority and audits by the Medicare fiscal intermediary. The Authority's cost reports have been audited and initially settled for all fiscal years through fiscal 2001.

Revenue from the Medicare program accounted for approximately 25.5% of the Authority's net patient service revenue for the year ended June 30, 2006.

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. The net reimbursement benefits associated with this program totaled approximately \$79.5 million in fiscal 2006 and are recognized as reductions in related contractual adjustments in the accompanying financial statements. There can be no assurance that the Authority will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified. Any material reduction in such funds would have a correspondingly material adverse effect on the Authority's operations.

During the Authority's fiscal 2006, the State of South Carolina reconfigured certain terms and conditions of its ongoing Medicaid disproportionate share hospital program for participating providers, including the Authority. Because of associated funding deferrals and other changes which impacted the timing of historical net revenue and cash flows to the Authority under the program, the Authority was required to recognize a receivable totaling approximately \$10,428,000 at June 30, 2006 in recognition of program net revenue earned but not received in fiscal 2006.

Revenue from the Medicaid program including net disproportionate share payments described above, accounted for approximately 26.9% of the Authority's net patient service revenue for the year ended June 30, 2006.

16. INCOME TAXES

The blended component units of University Medical Associates have cumulative unused net operating losses totaling approximately \$33,907,540 that may be offset against future taxable income of the respective companies. These net operating loss carry-forwards will expire as follows if not used: \$2,277,239 in 2011, \$8,193,140 in 2012, \$9,848,472 in 2013, \$9,502,366 in 2019, \$1,351,937 in 2020, \$536,668 in 2021, \$1,591,411 in 2022, and \$606,307 in 2023. Income tax expense of \$35,105 resulted from the limitation on use of net operating losses for alternative minimum tax purposes.

17. BLENDED COMPONENT UNITS

The following is a summary of the receivables and payables between the University and the blended component units and among the blended component units at June 30, 2006:

	Due from	Due to
The University		
Medical University Hospital Authority	\$ 9,474,414	\$ -
CHS Development Company	12,460	-
University Medical Associates	-	6,174,424
	<u>\$ 9,486,874</u>	<u>\$ 6,174,424</u>
Medical University Facilities Corporation - current		\$ 2,372,670
CHS Development Company - current		849,534
		<u>\$ 3,222,204</u>
Medical University Facilities Corporation - noncurrent		\$ 16,340,348
CHS Development Company - noncurrent		23,093,552
		<u>\$ 39,433,900</u>
Medical University Hospital Authority		
The University	\$ -	\$ 9,474,414
University Medical Associates	1,458,587	-
	<u>\$ 1,458,587</u>	<u>\$ 9,474,414</u>
University Medical Associates		
The University	\$ 6,174,424	\$ -
Medical University Hospital Authority	-	1,458,587
	<u>\$ 6,174,424</u>	<u>\$ 1,458,587</u>
Medical University Facilities Corporation		
The University - current	<u>\$ 2,372,670</u>	
The University - noncurrent	<u>\$ 16,340,348</u>	
CHS Development Company		
The University - current	<u>\$ 849,534</u>	
The University - noncurrent	<u>\$ 23,093,552</u>	
The University		<u>\$ 12,460</u>

Medical University Hospital Authority

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

The Authority paid the University \$66,973,445 during the fiscal year ended June 30, 2006 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 approximately \$552,000 for academic support. The University paid the Authority approximately \$2,273,000 during the fiscal year ended June 30, 2006 for rent, various administrative and support services. The Authority owed the University \$9,429,926 at June 30, 2006.

University Medical Associates

Revenue from the activities of University Medical Associates is available to pay its operating expenses and support activities of the academic departments at The Medical University of South Carolina including faculty and staff compensation. Any excess may be paid to the University or retained within UMA for future use. For the year ended June 30, 2006, pursuant to this practice, UMA provided support to the University which totaled \$21,215,995. This amount is reported as interfund transfers.

The University, the Authority, and UMA have entered into agreements whereby UMA will be reimbursed an annual fixed amount for providing an environment for clinical education and research for University residents and students. UMA shall be entitled to reimbursement for, but not limited to expenses for facilities necessary to perform these agreements, personnel costs, insurance, necessary supplies and equipment, and necessary capital improvements. The parties agree each year to an estimated budget, to be paid ratably over the year to UMA as reimbursement of its costs. For the fiscal year ending June 30, 2006, the University paid UMA \$800,000 and the Authority paid UMA \$7,531,945.

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, 2006, the University reported income of \$21,023,831 from SC DHHS and expense to UMA of \$21,023,831.

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

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

UMA provides billing and collection services to the Authority related to certain limited clinical services, for which UMA receives an administrative fee. Total billings by UMA for the subject Authority services were approximately \$36,185,000 and \$26,086,000 in fiscal 2006 and 2005, respectively. The amounts collected and remitted by UMA to the Authority with respect to these billings amounted to approximately \$10,540,000 and \$8,174,000 in fiscal 2006 and 2005, respectively. The administrative fees paid by the Authority to UMA amounted to approximately \$1,000,000 and \$752,000 in fiscal 2006 and 2005, respectively.

On February 7, 2003, the UMA department of Psychiatry and Behavioral Sciences and the Authority entered into an agreement that created the Institute of Psychiatry to provide psychiatric services to indigent and under-funded patients of the psychiatric and substance abuse treatment programs of the Authority. The agreement is renewed annually and can be terminated by any party upon 365 days written notice. The MUSC Department of Psychiatry has the responsibility for management of the daily operations of the Clinical Enterprise. An annual budget is prepared and approved by both parties with monthly settlement of any expenses in excess of patient service revenues collected. Any gain from operations is paid over to the Authority to cover facility costs and overhead expenses. Annually the operations of the Clinical Enterprise will be reviewed against goals established at the beginning of each year. Based upon this assessment, the Authority will transfer an agreed upon amount of academic support to the University. For the year ended June 30, 2006, this academic support to be received from the Authority has not been determined.

The University amounts due (to) from UMA as of June 30, 2006, are as follows:

Agency Fund – amount in excess of prepaid	\$	172,174
Grant salary reimbursements		673,406
Rental income		83,774
Supplemental Medicaid payments		5,434,020
Parking fees		(31,840)
Other receivables		7,265
Other payables		<u>(164,375)</u>
Net due (to) UMA	\$	<u>6,174,424</u>

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UMA amounts due (to) from the Authority as of June 30, 2006, are as follows:

Ambulatory Care Clinical Education Agreement	\$102,560
Psychiatry Clinical Education Agreement	(692,806)
Patient receivables	(272,203)
Receivables under various billing agreements	(1,409,945)
Managed Care contract	16,824
Emergency Medicine Services Agreement	130,812
Salary reimbursement	8,082
Rental income	16,253
Rutledge Tower renovations	727,695
Other receivables	109,332
Other payables	<u>(195,191)</u>
Total amounts due to the Authority	<u>\$ (1,458,587)</u>

Medical University Facilities Corporation

For the year ended June 30, 2006, pursuant to the trust agreements, MUFC transferred \$56,115 of excess funds on deposit to the University.

CHS Development Company

On November 1, 2003, CHS Development Company entered into a ground lease agreement with Health Sciences Foundation as part of a plan of financing the development of the former Charleston High School property for use by the University. The ground lease required CHS to prepay rent of \$3,140,000 to HSF. The prepayment is being amortized on a straight line basis over 20 years. Amortization expense of \$156,349 was recorded for the year ended June 30, 2006. The lease terminates on the earlier of December 1, 2035, or the payment in full on the bonds. On November 1, 2003, CHS also entered into a lease agreement with the University. Under the terms of the agreement, the University will lease from CHS the site and all improvements thereon, including the buildings. The term of the lease commenced on March 1, 2005, and ends on January 1, 2025. In fiscal year 2006, the University transferred \$689,434 to CHS Development Company as reimbursement for costs incurred in financing the CHS project.

Pharmaceutical Education and Development Foundation

On June 30, 2006 in connection with PEDF's change to the liquidation basis of accounting, the following related party payables were reduced by the following amounts:

Due to the University	\$ 162,337
Due to UMA	\$ 2,280,357
Due to HSF	\$ 5,464,522

The University, UMA and HSF have written these receivables down to zero based on their estimates of collectibility of the receivables.

In January 2004, PEDF was not successful in a lawsuit claiming wrongful termination filed by its former Chief Executive Officer (former CEO). The former CEO was awarded \$131,100, and neither party has appealed the judgment. At June 30, 2006, PEDF reduced a payable in the amount of \$131,100 recorded for this judgment to zero as a result of its change to the liquidation basis of accounting.

Substantially all PEDF assets were sold on July 1, 2001. On June 30, 2006, PEDF's Board of Directors authorized the dissolution of PEDF. Subsequent to year end, the dissolution of PEDF was approved by the South Carolina Attorney General and is effective as of August 21, 2006.

