The Medical University of South Carolina

Charleston, South Carolina

Comprehensive Annual Financial Report

For the Year Ended June 30, 2010

Included in the Enterprise Funds of the State of South Carolina

This Comprehensive Annual Financial Report is also available by linking to
The Medical University of South Carolina website:

http://academicdepartments.musc.edu/vpfa/financialreports
[Adobe Acrobat required to read the pdf file.]

Prepared by:
MUSC Controller's Office
19 Hagood Avenue MSC 817
505 Harborview
Charleston, SC 29425-8170
843-792-5400

Cover: Architect's Drawing of Bioengineering and Drug Discovery Buildings on President Street
(under construction)

Charleston, South Carolina

Comprehensive Annual Financial Report

Included in the Enterprise Funds of the State of South Carolina

For the Year Ended June 30, 2010

Prepared by the Controller's Office

TABLE OF CONTENTS

Introductory Section

President's Letter 3
Transmittal Letter 4
Certificate of Achievement for Excellence in Financial Reporting, June 30, 2009 9
Board of Trustees and Principal University Officials 10
Organization Chart 11
The Medical University of South Carolina and Affiliated Organizations Chart 12

Financial Section

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

Combining Statement of Net Assets – Nonmajor Enterprise Funds 72
Combining Statement of Revenues, Expenses and Changes in Net Assets –- Nonmajor Enterprise Funds 73
Combining Statement of Cash Flows – Nonmajor Enterprise Funds 74

Statistical Section (Unaudited)

Contents 75
Accreditation Statement 77
Schedule of Revenue by Source 78
Schedule of Expenses by Use 80
Schedule of Expenses by Function – University 82
Schedule of Net Assets 84
Schedule of Changes in Net Assets 85
Schedule of Bond Coverage – University 86
Schedule of Ratios of Outstanding Debt – University 87
Schedule of Pledged Revenue Coverage – UMA 88
Schedule of Ratios of Outstanding Debt – UMA 89
Enrollment Statistics – University 90
Admissions and Degree Statistics – University 92
Annual Tuition by College – University 94
Clinical Activity – Authority 95
Outpatient Visits by Specialty – UMA 96
Sources of Gross Clinical Service Charges – UMA 97
Employee Statistics – University and Authority 98
Employee Statistics – UMA 99
Schedule of Capital Asset Information – University 100
Demographic Statistics – State of South Carolina 101
Ten Largest Employers – State of South Carolina 102

Introductory Section

PRESIDENT'S LETTER

Office of the President
Colcock Hall
179 Ashley Ave.
MSC 001
Charleston, SC 29425

October 15, 2010

Dear Friends:

In presenting this annual financial report for MUSC, I am pleased to report that despite the challenges of the economy, our university continues to make great strides forward. Our success is driven by the 11,000 hard-working and dedicated employees who individually and collectively are accomplishing more with fewer resources.

The Medical University again set a record for the largest amount of research funding awarded to a university in our state at $232 million. The Bioengineering and Drug Discovery buildings are under construction and will allow us to expand our research efforts in the future.

In the clinical arena, MUSC was recognized by *U. S. News and World Report* as a leading center for care in seven different disciplines. This ranks our hospital among the very best in the country and was amplified by recognition from the American Heart Association that MUSC was one of only 33 hospitals in the country meeting the highest quality benchmarks in the care of patients with heart attacks, congestive heart failure, and stroke.

In spite of the economic downturn, private philanthropy at the Medical University remains strong, with a new record of $76.7 million in gifts and pledges received this past year, allowing us to complete our capital campaign a year early, almost 20% above our $300 million goal. The beautiful new James B. Edwards College of Dental Medicine Building is now open, providing an outstanding setting for patient care and education.

As we look to the future, we are mindful that challenges remain ahead, but we are confident that our dedicated faculty and staff will carry us forward into even greater accomplishment.

With best wishes,

Raymond S. Greenberg, MD, PhD
President

TRANSMITTAL LETTER

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

October 15, 2010

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, 2010.

The Comprehensive Annual Financial Report includes the audited financial statements for the year ended June 30, 2010, and other information relating to the finances of the University. The financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants; however, responsibility for the accuracy of the information and for the completeness and reliability of its presentation rests with the management of the University. We believe this information is accurate in all material respects and fairly presents the University's financial position.

Generally accepted accounting principles (GAAP) require that management provide a narrative overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A, which provides an overview and analysis of currently known facts and activities.

Profile of the University

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

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

The financial reporting entity consists of the University (the primary government), and six separate legal entities, which are considered component units of the University. The six component units consist of:

- Two blended major fund entities, the Medical University Hospital Authority (the Authority) and University Medical Associates of the Medical University of South Carolina (UMA);
- Two blended non-major fund entities, CHS Development Company (CHS) and the Medical University Facilities Corporation (MUFC); and
- Two discretely presented entities, the MUSC Foundation (MUSCF) and the MUSC Foundation for Research Development (MFRD).

Further information on the reporting entity is contained in Note 1 in the notes to the financial statements.

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

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known

features of the financial reporting process. The University has designed into the process safeguards to reduce, though not eliminate, this risk.

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

The University contracted with KPMG LLP, a firm of licensed certified public accountants, to perform the annual audit of the Medical University of South Carolina's financial statements and the audit of the University's federal financial assistance programs. The goal of the independent financial audit is to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2010 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, 2010 are fairly presented in conformity with U.S. 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, the University's Internal Audit department performs fiscal, compliance and performance audits throughout the year. The reports resulting from these audits are shared with the University's management and the Board of Trustees.

Factors Affecting Financial Condition

The University employs approximately 5,000 faculty and staff and, when combined with the Medical University Hospital Authority and University Medical Associates, the university system, with more than 11,000 employees, is one of the largest employers in the State system and a major employer in the Charleston Tri-County area. The size of the University's student body is relatively stable, with fiscal year 2010 fall enrollment of 2,514 full and part-time students in six colleges.

Local Economy

Economic factors on both the national and state levels impact the environment in which the University operates. South Carolina, in common with most states, has been negatively impacted by the continuing nationwide recession. South Carolina's unemployment rate at the end of June was 10.7 percent, which was 1.2 percent above the national average of 9.5 percent. During fiscal year 2010, the University experienced two state budget reductions in September (4.04%) and December (5%) for a total of $6.55 million. With leadership and planning, the University held down spending sufficiently to be able to absorb the cuts with minimal impact to jobs. Several faculty and staff took voluntary furloughs and the research community submitted more grant proposals than in any corresponding period of time. Despite the largest percentage cuts to higher education appropriations in the nation, the University finished the year with a positive operating margin.