18. DISCRETELY PRESENTED COMPONENT UNITS

Only Health Sciences Foundation and MUSC Foundation for Research Development report under Financial Accounting Standards Board (FASB) standards. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met by actions of the organization and/or passage of time.

Unrestricted Undesignated Net Assets – Net assets not subject to donor-imposed restrictions.

Unrestricted Designated Net Assets – Net assets not subject to donor-imposed restrictions but subject to the organization's board-imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met.

MFRD recognizes grant and contract revenue based upon work performed at the reporting date under specific contract terms. License fee and royalty income is recognized based on agreement milestones. MFRD recognizes revenue from registration and seminar fees once the event is complete.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Health Sciences Foundation

The University provides office space and pays certain administrative costs for HSF which are reimbursed throughout the year. HSF provided support to the University for general and department expenses which totaled in excess of \$7.2 million in fiscal year 2006. The University records this revenue as gifts and the amount due at June 30, 2006 is \$1,522,108. In addition, the University received from HSF in fiscal year 2006, \$85,068 in donated equipment and \$400,000 in capital gifts. HSF leased various properties to the University, to the Authority, and to UMA in fiscal year 2006.

Health Sciences Foundation has an agreement with the University which provides for periodic deposits to HSF of corpus for endowments from the South Carolina Commission on Higher Education under the Centers of Economic Excellence Matching Endowment. HSF will provide earnings at the investment earnings rate, net of investment fees, of its pooled investments to the University. After the first twelve months held by HSF, the principal is due with thirty days written notice by the University. The balance owed under this agreement at June 30, 2006 is \$19,693,102 plus accrued interest of \$1,097,235.

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

Foundation for Research Development

MUSC Foundation for Research Development's (MFRD) and the University have an affiliation agreement which outlines activities requiring MUSC Board approval, conflict of interest, dissolution, insurance, and indemnity. Additionally, the agreement requires an annual accounting of the State property, personnel, and resources used directly by MFRD, as well as, reimbursement or demonstration that adequate in kind reimbursement through provision of funds or services to the University has been made. During fiscal year 2006, the value of the State resources utilized by MFRD is estimated to be \$155,352. This amount was reimbursed to the University. The value is calculated using actual personnel costs prorated by MFRD effort plus an overhead allocation.

MFRD entered into a contract with the University to provide management services for research activities and intellectual property activities. The contract provides for an annual payment of \$755,684. For the fiscal year ended June 30, 2006, MFRD recognized income of \$755,684 from this contract.

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

MFRD recorded the corpus of the Healthy South Carolina funds as a liability to the University, and the University has this amount of approximately \$580,000 recorded as due from MFRD at June 30, 2006. These funds have been subawarded for research and other activities performed by University faculty members. Funds are returned to the University as expenses are incurred by the University for these subawards.

The University has assigned the rights to intellectual property owned by the University to MFRD. MFRD incurs the cost of patent prosecution and commercialization of the intellectual property. Legal fees and other costs associated with patent prosecution are expensed as incurred as the future economic benefits are uncertain and not measurable.

19. RISK MANAGEMENT

The University and its component units are exposed to various risks of loss and maintain State or commercial insurance coverage for each of those risks except health and dental insurance claims for UMA which are self-insured. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered employees for health and dental insurance benefits (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

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

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

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

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

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

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

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these coverages are sufficient to preclude any significant uninsured losses to UMA from risks that occur in normal and expected activities. Funds administered by the State of South Carolina or commercial insurance covers the following risks:

1. Unemployment compensation benefits;
2. Long-term disability benefits for employees;
3. Theft of assets;
4. Damage to property;
5. Tort liability claims including error and omissions

The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with the insurance policy and benefit program limits. Settlement amounts have not exceeded insurance coverage for the current or preceding three years.

UMA also purchases a portion of its medical malpractice insurance coverage for healthcare providers through the State's insurance enterprise, the Medical Malpractice Patients' Compensation fund and the Joint Underwriters Association. Private insurance companies cover the component units. UMA obtains employee fidelity bond insurance coverage through a commercial insurer for all employees for losses arising from theft or misappropriation.

UMA and its component units provide employee life and disability benefits through commercial insurance companies and have established an employee benefit plan to self-insure employees for health, accident, and dental expenses. UMA records an estimated liability for incurred but not reported claims for this self-insured plan based on estimates of the ultimate cost of reported claims using the gross method. The estimated claims liability at June 30, 2006 was \$349,313. 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, 2006 were as follows:

	<u>UMA.</u>	
Liability balance, June 30, 2005	\$	562,052
Claims and changes in estimate		5,139,780
Claims payments		<u>(5,352,519)</u>
Liability balance, June 30, 2006	\$	<u>349,313</u>

20. OPERATING EXPENSES BY FUNCTION

Operating expenses of the University by functional classification for the year ended June 30, 2006, are as follows:

	<u>Compensation and Employee Benefits</u>	<u>Services and Supplies</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 88,109,784	\$ 47,712,713	\$ 1,620	\$ 1,052,343	\$ -	\$ 136,876,460
Research	77,366,678	37,977,135	14,622	3,706,715	-	119,065,150
Public service	24,017,777	7,323,024	-	(3,346)	-	31,337,455
Academic support	20,437,317	6,267,839	7,230	27,033	-	26,739,419
Student services	6,561,205	1,217,597	3,717	40,308	-	7,822,827
Institutional support	18,828,140	13,839,515	110,495	1,696,621	-	34,474,771
Operation and maintenance of plant	15,762,385	10,983,697	8,696,951	-	18,666,838	54,109,871
Scholarships and fellowships	82,290	175,752	-	1,767,234	-	2,025,276
Auxiliary enterprises	1,192,638	2,970,693	80,574	-	-	4,243,905
	<u>\$ 252,358,214</u>	<u>\$ 128,467,965</u>	<u>\$ 8,915,209</u>	<u>\$ 8,286,908</u>	<u>\$ 18,666,838</u>	<u>\$ 416,695,134</u>

21. DONOR RESTRICTED ENDOWMENTS

Endowments are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized. The University's endowments require that the income be used for specific purposes. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purpose for which the endowment was established. At June 30, 2006, net appreciation of \$796,278 is available to be spent, and is reported in the Statement of Net Assets as restricted, expendable for education.

In fiscal year 2006, the University received funding totaling \$10,443,102 from the South Carolina Commission on Higher Education under the Centers of Economic Excellence Matching Endowment. This program funds endowed professorships, which are to be used "to recruit and maintain leading scientists and engineers at the senior research

universities of South Carolina for the purpose of developing and leveraging the research capabilities of the universities for the creation of well-paying jobs and enhanced economic opportunities for the people of South Carolina.”

22. RESTATEMENT OF PRIOR YEAR FUND BALANCE

University Medical Associates (UMA) reduced its funds balance as of June 30, 2005 by \$1,081,420 to reflect the correction of revenues recorded as part UMA ending patient accounts receivable billed on behalf of the Authority under various agreements. These revenues are remitted to the Authority monthly as collected but the ending net realizable accounts receivable balance was not reported as a liability in the prior year. These revenues are now reflected in the UMA financial statements for fiscal year 2006 as Due to Medical University Hospital Authority as of June 30, 2006.

23. SUBSEQUENT EVENTS

In fiscal year 2006, the University received Board of Trustee and State Budget and Control Board approval to construct a 1500-space parking garage on Bee Street at an estimated construction cost of \$39,970,607. In July 2006, the Authority agreed to donate the accumulated capitalized costs of architectural & engineering services on the proposed garage in the amount of \$1,658,394. In August 2006, the MUSC Board of Trustees approved the issuance of tax-exempt Revenue Bonds not exceeding \$38 million to provide partial funding for the project and to cover issuance costs. In September 2006, the University received notice of a Federal Transit Administration award of \$7,770,607 for the parking project. The University plans to issue the bonds and begin construction in fiscal year 2007.

Site work has begun on the College of Dental Medicine Building and the University will issue a \$10 million State Institution Bond Anticipation Note during fiscal year 2007 for an initial one-year term with three renewals permitted. The first renewal is expected to occur in fiscal year 2008 for the full \$30 million that is authorized.

In August 2006, the University sold land at 170 Ashley Avenue to the MUSC Foundation (formerly Health Sciences Foundation) for \$250,000.

The University received Board of Trustee and State Budget and Control Board approval to sell approximately .11 acre of land near the intersection of Spring Street and Lockwood Boulevard to the Health Sciences Foundation for \$180,000. The land is included in the SC Jobs-Economic Development Authority Tax-Exempt Adjustable Mode Economic Development Revenue Bonds, Series 2003. Bond documents are being amended and the sale is expected to take place in November 2006.

University Medical Associates entered into an agreement in April 2006 to lease approximately 20,000 square feet of clinical and office space to house a multi-specialty clinic near Trident Regional Medical Center. The building is currently under construction with an occupancy date estimated to be December 1, 2006. The lease term is for five years with options to renew and calls for monthly rent of \$31,245.

The Pharmaceutical Education and Development Foundation's Board of Directors authorized the dissolution of the Foundation on June 30, 2006. Subsequent to year end the dissolution of the Foundation was approved by the SC Attorney General effective August 21, 2006. There was no financial impact to the University, Authority or HSF in 2006 as the receivable from PEDF had been written off in prior years.

24. INFORMATION FOR STATEMENT OF ACTIVITIES

The following information is presented with comparative fiscal year 2005 amounts for use in the State's government-wide Statement of Activities.

	<u>2006</u>	<u>2005</u>	<u>Increase/ (Decrease)</u>
The University			
Charges for services	\$ 289,684,598	\$ 278,023,606	\$ 11,660,992
Operating grants and contributions	28,075,163	26,907,314	1,167,849
Capital grants and contributions	13,660,288	28,181,596	(14,521,308)
Less: expenses	<u>(420,944,410)</u>	<u>(396,042,891)</u>	<u>(24,901,519)</u>
Net program revenue (expense)	<u>(89,524,361)</u>	<u>(62,930,375)</u>	<u>(26,593,986)</u>
Transfers			
State appropriations	103,013,799	97,655,841	5,357,958
Capital improvement bond proceeds	5,270,749	2,867,790	2,402,959
Other transfers in from state agencies/funds	21,059,433	26,443,937	(5,384,504)
Less: transfers out to state agencies/funds	<u>(251,960)</u>	<u>(320,595)</u>	<u>68,635</u>
Total general revenue and transfers	<u>129,092,021</u>	<u>126,646,973</u>	<u>2,445,048</u>
Change in net assets	39,567,660	63,716,598	(24,148,938)
Net assets - beginning	319,224,421	255,507,823	63,716,598
Net assets - ending	<u>\$ 358,792,081</u>	<u>\$ 319,224,421</u>	<u>\$ 39,567,660</u>

MEDICAL UNIVERSITY OF SOUTH CAROLINA

	2006	2005	Increase/ (Decrease)
The Authority			
Charges for services	\$ 681,348,573	\$ 624,942,225	\$ 56,406,348
Operating grants and contributions	18,552,806	15,910,136	2,642,670
Less: expenses	<u>(668,723,679)</u>	<u>(609,327,076)</u>	<u>(59,396,603)</u>
Net program revenue (expense)	<u>31,177,700</u>	<u>31,525,285</u>	<u>(347,585)</u>
Transfers			
Transfers out to state agencies/funds	<u>(552,241)</u>	<u>(11,189,121)</u>	<u>10,636,880</u>
Total general revenue and transfers	<u>(552,241)</u>	<u>(11,189,121)</u>	<u>10,636,880</u>
Change in net assets	30,625,459	20,336,164	10,289,295
Net assets - beginning	200,500,425	180,164,261	20,336,164
Net assets - ending	<u>\$ 231,125,884</u>	<u>\$ 200,500,425</u>	<u>\$ 30,625,459</u>
University Medical Associates			
Charges for services	\$ 202,719,145	\$ 180,280,051	\$ 22,439,094
Operating grants and contributions	13,166,496	10,716,564	2,449,932
Less: expenses	<u>(171,385,848)</u>	<u>(154,739,354)</u>	<u>(16,646,494)</u>
Net program revenue (expense)	<u>44,499,793</u>	<u>36,257,261</u>	<u>8,242,532</u>
Transfers			
Transfers out to state agencies/funds	<u>(21,215,995)</u>	<u>(15,725,811)</u>	<u>(5,490,184)</u>
Total general revenue and transfers	<u>(21,215,995)</u>	<u>(15,725,811)</u>	<u>(5,490,184)</u>
Change in net assets	23,283,798	20,531,450	2,752,348
Net assets - beginning	64,360,049	43,828,599	20,531,450
Net assets - ending	<u>\$ 87,643,847</u>	<u>\$ 64,360,049</u>	<u>\$ 23,283,798</u>
Medical University Facilities Corporation			
Operating grants and contributions	\$ 1,277,620	\$ 1,326,673	\$ (49,053)
Less: expenses	<u>(1,150,980)</u>	<u>(1,219,482)</u>	<u>68,502</u>
Net program revenue (expense)	<u>126,640</u>	<u>107,191</u>	<u>19,449</u>
Transfers			
Transfers out to state agencies/funds	<u>(56,115)</u>	<u>(35,551)</u>	<u>(20,564)</u>
Total general revenue and transfers	<u>(56,115)</u>	<u>(35,551)</u>	<u>(20,564)</u>
Change in net assets	70,525	71,640	(1,115)
Net assets - beginning	1,164,609	1,092,969	71,640
Net assets - ending	<u>\$ 1,235,134</u>	<u>\$ 1,164,609</u>	<u>\$ 70,525</u>
CHS Development Company			
Operating grants and contributions	\$ 1,244,977	\$ 862,774	\$ 382,203
Less: expenses	<u>(1,864,038)</u>	<u>(633,411)</u>	<u>(1,230,627)</u>
Net program revenue (expense)	<u>(619,061)</u>	<u>229,363</u>	<u>(848,424)</u>
Transfers			
Transfers in from state agencies/funds	<u>689,434</u>	<u>506,546</u>	<u>182,888</u>
Total general revenue and transfers	<u>689,434</u>	<u>506,546</u>	<u>182,888</u>
Change in net assets	70,373	735,909	(665,536)
Net assets - beginning	(258,865)	(994,774)	735,909
Net assets - ending	<u>\$ (188,492)</u>	<u>\$ (258,865)</u>	<u>\$ 70,373</u>
Pharmaceutical Education and Development Foundation			
Operating revenues	\$ 17	\$ 5,942	\$ 5,959
Less: expenses	<u>(20,695)</u>	<u>(25,219)</u>	<u>(45,914)</u>
Net program (expense)	<u>(20,678)</u>	<u>(19,277)</u>	<u>(39,955)</u>
Liquidation gain	8,038,316	-	8,038,316
Change in net assets	8,017,638	(19,277)	7,998,361
Net assets - beginning	(8,017,638)	(7,998,361)	(19,277)
Net assets - ending	<u>\$ -</u>	<u>\$ (8,017,638)</u>	<u>\$ 7,979,084</u>

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2006**

	Medical University Facilities Corporation	CHS Development Company	Pharmaceutical Education and Development Foundation	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 1,563	\$ 1,563
Receivables, net	7,283	-	-	7,283
Prepaid items	-	156,349	-	156,349
Restricted assets				
Cash and cash equivalents	91,170	182,776	-	273,946
Investments	316,193	-	-	316,193
Due from other funds	2,372,670	849,534	-	3,222,204
Other current assets	63,903	60,707	-	124,610
Total current assets	<u>2,851,219</u>	<u>1,249,366</u>	<u>1,563</u>	<u>4,102,148</u>
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	1,350,000	4,023,567	-	5,373,567
Investments	213,000	283,185	-	496,185
Interfund receivables	16,340,348	23,093,552	-	39,433,900
Prepaid items	-	2,584,292	-	2,584,292
Other noncurrent assets	411,155	1,633,544	-	2,044,699
Total noncurrent assets	<u>18,314,503</u>	<u>31,618,140</u>	<u>-</u>	<u>49,932,643</u>
Total assets	<u>21,165,722</u>	<u>32,867,506</u>	<u>1,563</u>	<u>54,034,791</u>
LIABILITIES				
Current liabilities				
Payables and accrued liabilities	206,588	877,640	837	1,085,065
Due to other funds	-	12,460	-	12,460
Long-term liabilities	1,690,000	1,135,326	-	2,825,326
Other current liabilities	-	187,540	726	188,266
Total current liabilities	<u>1,896,588</u>	<u>2,212,966</u>	<u>1,563</u>	<u>4,111,117</u>
Noncurrent liabilities				
Long-term liabilities	18,034,000	30,843,032	-	48,877,032
Total noncurrent liabilities	<u>18,034,000</u>	<u>30,843,032</u>	<u>-</u>	<u>48,877,032</u>
Total liabilities	<u>19,930,588</u>	<u>33,055,998</u>	<u>1,563</u>	<u>52,988,149</u>
NET ASSETS				
Restricted				
Expendable for				
Capital projects	-	-	-	-
Debt service	1,235,134	(188,492)	-	1,046,642
Unrestricted (deficit)	-	-	-	-
Total net assets (deficit)	<u>\$ 1,235,134</u>	<u>\$ (188,492)</u>	<u>\$ -</u>	<u>\$ 1,046,642</u>