The budget environment was uncertain throughout fiscal year 2010. The State's actual revenues trended down erratically for the year and were $310.1 million less than the revenue projections used to generate the fiscal year 2010 General Fund budget. The shortfall was addressed by implementing across-the-board cuts to agency budgets and the use of funds from the capital resereve fund. The State completed the fiscal year with a $71 million budgetary General Fund surplus. The 2011 fiscal year revenue collections-to-date have shown some improvement with revenue collections for August 2010 slightly up from collections made for August 2009.

Long-term Financial Planning

As the global economy continued to weaken in the past year, MUSC took proactive steps to allocate funds conservatively and reduce spending. Below are just a few highlights from the University's fiscal year 2010 operating budget:

- The University received approximately $14.7 million in the 2010 fiscal year through the education component of the ARRA (American Recovery and Reinvestment Act) to help offset increases in tuition, preserve jobs, prevent furloughs, and streamline operations. The University anticipates receiving $16.4 million in the 2011 fiscal year.
- The University was awarded $30.6 million in economic stimulus funding through the American Recovery and Reinvestment Act (ARRA) funding.
- The University set a new record high for extramural research funding at $230 million. In order to accommodate further growth of the research enterprise, construction of the Drug Discovery and Bioengineering buildings was launched in the 2010 fiscal year.
- Despite the slowing economy, private giving at the University reached a record $76.7 million and the public phase of MUSC's $300 million Capital Campaign was successfully completed one year in advance of the original schedule.

As we look to the future, the recruitment of Etta D. Pisano, MD as MUSC's new Dean for the College of Medicine will provide new opportunities and a new vision. MUSC will work together to collectively refine the missions – education, research, and clinical care – and the many issues, challenges, and opportunities that fall within each of these areas. For education, MUSC will determine how to provide the highest quality of education to the students, while keeping tuition as low as possible. For the research mission, MUSC will work to improve research services while at the same time finding creative ways to improve NIH ranking and attain NCI comprehensive cancer center status. With respect to the clinical mission, MUSC will continue to provide the very highest quality of patient care while preparing for health care reform.

Major Initiatives

The University's pursuit of excellence in education, research, and patient care has played an integral part in the many achievements of its faculty and staff. The University recognizes its obligations to the citizens of South Carolina and is committed to responding to their need for the highest quality education, improved health care delivery, and increased research endeavors. To address these needs, the University is focused on the integration of its education, research, and patient care activities to prepare a healthcare workforce with emphasis on inter-professional education and teamwork.

The University continues to recruit outstanding faculty and to expand its educational and research facilities. Drawing on the varied skills, abilities and knowledge in an integrated team approach across all education, research and patient care activities has resulted in outstanding achievements.

Education

- Recruited Etta D. Pisano, MD as new Dean for the College of Medicine.
- Deborah Deas, MD, received the 2009 Jeanne Spurlock Lecture and Award for Diversity and Culture presented by the American Academy of Child and Adolescent Psychiatry (AACAP).
- Received SC College of Pharmacy accreditation.
- Completed first year curriculum reform in College of Medicine.
- Restructured basic science instructional programs - integrated interdisciplinary research activities and built excellence in core areas.
- College of Medicine received the AAMC Institutional Leadership Diversity Award.
- Opened the new James B. Edwards Dental Medicine Clinical Education Building.
- Obtained approval from ADA for new Endodontic Residency Program.
- Implemented the PhD in Health and Rehabilitation Science and Master of Research Administration programs in the College of Health Professions.
- Established a Cardiovascular Perfusion Simulation Center.
- Received a gift from Medical Society of South Carolina to support MEDICA over two years to support digitization and transcriptions of Medical Society minutes from 1789 to 2000 for the Waring Historical Library.
- Upgraded computer classrooms to expand education technology capabilities.
- The MUSC Center for Drug and Alcohol Programs (CDAP) is ranked in the top 10 academic institutions for their educational and training efforts in alcohol and substance abuse for 2011.
- Held 5th Annual Interprofessional Day involving 1150 students, and 62 faculty and student facilitators. Conducted team skills training with 24 faculty and staff.
- Successfully completed CCNE accreditation self study and site visit.

Research

- Dr. James Krause received a multi-year Rehabilitation Research and Training Center (RRTC) grant totaling more than $3.9 million for spinal cord research.
- MUSC Hollings Cancer Center received a $450,000 grant from the American Cancer Society supporting research.
- Established a cooperative agreement with the United States Department of Defense to develop educational and outreach programs and conduct community-based research on health disparities made possible by a three-year, $12.7 million award.
- Jane Charles, MD, and Joyce Nicholas, PhD, were once again awarded a four-year, $2.3 million grant by the Centers for Disease Control and Prevention (CDC) to continue identifying and evaluating changes in the number of children with autism spectrum disorders (ASD) and other developmental disabilities in South Carolina.
- The MUSC start-up company, SimTunes, LLC, has entered into a contract with Laerdal Medical to sublicense intellectual property developed at the MUSC Center for Clinical Effectiveness and Patient Safety.
- MUSC and Ralph H. Johnson VAMC were recently awarded full accreditation by the Association for the Accreditation of Human Research Protection Programs, Inc (AAHRPP).
- Provost John Raymond received 2009 Marcy Speer Outstanding Reviewer Award, the NIH Center for Scientific Review's top honor for extraordinary commitment to peer review.
- NIH data for schools of medicine list us for the first time over $100 million and ranked 42nd of all schools of medicine. This means we are now in the upper third of all schools in terms of NIH awards to schools of medicine.
- A record year for funding, with more than $230 million secured by our scientists.
- Completed first year as National Cancer Institute Designation for Hollings Cancer Center.
- Initiated construction of the Drug Discovery Building and the Bioengineering Building (~200,000 sq ft).
- College of Health Professions ranked 9th out of 125 health professional institutions nationally with $1.3 million in research, a 49.7% increase over the past year.
- Recruited six Centers of Economic Excellence (CoEE) Endowed Chairs (Brain Imaging, Marine Genomics, Cancer Stem Cell Biology, Tobacco Related Malignancies Research, Technology Center to Advance Healthy Lifestyles, and Medication Safety and Efficiency).
- With the SCRA, opened ~25,000 sq ft incubator facility for new company development based on MUSC discoveries.
- In the first year of the 5-year $20 million CTSA award, the SCTR assisted faculty members hold 88 competitive grant awards totaling over $111M and enrolled over 2,135 patients through the Clinical & Translational Research Center (CTRC).