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2006**

	Medical University Facilities Corporation	CHS Development Company	Pharmaceutical Education and Development Foundation	Total Nonmajor Enterprise Funds
Operating revenues				
Interest income (used as security for revenue bonds and notes)	\$ 1,198,059	\$ 1,244,977	\$ -	\$ 2,443,036
Other operating revenues	79,561	-	17	79,578
Total operating revenues	<u>1,277,620</u>	<u>1,244,977</u>	<u>17</u>	<u>2,522,614</u>
Operating expenses				
Services and supplies		200,559	20,695	221,254
Interest expense	1,087,076	1,446,424	-	2,533,500
Amortization	63,904	217,055	-	280,959
Total operating expenses	<u>1,150,980</u>	<u>1,864,038</u>	<u>20,695</u>	<u>3,035,713</u>
Operating income (loss)	126,640	(619,061)	(20,678)	(513,099)
Nonoperating revenues (expenses)				
Liquidation gain	-	-	8,038,316	8,038,316
Net nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>8,038,316</u>	<u>8,038,316</u>
Income before other revenues, expenses gains, losses, and transfers	126,640	(619,061)	8,017,638	7,525,217
Interfund transfers	<u>(56,115)</u>	<u>689,434</u>	<u>-</u>	<u>633,319</u>
Increase in net assets	70,525	70,373	8,017,638	8,158,536
Net assets at beginning of year (deficit)	<u>1,164,609</u>	<u>(258,865)</u>	<u>(8,017,638)</u>	<u>(7,111,894)</u>
Net assets at end of year (deficit)	<u>\$ 1,235,134</u>	<u>\$ (188,492)</u>	<u>\$ -</u>	<u>\$ 1,046,642</u>

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2006**

	Medical University Facilities Corporation	CHS Development Company	Pharmaceutical Education and Development Foundation	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments to suppliers	\$ -	\$ (200,559)	\$ (19,858)	\$ (220,417)
Other receipts	-	-	17	17
Net cash (used) by operating activities	-	(200,559)	(19,841)	(220,400)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund transfers	(56,115)	689,434	-	633,319
Proceeds of loan from affiliated entity	-	-	21,095	21,095
Principal paid on bonds and notes payable	(1,604,000)	(1,100,000)	-	(2,704,000)
Interest paid on bonds and notes payable	(1,072,316)	-	-	(1,072,316)
Net cash (used) by noncapital financing activities	(2,732,431)	(410,566)	21,095	(3,121,902)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	(2,232,717)	-	(2,232,717)
Interest paid on capital debt	-	(1,468,250)	-	(1,468,250)
Net cash (used) by capital and related financing activities	-	(3,700,967)	-	(3,700,967)
CASH FLOWS FROM INVESTING ACTIVITIES				
Collection of interfund receivables	1,498,183	813,330	-	2,311,513
Interest received on interfund receivables	1,198,059	1,063,986	-	2,262,045
Purchases of investments	(1,278,003)	(827,399)	-	(2,105,402)
Proceeds from sales and maturities of investments	1,278,058	680,890	-	1,958,948
Interest on investments	79,454	182,092	-	261,546
Net cash provided by investing activities	2,775,751	1,912,899	-	4,688,650
Net (decrease) in cash and cash equivalents	43,320	(2,399,193)	1,254	(2,354,619)
Cash and cash equivalents at beginning of year	1,397,850	6,605,536	309	8,003,695
Cash and cash equivalents at end of year	\$ 1,441,170	\$ 4,206,343	\$ 1,563	\$ 5,649,076
Cash and cash equivalents is reported in the following Statement of Net Assets captions				
Current Assets	\$ -	\$ -	\$ 1,563	\$ 1,563
Restricted assets	91,170	182,776	-	273,946
Noncurrent restricted assets	1,350,000	4,023,567	-	5,373,567
Total cash and cash equivalents	\$ 1,441,170	\$ 4,206,343	\$ 1,563	\$ 5,649,076
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 126,640	\$ (619,061)	\$ (20,678)	(513,099)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Amortization	63,904	217,055	-	280,959
Interest income	(1,277,620)	(1,244,977)	-	(2,522,597)
Interest expense	1,087,076	1,446,424	-	2,533,500
Changes in assets and liabilities				
Payables and accrued liabilities	-	-	837	837
Net cash (used) by operating activities	\$ -	\$ (200,559)	\$ (19,841)	\$ (220,400)



Statistical Section

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MEDICAL UNIVERSITY OF SOUTH CAROLINA

ACCREDITATION STATEMENT

The Medical University of South Carolina is fully accredited by the Southern Association of Colleges and Schools (SACS), which can be contacted at 1866 Southern Lane, Decatur, GA, 30033-4097, telephone (404) 679-4500. Accreditation allows MUSC to award bachelor degrees, master degrees, doctoral and professional degrees. Additionally, each college or program is accredited by numerous national, professional, and specialized accrediting bodies. Documents describing accreditation, approval, or licensing of programs are available for review in each college dean's office by appointment.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

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

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2006 are available.
Source: Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

Revenues	For the Year Ended June 30, (percent of total revenue)				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
The University					
Student tuition and fees (net of scholarship allowances)	3.0%	2.9%	2.4%	2.1%	2.0%
Federal grants and contracts	9.1%	9.9%	10.1%	9.3%	7.9%
State grants and contracts	0.3%	0.4%	0.3%	0.2%	0.3%
Local grants and contracts	0.0%	0.0%	0.0%	0.0%	0.0%
Nongovernmental grants and contracts	1.4%	1.4%	1.3%	1.4%	1.8%
Interest on student loans receivable	0.0%	0.0%	0.0%	0.0%	0.0%
Interfund Services	5.1%	5.1%	5.3%	5.0%	4.9%
Sales and services of educational and other activities	2.6%	2.5%	2.4%	2.8%	1.0%
Auxiliary enterprises	0.4%	0.4%	0.5%	0.5%	0.5%
Other operating revenues	<u>0.6%</u>	<u>0.8%</u>	<u>0.8%</u>	<u>1.0%</u>	<u>1.0%</u>
Operating revenues	<u>22.5%</u>	<u>23.4%</u>	<u>23.1%</u>	<u>22.3%</u>	<u>19.4%</u>
State appropriations	7.8%	8.0%	8.5%	9.7%	11.6%
Gifts and grants	0.5%	0.6%	1.3%	1.0%	1.1%
Investment income	0.1%	0.1%	0.1%	0.2%	0.3%
Non-operating revenues	<u>8.4%</u>	<u>8.7%</u>	<u>9.9%</u>	<u>10.9%</u>	<u>13.0%</u>
Total Revenues -- The University	<u><u>30.9%</u></u>	<u><u>32.1%</u></u>	<u><u>33.0%</u></u>	<u><u>33.2%</u></u>	<u><u>32.4%</u></u>
Medical University Hospital Authority					
Net patient service revenue	51.4%	51.0%	50.7%	48.1%	48.5%
Other operating revenues	<u>1.3%</u>	<u>1.1%</u>	<u>0.8%</u>	<u>1.2%</u>	<u>1.0%</u>
Operating revenues	<u>52.7%</u>	<u>52.1%</u>	<u>51.5%</u>	<u>49.3%</u>	<u>49.5%</u>
Investment income	<u>0.1%</u>	<u>0.2%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.1%</u>
Non-operating revenues	<u>0.1%</u>	<u>0.2%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.1%</u>
Total Revenues -- Medical University Hospital Authority	<u><u>52.8%</u></u>	<u><u>52.3%</u></u>	<u><u>51.5%</u></u>	<u><u>49.3%</u></u>	<u><u>49.6%</u></u>
University Medical Associates					
Net patient service revenue	14.7%	14.0%	14.1%	15.5%	13.2%
Ambulatory care and primary care agreements	0.6%	0.7%	0.7%	1.1%	3.6%
Other operating revenues	<u>0.5%</u>	<u>0.4%</u>	<u>0.4%</u>	<u>0.3%</u>	<u>0.6%</u>
Operating revenues	<u>15.8%</u>	<u>15.1%</u>	<u>15.2%</u>	<u>16.9%</u>	<u>17.4%</u>
Investment income	0.1%	0.2%	0.0%	0.1%	0.1%
Other nonoperating revenues	<u>0.3%</u>	<u>0.3%</u>	<u>0.3%</u>	<u>0.5%</u>	<u>0.5%</u>
Non-operating revenues	<u>0.5%</u>	<u>0.5%</u>	<u>0.3%</u>	<u>0.6%</u>	<u>0.6%</u>
Total Revenues -- University Medical Associates	<u><u>16.3%</u></u>	<u><u>15.6%</u></u>	<u><u>15.5%</u></u>	<u><u>17.5%</u></u>	<u><u>18.0%</u></u>
Total Revenues	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2006 are available.
Source: Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

Expenses	For the Year Ended June 30,				
	<i>(amounts expressed in thousands)</i>				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
The University					
Compensation and employee benefits	\$ 252,358	\$ 240,221	\$ 224,889	\$ 219,996	\$ 213,753
Services and supplies	128,468	121,604	115,544	122,597	99,000
Utilities	8,915	7,785	5,525	5,983	6,153
Scholarships and fellowships	8,287	8,087	5,750	5,094	5,065
Depreciation	18,667	14,065	11,761	11,953	12,089
Operating expenses	<u>416,695</u>	<u>391,762</u>	<u>363,469</u>	<u>365,623</u>	<u>336,060</u>
Refunds to grantors	462	381	647	422	403
Interest expense	3,508	3,161	3,059	4,211	4,271
(Gain) Loss on disposal of capital assets	279	739	(1,415)	37	316
Other nonoperating expenses	-	-	35	38	90
Nonoperating expenses	<u>4,249</u>	<u>4,281</u>	<u>2,326</u>	<u>4,708</u>	<u>5,080</u>
Total Expenses --The University	<u>\$ 420,944</u>	<u>\$ 396,043</u>	<u>\$ 365,795</u>	<u>\$ 370,331</u>	<u>\$ 341,140</u>
Medical University Hospital Authority					
Compensation and employee benefits	\$ 283,432	\$ 255,474	\$ 241,757	\$ 225,216	\$ 357,729
Services and supplies	277,941	251,996	236,809	219,184	96,992
Utilities	9,721	8,958	7,059	6,429	4,857
Interfund services used	66,973	62,602	60,086	55,822	-
Interest expense	-	-	-	-	3,894
Provision for bad debt	-	-	-	-	24,239
Depreciation	21,158	20,260	19,524	17,365	16,987
Operating expenses	<u>659,225</u>	<u>599,290</u>	<u>565,235</u>	<u>524,016</u>	<u>504,698</u>
Interest expense	9,499	10,037	6,681	5,846	-
Nonoperating expenses	<u>9,499</u>	<u>10,037</u>	<u>6,681</u>	<u>5,846</u>	<u>-</u>
Total Expenses -- Medical University Hospital Authority	<u>\$ 668,724</u>	<u>\$ 609,327</u>	<u>\$ 571,916</u>	<u>\$ 529,862</u>	<u>\$ 504,698</u>
University Medical Associates					
Compensation and employee benefits	\$ 116,631	\$ 104,277	\$ 97,980	\$ 89,059	\$ 104,961
Services and supplies	45,830	42,150	38,057	37,767	42,225
Provision for bad debt	-	-	-	21,603	16,432
Amortization	-	-	-	216	132
Depreciation	2,127	2,355	2,616	2,564	3,049
Operating expenses	<u>164,588</u>	<u>148,782</u>	<u>138,653</u>	<u>151,209</u>	<u>166,799</u>
Gifts made	937	156	138	367	775
Interest expense	5,860	5,801	5,968	6,362	6,895
Depreciation on rental property	-	-	-	1,146	912
(Gain) Loss on disposal of capital assets	<u>(4)</u>	<u>(133)</u>	<u>114</u>	<u>499</u>	<u>483</u>
Nonoperating expenses	<u>6,793</u>	<u>5,824</u>	<u>6,220</u>	<u>8,374</u>	<u>9,065</u>
Total Expenses -- University Medical Associates	<u>\$ 171,381</u>	<u>\$ 154,606</u>	<u>\$ 144,873</u>	<u>\$ 159,583</u>	<u>\$ 175,864</u>
Total Expenses	<u>\$ 1,261,049</u>	<u>\$ 1,159,976</u>	<u>\$ 1,082,584</u>	<u>\$ 1,059,776</u>	<u>\$ 1,021,702</u>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2006 are available.
Source: Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

Expenses	For the Year Ended June 30, (percent of total expenses)				
	2006	2005	2004	2003	2002
Expenses					
The University					
Compensation and employee benefits	20.0%	20.7%	20.8%	20.8%	20.9%
Services and supplies	10.2%	10.5%	10.7%	11.6%	9.7%
Utilities	0.7%	0.7%	0.5%	0.6%	0.6%
Scholarships and fellowships	0.7%	0.7%	0.5%	0.5%	0.5%
Depreciation	1.5%	1.2%	1.1%	1.1%	1.2%
Operating expenses	<u>33.1%</u>	<u>33.8%</u>	<u>33.6%</u>	<u>34.6%</u>	<u>32.9%</u>
Refunds to grantors	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expense	0.2%	0.3%	0.3%	0.4%	0.4%
(Gain) Loss on disposal of capital assets	0.0%	0.1%	-0.1%	0.0%	0.0%
Other nonoperating expenses	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating expenses	<u>0.2%</u>	<u>0.4%</u>	<u>0.2%</u>	<u>0.4%</u>	<u>0.4%</u>
Total Expenses -- The University	<u><u>33.3%</u></u>	<u><u>34.2%</u></u>	<u><u>33.8%</u></u>	<u><u>35.0%</u></u>	<u><u>33.3%</u></u>
Medical University Hospital Authority					
Compensation and employee benefits	22.5%	22.0%	22.3%	21.3%	35.0%
Services and supplies	22.0%	21.7%	21.9%	20.7%	9.5%
Utilities	0.8%	0.8%	0.7%	0.6%	0.5%
Interfund services used	5.3%	5.4%	5.6%	5.3%	0.0%
Interest expense	0.0%	0.0%	0.0%	0.0%	0.4%
Provision for bad debt	0.0%	0.0%	0.0%	0.0%	2.4%
Depreciation	1.7%	1.7%	1.7%	1.6%	1.7%
Operating expenses	<u>52.3%</u>	<u>51.6%</u>	<u>52.2%</u>	<u>49.5%</u>	<u>49.5%</u>
Interest expense	0.8%	0.9%	0.6%	0.6%	0.0%
Nonoperating expenses	0.8%	0.9%	0.6%	0.6%	0.0%
Total Expenses -- Medical University Hospital Authority	<u><u>53.1%</u></u>	<u><u>52.5%</u></u>	<u><u>52.8%</u></u>	<u><u>50.1%</u></u>	<u><u>49.5%</u></u>
University Medical Associates					
Compensation and employee benefits	9.2%	9.0%	9.1%	8.4%	10.3%
Services and supplies	3.6%	3.6%	3.5%	3.6%	4.1%
Provision for bad debt	0.0%	0.0%	0.0%	2.0%	1.6%
Amortization	0.0%	0.0%	0.0%	0.0%	0.0%
Depreciation	0.2%	0.2%	0.2%	0.2%	0.3%
Operating expenses	<u>13.0%</u>	<u>12.8%</u>	<u>12.8%</u>	<u>14.2%</u>	<u>16.3%</u>
Gifts made	0.1%	0.0%	0.0%	0.0%	0.1%
Interest expense	0.5%	0.5%	0.6%	0.6%	0.7%
Depreciation on rental property	0.0%	0.0%	0.0%	0.1%	0.1%
(Gain) Loss on disposal of capital assets	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating expenses	0.6%	0.5%	0.6%	0.7%	0.9%
Total Expenses -- University Medical Associates	<u><u>13.6%</u></u>	<u><u>13.3%</u></u>	<u><u>13.4%</u></u>	<u><u>14.9%</u></u>	<u><u>17.2%</u></u>
Total Expenses	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2006 are available.
Source: Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

*SCHEDULE OF EXPENSES BY FUNCTION - UNIVERSITY
LAST FIVE FISCAL YEARS*

For the Year Ended June 30,

(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses by function:					
Instruction	\$ 136,877	\$ 129,898	\$ 121,217	\$ 132,803	\$ 116,513
Research	119,065	117,024	109,516	99,871	90,302
Public services	31,337	27,124	25,450	24,762	21,476
Academic support	26,739	25,298	24,200	24,431	25,506
Student services	7,823	7,194	7,410	6,839	6,441
Institutional support	34,475	30,295	29,432	27,701	27,134
Operation and maintenance of plant	54,110	47,278	41,298	44,441	43,769
Scholarships and fellowships	2,025	3,780	1,676	1,525	2,087
Auxiliary enterprises	4,244	3,871	3,270	3,250	2,832
Refunds to grantors	462	381	647	422	403
Interest on capital debt	3,508	3,161	3,059	4,211	4,271
(Gain) Loss on disposal of capital assets	279	739	(1,415)	37	316
Other non-operating expenses	-	-	35	38	90
	<u> </u>				
Total expenses by function	\$ 420,944	\$ 396,043	\$ 365,795	\$ 370,331	\$ 341,140

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2006 are available.
Source: Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