Patient Care

- MUSC Hollings Cancer Center received accreditation from the National Accreditation Program for Breast Centers (NAPBC). MUSC's Comprehensive Breast Care Program is the only Lowcountry breast center to hold NAPBC status.
- Nuclear Medicine Dept was granted accreditation by the Intersocietal Commission for the Accreditation of Nuclear Medicine Laboratories (ICANL).
- Now for 12 years in a row, MUSC has been the recipient of the National Research Corporation's (NRC) 2009 Consumer Choice Award. Each year, NRC identifies hospitals that health care consumers chose as facilities that possess the highest quality and image within 180 markets around the United States.
- ***U. S. News and World Report*** ranks MUSC as national leaders in seven different specialty areas, including: rheumatology, gastroenterology, otolaryngology, children's heart care, nephrology, gynecology, and for the first time, orthopedics.
- The American Heart Association again recognized the Medical University as the only hospital in our state that achieves the highest national levels of care for patients with coronary heart disease, heart failure and stroke.
- Ashley River Tower began clinical operations and was named as one of the Top 20 Most Beautiful Hospitals in US by Soliant Health national survey.
- MUSC Children's Hospital recognized as Top 5 Emergency Department by *Child* Magazine.
- Exceeded Press-Ganey overall patient satisfaction goal of the 75th percentile the past two quarters.
- Completed employee satisfaction survey for the organization and achieved ranking in the 90+% of all health care organizations.
- Developed a Strategic Facilities Plan.
- MUSCHealth.com recognized as one of best in nation, winning 5 top awards.MUSC and Georgetown Hospital System expanded their partnership to form a new strategic affiliation agreement that will expand local access to medical services, expertise and clinical support offered by MUSC.

General

- Exceeded by 20% the goal for MUSC's $300 million Capital Campaign and did so one year early. Annual fund raising set a new record with gifts/pledges exceeding $76.7 million.
- Achieved record level of total assets of $346 million for MUSC Foundation.
- Implemented a single, enterprise-wide policy on Conflict of Interest and initiated Clinical and Research COI review groups and procedures.
- Continued to develop the Charleston Higher Education Purchasing Alliance (CHEPA) with the College of Charleston, the Citadel, and Trident Technical College.
- Completed all required ISO 9001 requirements for Employee Health Services.
- Completed the migration to a single E-mail system campus-wide and implemented laptop and E-mail encryption.
- Revised Faculty Appointment Contracts.
- Implemented new federal race/ethnicity categories. Incorporated new data collection and reporting procedures for all required reports.
- Developed Web-based Space Allocation Management System (SAMS) software to gain improvements in data entry and floor plan accessibility.
- Developed and implemented the SuccessFactors evaluation process using automated entering of performance evaluation ratings through interface between SuccessFactors and HeRMIT system.
- The Office of Healthcare Workforce Analysis and Planning (OHWAP) was established through a four-year, $2.1 million start-up grant from The Duke Endowment.

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, 2009. This was the seventeenth consecutive year that the University has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements
The preparation of the Comprehensive Annual Financial Report in a timely manner would not have been possible without the coordinated efforts of the Controller's Office and other University financial staff. We would like to thank each member for their contributions.

Sincerely,

Lisa P. Montgomery, MHA
Vice President for Finance and Administration

Patrick J. Wamsley, CPA
Chief Financial Officer

Susan F. Edwards, CPA
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Medical University of South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

President

Executive Director

BOARD OF TRUSTEES AND PRINCIPAL UNIVERSITY OFFICIALS

July 1, 2009 – June 30, 2010

Board of Trustees

The Hon. Mark Sanford
Governor

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

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

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

Charles W. Schulze, CFE CPA
Greenwood, SC

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

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

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

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

Melvyn Berlinsky
Charleston, SC

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

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

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

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

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

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

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

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

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

James E. Wiseman, DMD
Prosperity, SC

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

Allen E. Stalvey, MBA
Emeritus

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

Officers of The Medical University of South Carolina

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

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

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

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

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

Lisa P. Montgomery, MHA
Vice President
Finance and Administration

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

Deans

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

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

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

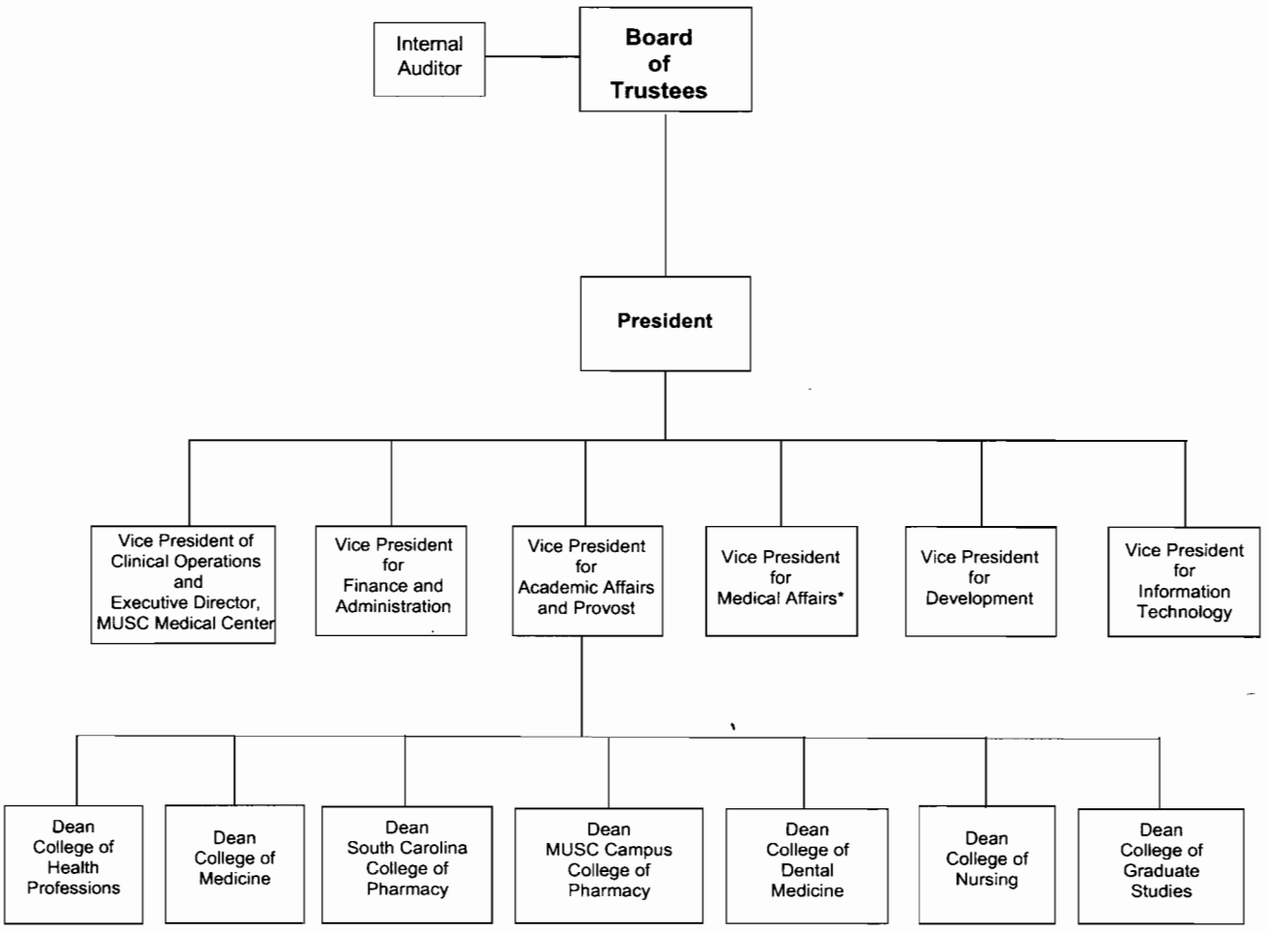
Joseph T. DiPiro, Pharm. D.
Executive Dean, South Carolina College of Pharmacy