*SCHEDULE OF EXPENSES BY FUNCTION - UNIVERSITY
LAST FIVE FISCAL YEARS*

For the Year Ended June 30,

(percent of total expenses)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses:					
Instruction	32.5%	32.8%	33.1%	35.9%	34.2%
Research	28.3%	29.5%	29.9%	27.0%	26.5%
Public services	7.4%	6.8%	7.0%	6.7%	6.3%
Academic support	6.4%	6.4%	6.6%	6.6%	7.5%
Student services	1.9%	1.8%	2.0%	1.8%	1.9%
Institutional support	8.2%	7.6%	8.0%	7.5%	8.0%
Operation and maintenance of plant	12.9%	11.9%	11.3%	12.0%	12.8%
Scholarships and fellowships	0.5%	1.0%	0.5%	0.4%	0.6%
Auxiliary enterprises	1.0%	1.0%	0.9%	0.9%	0.8%
Refunds to grantors	0.1%	0.1%	0.2%	0.1%	0.1%
Interest on capital debt	0.8%	0.8%	0.8%	1.1%	1.3%
(Gain) Loss on disposal of capital assets	0.0%	0.3%	-0.3%	0.0%	0.0%
Other non-operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%
	<u>99.9%</u>	<u>100.1%</u>	<u>100.1%</u>	<u>100.0%</u>	<u>99.9%</u>
Total expenses	99.9%	100.1%	100.1%	100.0%	99.9%

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2006 are available.
Source: Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

*SCHEDULE OF NET ASSETS
LAST FIVE FISCAL YEARS*

For the Year Ended June 30,
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
The University					
Invested in capital assets, net of related debt	\$270,028	\$247,812	\$184,822	\$154,987	\$138,621
Restricted - nonexpendable	20,669	10,209	943	925	909
Restricted - expendable	26,207	21,324	29,747	25,418	15,974
Unrestricted	41,888	39,879	39,996	22,506	20,818
Net assets -- The University	<u>358,792</u>	<u>319,224</u>	<u>255,508</u>	<u>203,836</u>	<u>176,322</u>
Medical University Hospital Authority					
Invested in capital assets, net of related debt	61,407	42,700	98,459	78,816	58,047
Restricted - expendable	67,781	71,189	17,556	-	-
Unrestricted	101,937	86,611	64,149	85,206	93,259
Net assets -- Medical University Hospital Authority	<u>231,125</u>	<u>200,500</u>	<u>180,164</u>	<u>164,022</u>	<u>151,306</u>
University Medical Associates					
Invested in capital assets, net of related debt	(1,869)	(2,414)	(518)	(1,329)	826
Restricted - expendable	9,081	9,081	9,081	9,081	9,081
Unrestricted	80,432	57,693	35,266	18,969	(7,671)
Net assets -- University Medical Associates (restated)	<u>87,644</u>	<u>64,360</u>	<u>43,829</u>	<u>26,721</u>	<u>2,236</u>
Net assets	<u>\$677,561</u>	<u>\$584,084</u>	<u>\$479,501</u>	<u>\$394,579</u>	<u>\$329,864</u>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2006 are available.
Source: Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

For the Year Ended June 30,
(amounts expressed in thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
The University					
Income before other revenues, expenses, gains or losses	\$ (10,614)	\$ (2,706)	\$ 9,572	\$ (1,454)	\$ (1,255)
State capital appropriations	5,271	2,868	239	2,341	1,164
Capital grants and gifts	13,660	28,181	25,781	10,154	6,259
Additions to permanent endowments	10,443	9,250	-	-	-
Interfund transfers	21,135	26,444	16,334	16,602	9,071
Transfers to other state funds	(327)	(321)	(255)	(128)	-
Changes in net assets -- The University	<u>39,568</u>	<u>63,716</u>	<u>51,671</u>	<u>27,515</u>	<u>15,239</u>
Medical University Hospital Authority					
Income before other revenues, expenses, gains or losses	31,178	31,525	16,695	18,526	13,807
Interfund transfers	(552)	(11,189)	(552)	(5,810)	(3,751)
Changes in net assets -- Medical University Hospital Authority	<u>30,626</u>	<u>20,336</u>	<u>16,143</u>	<u>12,716</u>	<u>10,056</u>
University Medical Associates					
Income before other revenues, expenses, gains or losses	44,499	36,257	32,849	34,771	13,185
Interfund transfers	(21,216)	(15,726)	(15,741)	(10,757)	(5,375)
Special item - disposition of primary care practice	-	-	-	(457)	(2,571)
Extraordinary item - relator's legal fee settlement	-	-	-	927	(2,150)
Changes in net assets -- University Medical Associates	<u>23,283</u>	<u>20,531</u>	<u>17,108</u>	<u>24,484</u>	<u>3,089</u>
Total changes in net assets	<u>93,477</u>	<u>104,583</u>	<u>84,922</u>	<u>64,715</u>	<u>28,384</u>
Net assets, beginning	<u>584,084</u>	<u>479,501</u>	<u>394,579</u>	<u>329,864</u>	<u>301,480</u>
Net assets, ending (2003 and 2005 restated)	<u>\$677,561</u>	<u>\$584,084</u>	<u>\$479,501</u>	<u>\$394,579</u>	<u>\$329,864</u>

Note: Due to reporting format and definition changes prescribed by GASB 34 and 35, only fiscal years 2002-2006 are available.
Source: Medical University of South Carolina Comprehensive Annual Financial Report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

SCHEDULE OF BOND COVERAGE - UNIVERSITY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Year ending June 30,	Tuition	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2006	\$ 8,400	\$ 8,400	\$ 3,475	\$ 2,300	\$ 5,775	1.45
2005	7,200	7,200	3,120	2,624	5,744	1.25
2004	6,776	6,776	2,565	2,534	5,099	1.33
2003	6,549	6,549	2,090	2,117	4,207	1.56
2002	5,627	5,627	1,645	2,035	3,680	1.53
2001	4,830	4,830	1,565	1,754	3,319	1.46
2000	1,453	1,453	870	545	1,415	1.03
1999	4,420	4,420	1,117	594	1,711	2.58
1998	3,114	3,114	785	640	1,425	2.19
1997	2,300	2,300	795	618	1,413	1.63

Revenue Bonds Parking

Year ending June 30,	Parking Revenue	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2006	\$ -	\$ -	\$ -	\$ -	\$ -	-
2005	-	-	-	-	-	-
2004	2,234	2,234	2,155	79	2,234	1.00
2003	855	855	525	186	711	1.20
2002	855	855	490	221	711	1.20
2001	855	855	455	254	709	1.21
2000	855	855	425	284	709	1.21
1999	855	855	395	312	707	1.21
1998	855	855	375	338	713	1.20
1997	855	855	345	361	706	1.21

Note: Bonds Secured by parking revenue.
Source: Medical University of South Carolina Controller's Office.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

*SCHEDULE OF RATIOS OF OUTSTANDING DEBT - UNIVERSITY
LAST FIVE FISCAL YEARS*

For the Year Ended June 30,

(amounts expressed in thousands except for outstanding debt per student)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General obligation bonds payable, net	\$ 49,485	\$ 52,880	\$ 55,985	\$ 46,550	\$ 40,640
Revenue bonds, net	-	-	-	2,155	2,680
Capital lease obligations	3,912	1,102	638	861	231
Interfund payables	42,656	44,968	21,848	23,461	24,122
Total outstanding debt	<u>\$ 96,053</u>	<u>\$ 98,950</u>	<u>\$ 78,471</u>	<u>\$ 73,027</u>	<u>\$ 67,673</u>
Full-time equivalent students	2,734	2,577	2,381	2,321	2,275
Outstanding debt per student	\$ 35,133	\$ 38,397	\$ 32,957	\$ 31,469	\$ 29,746