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

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

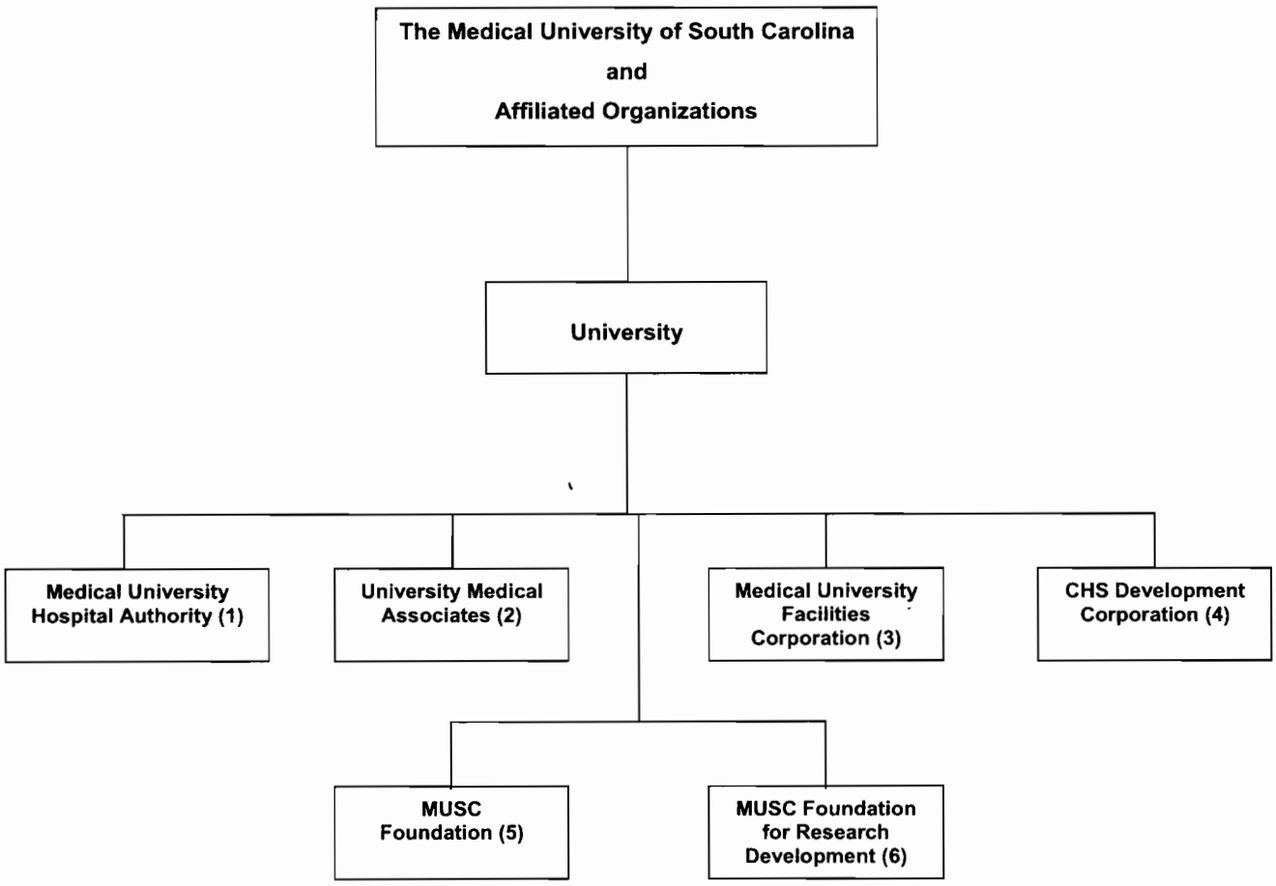
John J. Sanders, DDS
College of Dental Medicine

ORGANIZATION CHART



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

THE MEDICAL UNIVERSITY AND AFFILIATED ORGANIZATIONS



Notes:

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

Financial Section

KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' Report

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

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Medical University of South Carolina (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, are based on the reports of the other auditors.

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

As discussed in note 1, the financial statements of the University are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2010, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the University as of June 30, 2010, and the respective changes in financial

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative, a Swiss entity.

position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in notes 1 and 12 to the financial statements, effective July 1, 2009 the University adopted the provisions of Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The statement impacts the recognitions, measurement, and disclosure of information regarding derivative instruments related to certain component units of the University.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

KPMG LLP

October 15, 2010

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, 2010 with comparative information for the year ended June 30, 2009. 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, 2010, total assets reported by the University were $836.5 million and total liabilities were $318.1 million. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased $63.8 million in fiscal year 2010 from $454.6 to $518.4 million. Of the total net assets, $68.9 million represents unrestricted net assets, which may be used to meet the University's ongoing obligations.

At June 30, 2010, the Authority's total assets & deferred outflows of $911.3 million exceeded its total liabilities & deferred inflows of $614.9 million by $296.4 million. Net assets, the residual interest in the assets after liabilities are deducted, increased $63.8 million, as compared to a decrease of $0.6 million in 2009. The Authority reported operating income in 2010 of $89.3 million, as compared to operating income in 2009 of $26.4 million, an improvement of $62.9 million. Net non-operating expenses were $25.7 million for 2010 as compared to $27.2 million for 2009, a decrease of $1.5 million. Non-operating income (expenses) from (to) the University in support of academic programs were $0.2 million in 2010 and $0.2 million in 2009.

At June 30, 2010, UMA reported total assets & deferred outflows of $261.4 million and total liabilities & deferred inflows of $98.3 million. Net assets were $163.1 million, an increase of $28.2 million, or 20.9 percent, from the previous year. Of this amount, $151.5 million represents unrestricted net assets that are available to meet UMA's ongoing obligations. UMA's operating revenues for the year ended June 30, 2010, increased $14.8 million, or 5.0 percent, over the fiscal year ended June 30, 2009 to $311.7 million. Operating expenses increased by $7.9 million, or 3.5 percent, over fiscal year 2009 to $236.2 million. Net non-operating expense of $5.2 million decreased $7.8 million from fiscal year 2009.

Overview of the Financial Statements

The financial report includes three financial statements:

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

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

Statement of Net Assets

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

Net assets are classified as follows:

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

Unaudited

Summary of Net Assets
Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets	$ 189,416	$ 158,234	$ 255,776	$ 231,925	$ 179,626	$ 157,940
Noncurrent assets						
Capital assets, net	556,080	516,646	547,140	562,153	47,453	45,296
Other assets & deferred outflows	91,037	83,577	108,420	112,871	34,377	25,894
Total assets & deferred outflows	836,533	758,457	911,336	906,949	261,456	229,130
Liabilities						
Current liabilities	135,067	110,692	143,598	167,728	27,927	23,295
Noncurrent liabilities & deferred inflows	183,027	193,179	471,323	506,620	70,382	70,904
Total liabilities & deferred inflows	318,094	303,871	614,921	674,348	98,309	94,199
Net Assets						
Invested in capital assets, net of related debt	365,977	327,486	78,737	70,482	11,681	10,563
Restricted						
Nonexpendable	52,446	42,430	-	-	-	-
Expendable	31,102	26,075	89,269	73,837	-	-
Unrestricted	68,914	58,595	128,409	88,282	151,466	124,368
Total net assets	$ 518,439	$ 454,586	$ 296,415	$ 232,601	$ 163,147	$ 134,931

	Nonmajor Enterprise Funds		Total Primary Government	
	2010	2009	2010	2009
Assets				
Current assets	$ 8,328	$ 5,516	$ 633,146	$ 553,615
Noncurrent assets				
Capital assets, net	-	-	1,150,673	1,124,095
Other assets & deferred outflows	34,093	39,654	267,927	261,996
Total assets & deferred outflows	42,421	45,170	2,051,746	1,939,706
Liabilities				
Current liabilities	4,192	4,068	310,784	305,783
Noncurrent liabilities & deferred inflows	36,463	39,606	761,195	810,309
Total liabilities & deferred inflows	40,655	43,674	1,071,979	1,116,092
Net Assets				
Invested in capital assets, net of related debt	-	-	456,395	408,531
Restricted				
Nonexpendable	-	-	52,446	42,430
Expendable	1,766	1,496	122,137	101,408
Unrestricted	-	-	348,789	271,245
Total net assets	$ 1,766	$ 1,496	$ 979,767	$ 823,614

The University's increase in total assets & deferred outflows of $78.1 million resulted primarily from an increase in receivables and additions to capital assets. Significant capital additions in fiscal year 2010 included expenditures related to the construction of the Drug Discovery Building and the Bioengineering Building. Total liabilities & deferred inflows increased by $14.2 million from 2010 to 2009, primarily due to the net impact of increase in the amount due UMA and the Authority, and a decrease in long-term liabilities and interfund payables resulting from scheduled repayments.

The Authority's total assets & deferred outflows increased by less than 1 percent from 2009 to 2010. Patient accounts receivable, net of estimated uncollectible amounts, increased from $141.7 million to $146.2 million, primarily as a result of increases in patient activity and a price increase. Net capital assets decreased during the fiscal year by $15.0 million primarily due to the net effect of depreciation and capital additions related to renovation and remodeling of existing facilities. Total liabilities decreased by 8.8% from 2009 to 2010. Noncurrent liabilties decreased by $35.3 million due to scheduled debt service payments and payments related to the Disproportionate Share Hospital (DSH) program overpayments identified in previous years. No new debt was incurred by the Authority in fiscal year 2010. Current liabilities decreased by $24.1 million primarily due to the termination and settlement of the Enhanced Total Return Contract (ETRC) with Bank of America, N.A which occured in December 2009 and which required a payment of $8,750,000 by the Authority and a decrease of $12.4 million in the amounts due to other funds.

UMA's total assets & deferred outflows increased $32.3 million in 2010 while liabilities & deferred inflows increased $4.1 million. Unrestricted net assets increased $27.1 million from $124.4 million in 2009 to $151.5 million in 2010.

Unaudited

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the entity. Non-operating revenues are revenues received for which goods and services are generally not provided. A public University's dependence on state aid and gifts usually results in operating deficits because state appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life.

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

Summary of Revenues, Expenses and Changes in Net Assets

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2010	2009	2010	2009	2010	2009
Operating revenues	$ 369,928	$ 363,266	$ 997,443	$ 902,491	$ 311,748	$ 296,970
Operating expenses	(543,659)	(534,217)	(908,186)	(876,131)	(236,171)	(228,264)
Operating income (loss)	(173,731)	(170,951)	89,257	26,360	75,577	68,706
Nonoperating revenues	148,846	127,257	1,758	(1,425)	9,139	(860)
Nonoperating expenses	(10,240)	(6,352)	(27,449)	(25,753)	(14,293)	(12,109)
Net nonoperating revenues (expenses)	138,606	120,905	(25,691)	(27,178)	(5,154)	(12,969)
Income (loss) before other revenues, expenses, gains, losses, and transfers	(35,125)	(50,046)	63,566	(818)	70,423	55,737
Capital appropriations	22,005	2,523	-	-	-	-
Capital grants and gifts	25,669	6,357	-	-	-	-
Additions to permanent endowments	9,998	10,698	-	-	-	-
Transfers	41,306	44,926	248	248	(42,207)	(45,758)
Change in net assets	63,853	14,458	63,814	(570)	28,216	9,979
Net assets at beginning of year (restated)	454,586	440,128	232,601	233,171	134,931	124,952
Net assets at end of year	$ 518,439	$ 454,586	$ 296,415	$ 232,601	$ 163,147	$ 134,931