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

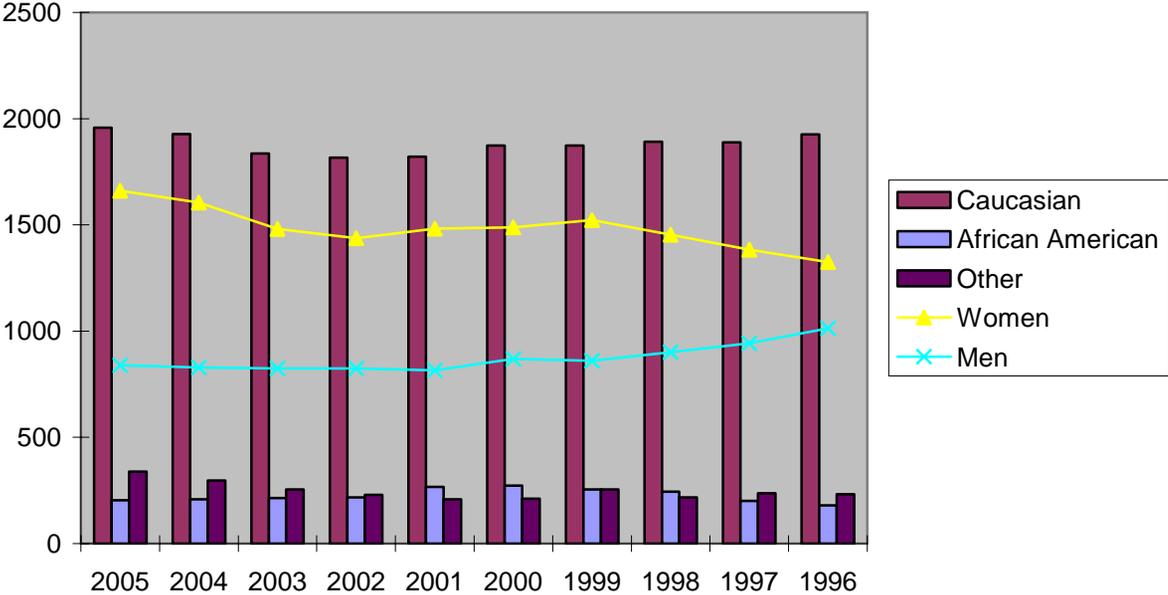
MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
ENROLLMENT										
LEVEL										
Undergraduate	285	353	322	357	400	409	422	505	596	682
Graduate	1,082	973	898	865	888	944	993	931	860	807
First Professional	1,133	1,108	1,085	1,041	1,009	1,004	968	919	870	849
STATUS										
Full-Time	2,046	2,171	2,034	1,989	1,899	2,055	1,792	1,949	1,895	1,922
Part-Time	454	263	271	274	398	302	591	406	431	416
ORIGIN										
In State	1,954	1,974	1,901	1,878	1,941	1,979	1,966	1,946	1,932	1,919
Out of State	495	415	363	348	318	341	387	369	340	360
Foreign	51	45	41	37	38	37	30	40	54	59
RACE										
Caucasian	1,958	1,928	1,836	1,816	1,821	1,873	1,873	1,892	1,888	1,926
African American	204	209	214	218	267	273	255	245	201	180
Asian	113	108	110	106	108	91	108	99	86	81
Hispanic	61	57	35	25	20	20	24	21	26	22
Other	164	132	110	98	81	100	123	98	125	129
GENDER										
Women	1,660	1,605	1,481	1,438	1,482	1,488	1,523	1,454	1,383	1,325
Men	840	829	824	825	815	869	860	901	943	1,013
COLLEGES										
Medicine	598	594	604	585	574	580	580	576	584	588
Pharmacy	315	297	265	242	227	210	176	185	181	212
Nursing	368	390	364	324	374	372	399	408	407	410
Graduate Studies	238	247	218	214	176	178	221	225	222	257
Dental Medicine	220	217	216	214	208	214	212	209	204	199
Health Professions	735	675	613	661	695	747	726	705	617	573
Non-Degree Seeking	26	14	25	23	43	56	69	47	111	99
Total enrollment	2,500	2,434	2,305	2,263	2,297	2,357	2,383	2,355	2,326	2,338

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

Enrollment - Headcount

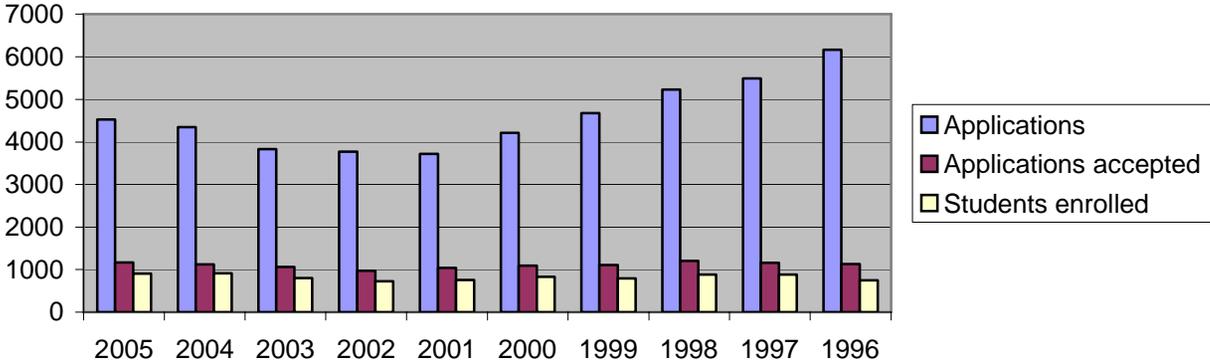


MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
ADMISSIONS - FRESHMAN										
Applications	4,528	4,346	3,829	3,770	3,717	4,216	4,679	5,229	5,492	6,163
Applications accepted	1,164	1,122	1,064	969	1,039	1,090	1,107	1,210	1,159	1,127
Percentage of applications accepted	25.7%	25.8%	27.8%	25.7%	28.0%	25.9%	23.7%	23.1%	21.1%	18.3%
Students enrolled	902	909	803	726	755	830	792	882	879	749
Enrolled as a percentage of accepted	77.5%	81.0%	75.5%	74.9%	72.7%	76.1%	71.5%	72.9%	75.8%	66.5%
DEGREES GRANTED										
Bachelor's	188	161	168	222	192	209	283	357	362	405
Master's	255	243	245	248	283	286	205	192	142	151
First Professional	243	235	232	232	224	214	200	213	197	186
Doctoral	32	21	40	29	45	23	43	20	30	25
Total	718	660	685	731	744	732	731	782	731	767

Admissions - Freshman



MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

RESIDENT

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Undergraduate										
Health Professions	\$ 14,316	\$ 8,646	\$ 7,146	\$ 6,382	\$ 9,183	\$ 8,004	\$ 4,674	\$ 5,979	\$ 4,843	\$ 4,401
Nursing	13,590	12,135	10,029	9,117	8,289	7,536	6,776	5,979	4,843	4,401
Graduate										
Dental Medicine	19,068	16,024	12,972	11,913	11,199	10,182	8,020	7,335	5,212	6,403
Graduate Studies	12,121	11,664	10,085	8,769	7,840	7,374	5,736	5,318	5,000	4,147
Health Professions	14,316	13,131	11,309	9,693	9,300	8,133	6,818	6,108	3,963	4,147
Medicine	24,321	23,425	22,446	19,953	18,138	15,771	11,279	10,252	9,156	8,180
Nursing	14,766	13,185	10,896	9,906	9,006	8,187	6,965	5,640	3,963	4,147
Pharmacy	13,144	11,878	10,089	9,180	8,700	7,908	6,367	5,688	5,850	4,147

NON-RESIDENT

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Undergraduate										
Health Professions	\$ 38,562	\$ 36,204	\$ 29,922	\$ 26,715	\$ 25,827	\$ 22,599	\$ 19,460	\$ 17,601	\$ 14,528	\$ 12,822
Nursing	37,215	33,228	27,462	24,966	22,695	20,631	18,989	17,082	12,812	12,822
Graduate										
Dental Medicine	53,181	44,690	36,084	33,105	31,125	28,296	22,784	21,005	18,942	18,607
Graduate Studies	15,296	14,319	13,370	11,641	10,579	10,011	7,860	7,323	7,000	5,314
Health Professions	29,445	27,480	23,657	20,277	19,575	17,394	13,343	10,596	9,905	5,314
Medicine	69,895	65,938	63,489	56,433	51,303	44,610	32,345	29,408	26,580	23,727
Nursing	23,604	21,075	17,418	15,831	14,391	13,083	10,406	8,508	7,688	5,314
Pharmacy	32,270	29,336	27,330	24,870	22,073	21,828	17,611	16,008	13,977	5,314

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Licensed Beds	709	709	709	709	709	709	709	731	768	768
Patient Days	179,990	180,847	178,070	176,656	170,334	167,867	175,902	184,796	176,110	168,034
Average Census	493	495	487	484	467	460	481	506	482	460
Average Length of Stay	5.7	5.9	6.0	6.0	5.9	5.8	6.0	6.3	6.2	6.2
Admissions	31,578	30,646	29,630	29,242	29,002	28,736	29,156	29,434	28,613	27,064
Outpatient Registrations	737,789	696,544	645,418	610,373	592,112	573,381	601,007	608,424	543,604	478,386
Emergency/Trauma Visits	62,518	58,580	53,584	50,486	51,582	50,221	51,094	46,463	41,783	40,194
Surgical Procedures	20,412	18,654	18,183	17,444	16,146	16,306	17,299	17,880	17,059	16,109
Number of Deliveries	2,313	2,181	2,131	1,856	1,858	2,029	2,037	1,904	1,979	1,904
Medicare Case Mix Index	1.88	1.88	1.87	1.81	1.70	1.72	1.71	1.72	1.71	1.73
Percent of Total Charges:										
Blue Cross	17.2%	16.3%	16.9%	16.3%	15.2%	14.5%	14.0%	12.2%	11.8%	11.8%
Medicare	30.2%	31.8%	31.3%	31.1%	30.8%	30.0%	29.1%	27.8%	27.3%	26.4%
Medicaid	22.2%	22.1%	21.0%	21.2%	22.0%	22.4%	21.8%	22.8%	22.4%	23.5%
Private Insurance / Managed Care	18.1%	19.3%	18.9%	20.6%	21.0%	21.8%	22.3%	23.8%	23.1%	23.6%
Med. Ind./Self Pay/Other	12.3%	10.5%	11.9%	10.8%	11.0%	11.3%	12.8%	13.4%	15.4%	14.7%
Total	100.0%									