	Nonmajor Enterprise Funds		Total Primary Government	
	2010	2009	2010	2009
Operating revenues	$ 1,929	$ 2,091	$ 1,681,048	$ 1,564,818
Operating expenses	(2,312)	(2,454)	(1,690,328)	(1,641,066)
Operating income (loss)	(383)	(363)	(9,280)	(76,248)
Nonoperating revenues	-	-	159,743	124,972
Nonoperating expenses	-	-	(51,982)	(44,214)
Net nonoperating revenues (expenses)	-	-	107,761	80,758
Income (loss) before other revenues, expenses, gains, losses, and transfers	(383)	(363)	98,481	4,510
Capital appropriations	-	-	22,005	2,523
Capital grants and gifts	-	-	25,669	6,357
Additions to permanent endowments	-	-	9,998	10,698
Transfers	653	584	-	-
Change in net assets	270	221	156,153	24,088
Net assets at beginning of year (restated)	1,496	1,275	823,614	799,526
Net assets at end of year	$ 1,766	$ 1,496	$ 979,767	$ 823,614

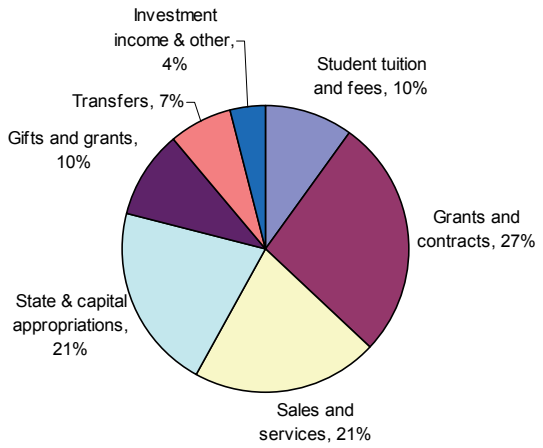
Revenues

The University's daily operations are funded primarily from grants and contracts, sales and services, and State and capital appropriations. These three sources account for 69 percent of the total fiscal year 2010 revenues of $617.8 million and 75 percent of the total fiscal year 2009 revenues of $555.0 million. The following table and chart illustrate the University's revenues by source.

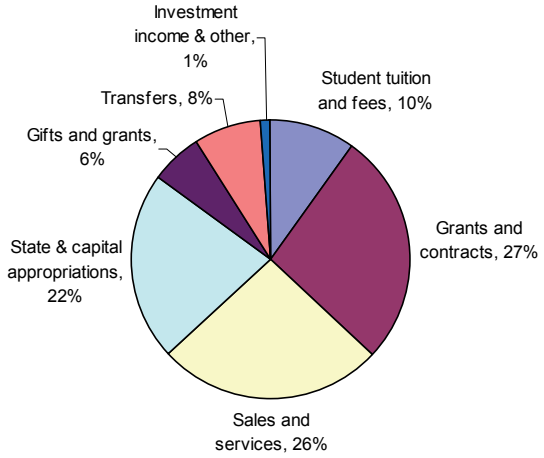
Revenues by Source – The University
Amounts in thousands

	2010	Percent Of Total	2009	Percent Of Total
Operating revenues				
Student tuition and fees	$ 62,545	10%	$ 55,377	10%
Grants and contracts	164,687	27%	151,119	27%
Sales and services	132,062	21%	146,236	26%
Other operating revenues	10,634	2%	10,534	2%
Total operating revenues	369,928	60%	363,266	65%
Nonoperating and other revenues				
State & capital appropriations	130,652	21%	118,941	22%
Gifts and grants	62,165	10%	31,006	6%
Investment income losses)	6,256	1%	(3,112)	-1%
Transfers	41,306	7%	44,926	8%
Other nonoperating revenues	7,445	1%	-	0%
Total nonoperating and other revenues	247,824	40%	191,761	35%
Total revenues	$ 617,752	100%	$ 555,027	100%

2010



2009



In fiscal year 2010, the University's total revenues increased by $62.7 million from the previous fiscal year. Tuition revenues increased $7.2 million as a result of tuition rate increases. Grants and contracts increased $13.6 million due to the net impact of an increase in federal grant revenues and decreases in state and private grant revenues. Sales and services revenues decreased $14.2 million primarily due to a decrease in interfund services provided which was attributable to the medical resident FICA refund described in Note 22.

State appropriations, capital and non capital, increased $11.7 million due to the net effect of state budget cuts in fiscal year 2010 and an increase in capital appropriations. State appropriations included $28.8 million in fiscal year 2010 and $28.3 million in fiscal year 2009 which was subsequently paid to the Authority as part of the Disproportionate Share Program administered by the South Carolina Department of Health and Human Services.

Unaudited

Gifts and grants increased $31.2 million due to the receipt of $14.7 million in State Fiscal Stabilization Funds, an increase of $13.6 million in federal capital grants, and an increase of $5.4 million in gifts from MUSCF for the purpose of funding capital projects. Investment income increased $9.4 million primarily due to earnings and realized and unrealized gains (losses) from endowments totaling $4.7 million in fiscal year 2010 as compared to a ($6.6) million loss in fiscal year 2009. Other nonoperating revenues of $7.4 million include the interest associated with the medical resident FICA refund described in Note 22.

Operating Revenue by Source for the Component Units
Amounts in thousands

	Medical University Hospital Authority		University Medical Associates	
	2010	2009	2010	2009
Net patient service revenue	$ 980,120	$ 885,163	$ 293,848	$ 276,251
Educational agreements	-	-	5,409	7,277
Other operating revenue	17,323	17,328	12,491	13,442
Total operating revenue	$ 997,443	$ 902,491	$ 311,748	$ 296,970

Compared to fiscal year 2009, the Authority's net patient service revenue increased by approximately $95.0 million, or 10.7 percent. Gross patient charges increased by $311.2 million, or 17.2 percent, from 2009 to 2010 due to increases in patient activity and comprehensive rate increases. Net revenue received from the Disproportionate Share (DSH) Program administered by the South Carolina Department of Health and Human Services increased in 2010 to $46.5 million from $43.7 million in 2009. The DSH Program is an important source of patient care financing for the Authority, and any material reduction in such funding would have a correspondingly material adverse effect on the Authority's operations. There can be no assurance that the Authority will continue to qualify for future participation in the DSH program or that the DSH program will not ultimately be discontinued or materially modified.

UMA's' net patient service revenue increased $17.6 million primarily due to an increase in patient volume. This was due in part to a strategic hiring initiative to increase the number of University faculty involved in clinical operations, which in fiscal year 2009 resulted in 65 new physicians being added. Educational agreement revenue in support from the Authority for the ambulatory care and primary care programs decreased $1.9 million in 2010 due to a corresponding reduction in ambulatory care expenses. Other operating revenue decreased $1.0 million primarily due a decrease in pediatric clinical care, chest pain, and trauma services performed for the Authority. Nonoperating revenues increased $10.0 million primarily due to an increase in the carrying value of certain auction rate investment securities resulting from various factors which positively impacted the market for those securities.

Expenses
The University's total expenses were $553.9 million in fiscal year 2010, up 13.3 million from $540.6 million in fiscal year 2009. Non-operating expenses included in the University's total expenses amounted to $10.2 million and $6.4 million in fiscal year 2010 and 2009, respectively.

The University's operating expenses were $543.7 million for the fiscal year ended June 30, 2010, an increase of $9.4 million from fiscal year 2009. The increase of 1.8 percent resulted primarily from increases in services and supplies of $19.4 million (10.5 percent) and depreciation of $3.7 million (13.7%) net of a decrease in compensation and employee benefits of $13.7 million (4.5%) which was attributable to the medical resident FICA refund described in Note 22. The increases in services and supplies and in depreciation are the result of a combination of growth in programs, inflation, and additional depreciable buildings.

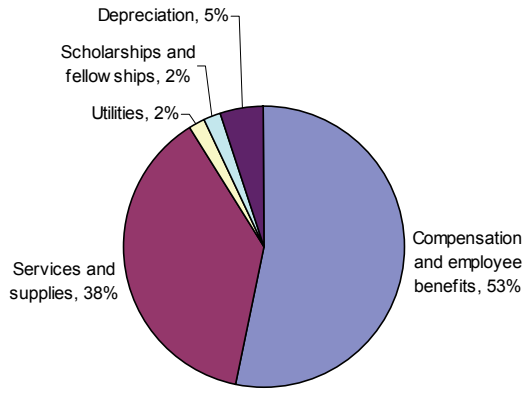
The operating expenses are reported by natural classification (object) in the financial statement and by functional classification in the Notes. The following tables and charts illustrate the University's operating expenses by the two classifications.

Operating Expenses by Object – The University
Amounts in thousands

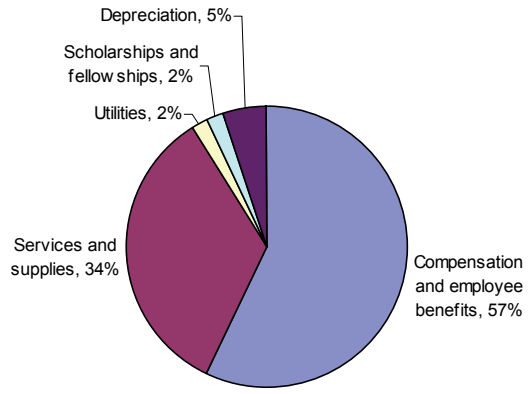
	2010	Percent Of Total	2009	Percent Of Total
Compensation and employee benefits	$ 288,819	53%	$ 302,542	57%
Services and supplies	204,134	38%	184,695	34%
Utilities	11,145	2%	10,962	2%
Scholarships and fellowships	8,614	2%	8,795	2%
Depreciation	30,947	5%	27,223	5%
Total operating expenses	$ 543,659	100%	$ 534,217	100%

Unaudited

2010



2009

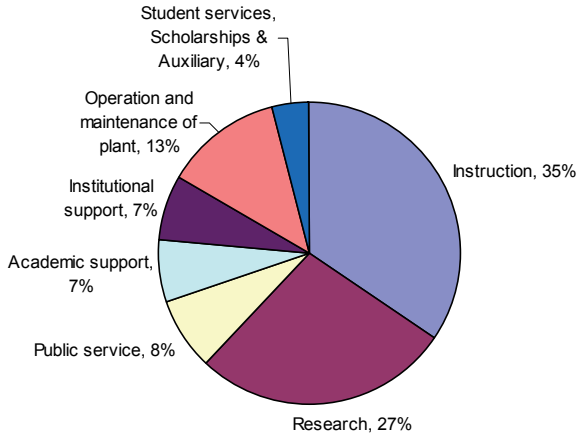


Operating Expenses by Function – The University

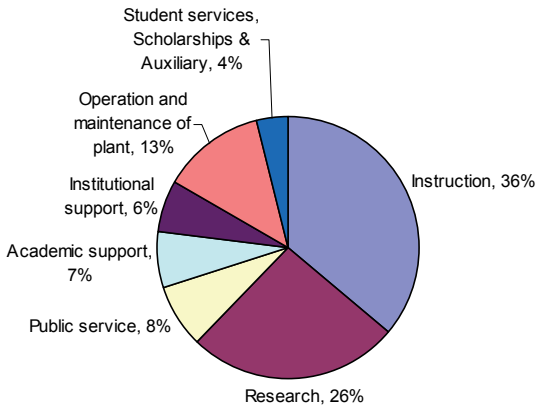
Amounts in thousands

	2010	Percent Of Total	2009	Percent Of Total
Instruction	$ 187,876	35%	$ 192,271	36%
Research	148,542	27%	140,638	26%
Public service	43,018	8%	40,452	8%
Academic support	36,590	7%	38,332	7%
Student services	10,321	2%	9,881	2%
Institutional support	37,015	7%	34,203	6%
Operation and maintenance of plant	69,385	13%	67,919	13%
Scholarships and fellowships	3,176	1%	3,653	1%
Auxiliary enterprises	7,736	1%	6,868	1%
Total operating expenses	$ 543,659	100%	$ 534,217	100%

2010



2009



Unaudited

The Authority's operating expenses increased by $32.1 million, from $876.1 million in 2009 to $908.2 million in 2010. This 3.7 percent increase is primarily the result of increases in service and supplies, utilities, and interfund services used of $11.5 million, or 2.7 percent, and compensation and employee benefits of $20.1 million, or 5.1 percent. Supply costs and pharmaceutical costs continue to increase at rates exceeding those of general inflation; but in line relative to inflation rates in the healthcare industry. Depreciation and amortization expense increased slightly due to additional capital additions in fiscal year 2010.

UMA's operating expenses increased by $7.9 million primarily due to an increase in departmental expenses of $3.1 million related to additional physician compensation for new providers and fringe benefit costs, and an increase in corporate expenses of $5.4 million related to various new initiatives inlcuding the subsidy of various clinics previously operated by the clinical departments. Net nonoperating expense decreased $2.2 million primarily due to a decrease in interest expense resulting from the refunding of long-term debt in fiscal year 2009.

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 2010 were state appropriations, grants and contracts, sales and services of educational and other activities, and tuition and fees. Primary uses of these cash sources were salaries and benefits for faculty, staff, and student employees, and payments to suppliers of goods and services.

The statement is divided into five sections.