Source: Medical University Hospital Authority Keane Patient Financial System.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**OUTPATIENT VISITS BY SPECIALITY - UMA
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Specialty							Total
	Medicine	Family Medicine	Obstetrics/ Gynecology	Pediatrics	Ophthalmology	Surgery	All Others	
2006	254,180 31.53%	69,629 8.64%	84,661 10.50%	101,627 12.61%	45,950 5.70%	55,737 6.91%	194,413 24.11%	806,197 100.00%
2005	238,028 30.72%	72,607 9.37%	91,354 11.79%	98,923 12.77%	42,333 5.46%	53,704 6.93%	177,900 22.96%	774,849 100.00%
2004	141,480 26.67%	64,060 12.07%	61,235 11.54%	55,281 10.42%	36,567 6.89%	35,618 6.71%	136,333 25.70%	530,574 100.00%
2003	133,082 26.71%	63,714 12.79%	58,201 11.68%	50,430 10.12%	32,320 6.49%	35,991 7.22%	124,470 24.98%	498,208 100.00%
2002	126,767 25.99%	59,196 12.14%	56,296 11.54%	45,928 9.42%	38,427 7.88%	37,432 7.68%	123,664 25.36%	487,710 100.00%
2001	125,191 26.38%	57,725 12.17%	51,406 10.83%	40,483 8.53%	34,147 7.20%	37,095 7.82%	128,433 27.07%	474,480 100.00%
2000	130,739 25.66%	64,152 12.59%	57,130 11.21%	37,594 7.38%	31,084 6.10%	33,407 6.56%	155,486 30.51%	509,592 100.00%
1999	124,694 23.93%	60,876 11.68%	61,140 11.73%	35,809 6.87%	31,180 5.98%	33,077 6.35%	174,279 33.45%	521,055 100.00%
1998	124,660 27.45%	51,345 11.31%	44,447 9.79%	31,678 6.98%	31,465 6.93%	22,888 5.04%	147,589 32.50%	454,072 100.00%
1997	112,157 27.73%	47,141 11.66%	30,902 7.64%	27,557 6.81%	17,177 4.25%	31,123 7.70%	138,393 34.22%	404,450 100.00%

Source: University Medical Associates Medical Records System.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

<u>Source</u>	Fiscal Year Ended June 30,									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Medicare	29%	29%	28%	27%	28%	27%	25%	26%	26%	26%
Medicaid	21%	22%	20%	21%	21%	21%	19%	19%	19%	19%
Blue Cross/Blue Shield	25%	24%	23%	22%	20%	19%	16%	14%	14%	13%
Commercial Insurance	3%	3%	4%	5%	8%	10%	11%	12%	12%	13%
All Other (including Managed Care)	22%	22%	25%	25%	23%	23%	29%	29%	29%	29%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: University Medical Associates Medical Records System.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**EMPLOYEE STATISTICS – UNIVERSITY AND AUTHORITY
LAST TEN CALENDAR YEARS
(AS OF JANUARY 1)**

THE UNIVERSITY	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Employees										
Permanent Full-time and Part-time Employees										
Full-time classified	1,522	1,476	1,541	1,594	1,603	1,646	4,045	4,386	4,238	4,130
Part-time classified	33	42	39	35	37	45	730	714	598	592
Full-time unclassified	1,039	1,005	945	909	911	961	1,028	1,008	943	904
Part-time unclassified	219	228	225	235	229	209	199	199	178	179
Total	<u>2,813</u>	<u>2,751</u>	<u>2,750</u>	<u>2,773</u>	<u>2,780</u>	<u>2,861</u>	<u>6,002</u>	<u>6,307</u>	<u>5,957</u>	<u>5,805</u>
Other Categories										
Residents	562	565	563	554	557	544	560	540	534	540
Pre/post doctoral fellows	188	203	180	205	198	160	167	146	113	106
Externs	-	-	-	-	-	-	-	-	1	-
Temporary	947	947	812	778	725	738	1,411	1,651	1,469	1,164
Contractual	-	-	-	-	-	-	-	-	-	-
Dual employment-other agencies	18	20	33	22	17	20	29	21	25	17
Total	<u>1,715</u>	<u>1,735</u>	<u>1,588</u>	<u>1,559</u>	<u>1,497</u>	<u>1,462</u>	<u>2,167</u>	<u>2,358</u>	<u>2,142</u>	<u>1,827</u>
Total Employees	<u>4,528</u>	<u>4,486</u>	<u>4,338</u>	<u>4,332</u>	<u>4,277</u>	<u>4,323</u>	<u>8,169</u>	<u>8,665</u>	<u>8,099</u>	<u>7,632</u>
AUTHORITY										
Employees										
Permanent Full-time and Part-time Employees										
Full-time classified	2,879	2,827	2,799	2,715	2,376	2,292				
Part-time classified	1,243	1,063	976	916	806	739				
Full-time unclassified	41	68	68	66	64	53				
Part-time unclassified	-	5	3	4	3	4				
Total	<u>4,163</u>	<u>3,963</u>	<u>3,846</u>	<u>3,701</u>	<u>3,249</u>	<u>3,088</u>				
Other Categories										
Classified	1	1	1	1	2	1				
Residents	1	-	1	1	-	0				
Students	23	24	28	33	32	38				
Temporary	772	765	788	684	582	491				
Total	<u>797</u>	<u>790</u>	<u>818</u>	<u>719</u>	<u>616</u>	<u>530</u>				
Total Employees	<u>4,960</u>	<u>4,753</u>	<u>4,664</u>	<u>4,420</u>	<u>3,865</u>	<u>3,618</u>				

Note: Fiscal years 1997 - 2000 show combined numbers of employees. In fiscal year 2001, the Medical University Hospital Authority was established as a separate legal entity and numbers of employees in subsequent years are shown separately for each entity.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

*SCHEDULE OF CAPITAL ASSET INFORMATION - UNIVERSITY
LAST FIVE FISCAL YEARS*

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Academic buildings					
Net assignable square feet (in thousands)	2,405	2,382	2,208	2,187	2,143
Administrative and support buildings					
Net assignable square feet (in thousands)	474	487	369	359	382
Laboratories					
Net assignable square feet (in thousands)	309	288	244	244	235
Athletic Facilities					
Fitness center	1	1	1	1	1
Gymnasium	1	1	1	1	1
Pool	1	1	1	1	1
Squash courts	2	2	2	2	2
Indoor racquetball court	4	4	4	4	4
Outdoor racquetball court	3	3	3	3	3
Tennis Court	4	4	4	4	4
Transportation:					
Airplane	1	1	1	1	1
Buses	10	10	7	5	3
Mobile Health Units	2	2	2	2	2
Other vehicles	90	84	78	75	67
Parking facilities:					
Garages	6	6	5	5	5
Parking capacity	4,906	4,945	4,435	2,837	2,837
Parking capacity other	3,301	3,337	4,397	3,847	2,171

Note: Prior fiscal year data is not readily available.

Source: Building square footage - Medical University Planning Office
Facilities and Transportation - Medical University Property Control
Parking Facilities - Medical University Parking Services

MEDICAL UNIVERSITY OF SOUTH CAROLINA

*DEMOGRAPHIC STATISTICS
STATE OF SOUTH CAROLINA
LAST TEN FISCAL YEARS*

Year	Population as of June 30	Total Personal Income	Per Capita Income	Average Annual Unemployment Rate
2005	4,255,083	120,639	28,352	6.8%
2004	4,197,892	114,121	27,185	6.8%
2003	4,146,753	107,701	25,972	6.7%
2002	4,102,568	104,046	25,361	5.9%
2001	4,059,560	101,468	24,994	5.2%
2000	4,023,560	98,270	24,424	3.6%
1999	3,974,682	91,716	23,075	4.1%
1998	3,919,235	86,854	22,161	3.6%
1997	3,859,696	81,004	20,987	4.4%
1996	3,796,200	76,144	20,058	5.6%

MEDICAL UNIVERSITY OF SOUTH CAROLINA

*TEN LARGEST EMPLOYERS
STATE OF SOUTH CAROLINA
LASTEST COMPLETED CALENDAR AND FOUR YEARS PRIOR
(LISTED ALPHABETICALLY)*

2005

Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina
Charleston County School District
Greenville Hospital System
Michelin North America, Inc.
School District of Greenville
U.S. Department of Defense
U.S. Postal Service
Wal-Mart Associates, Inc.
Washington Savannah River

2001

Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina
Michelin Tire Corporation
School District of Greenville
Springs Industries, Inc.
University of South Carolina
U.S. Department of Defense
U.S. Postal Service
Wal-Mart Associates, Inc
Westinghouse Savannah River

(a) The ten largest employers prior to calendar year 2001 are unavailable

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically.
Source: South Carolina Comptroller General's Office.

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