- The University's cash flows from operating activities include cash received for tuition and research grants and salaries paid to employees or payments to vendors. Since State appropriations and gifts are not considered operating revenues, operating activities of the University produced a net cash outflow of $137.2 million.
- The University's non-capital financing activities, which include State appropriations received for operations and noncapital gifts and transfers, generated a net cash inflow of $184.5 million.
- The University's capital and related financing activities include the proceeds received from the issuance of long-term debt obligations, capital grants and gifts received, repayment of debt, and acquisition of capital assets. Debt proceeds, capital appropriations, grants and gifts received in the current year were more than offset by capital expenditures and payments on debt, resulting in a net cash outflow of $47.4 million.
- The University's investing activities consisted of $1.8 million of earnings on investments and $8.2 million of endowment corpus deposited with the Medical University of South Carolina Foundation.
- The last section of the statement reconciles the net cash provided or used by operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital Asset and Debt Activities

The following is a summary of capital asset and long-term debt activity for fiscal year 2010. More detailed information can be found in Note 5 (Capital Assets), Note 12 (Bonds and Notes Payable) and Note 13 (Lease Obligations) of the Notes to the Financial Statements.

Capital Assets, Net of Depreciation

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2010	2009	2010	2009	2010	2009
Land	$ 11,646	$ 11,646	$ 6,093	$ 6,093	$ 7,453	$ 3,185
Construction in progress	65,408	85,879	8,605	11,128	399	9
Land improvements	3,160	2,651	-	-	-	-
Buildings and improvements	395,852	343,848	417,870	422,080	36,213	38,833
Machinery and equipment	79,472	71,897	113,849	122,455	3,029	3,094
Vehicles	542	725	723	397	359	175
	$ 556,080	$ 516,646	$ 547,140	$ 562,153	$ 47,453	$ 45,296

The University

Capital additions, other than construction in progress, totaled $91.8 million in fiscal year 2010. During fiscal year 2010, the College of Dental Medicine Building was completed ($50.3 million). In addition, there were major renovations to administrative and laboratory space and significant investments in medical, scientific and laboratory equipment.

Significant items included in construction in progress are the Drug Discovery Building, and the Bioengineering Building. The University had outstanding commitments under construction contracts related to these and other projects of approximately $44.3 million at June 30, 2010. These projects are being funded by bond proceeds, federal grants, state appropriations, restricted gifts, and unrestricted university funds.

Unaudited

Construction in Progress – The University

Amounts in thousands

Drug Discovery Building construction	$ 26,884,142
Bioengineering Building construction	19,430,299
Energy performance contract	12,859,430
Other	6,233,796
	$ 65,407,667

Medical University Hospital Authority

At the end of fiscal year 2010 the Authority had $547.1 million invested in capital assets, net of accumulated depreciation. Capital additions in fiscal year 2010, net of the change in construction in progress, totaled $38.3 million, composed primarily of increases in buildings and improvements and in machinery and equipment.

University Medical Associates

UMA's investment in capital assets, net of accumulated depreciation as of June 30, 2010 was $47.5 million. Significant capital additions in fiscal year 2010 included additional medical equipment and furnishings, architectural and engineering fees related to the design of a proposed medical office building, and land purchased with intent of consolidating several clinics to improve patient services and reduce costs.

The following table shows the amounts and types of bonds, notes, and capital leases outstanding as of June 30, 2010.

Bonds, Notes, Capital Lease Obligations, and Interfund Payables

Amounts in thousands

	The University		Medical University Hospital Authority		University Medical Associates	
	2010	2009	2010	2009	2010	2009
State institution bonds, net	$ 36,517	$ 39,826	$ -	$ -	$ -	$ -
State bond anticipation notes	30,000	30,000	-	-	-	-
Revenue bonds, net	35,900	36,975	451,158	465,963	-	-
Notes payable	14,374	15,387	38,535	51,134	20,613	26,538
Variable rate demand bonds	-	-	-	-	46,276	46,099
Capital lease obligations	1,899	3,354	-	1,640	28	90
Due to component unit	46,378	46,736	-	-	-	-
Interfund payables	32,045	34,920	-	-	-	-
	$ 197,113	$ 207,198	$ 489,693	$ 518,737	$ 66,917	$ 72,727

The University

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

State Institution Bonds (SIB)

These bonds require the University to pledge revenue from student tuition for the repayment of this debt. If the University fails to repay this debt, the State would repay the debt because these bonds are backed by the State's full faith, credit and taxing power. The proceeds from SIBs provided a portion of the funding for the Harper Student Center, the site for the Strom Thurmond Biomedical Research Facility, the Storm Eye Institute addition, the Children's Research Institute, and a number of major renovation projects. The University's SIBs are general obligation bonds of the State of South Carolina. Moody's Investors Services rates them as "Aaa". At June 30, 2010, the net SIB payable totaled $66.5 million and included a $30 million State Bond Anticipation Note issued to help fund the construction of the School of Dental Medicine Building.

Revenue Bonds

University parking and other revenues are pledged toward the repayment of a $38 million revenue bond issued in fiscal year 2007. The proceeds from this revenue bond were used to finance a new parking garage which opened in the Fall of 2008.

Notes Payable

On October 3, 2008, the Board of Trustees approved a resolution authorizing the University to use the South Carolina Master Lease Program for the purpose of financing the costs of purchasing and implementing energy conservation measures that will benefit both the University and the Authority with the understanding that debt service payments will be generated from the associated energy savings. Pursuant to this resolution, the University borrowed $15,387,340 from Bank of America during fiscal year 2009.

Capital Leases

The University has outstanding capital leases with Medical University Facilities Corporation (MUFC), 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, 2010, the lease liability payable to MUFC totaled $11.7 million. The University also has an outstanding capital lease with CHS Development Company (CHS), 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, 2010, the lease liability payable to CHS was $20.3 million. The leases with these blended component units are considered Interfund Payables.

In fiscal year 2009, the University entered into capital leases with the Medical University of South Carolina Foundation, a discretely presented component unit, for a garage and two office buildings. As of June 30, 2010, the lease liability, which is reflected as Due to Component Unit, totaled $46.4 million.

In addition, the University has $1.9 million in capital leases payable at June 30, 2010 for various pieces of equipment.

Sources Other Than Debt

The University also acquires some of its capital assets from other sources such as:

- *Federal grants*. Grants were received from the federal government for some of the construction costs of the Hollings Cancer Center, the Drug Discovery and Biosciences Building, and the Bee Street Parking Garage. The University is not obligated to repay these monies.
- *State Capital Improvement Bonds*. The State issues these bonds and makes the proceeds available for the University to spend on approved projects. The University is using capital improvement bond proceeds to partially fund the construction of the new College of Dental Medicine Building. The University is not obligated to repay these funds to the State, therefore, the debt is not recorded on the University's financial statements.
- *Research Infrastructure Bond*. The State issues these bonds and makes the proceeds available for the University to spend on approved projects. The University is using research infrastructure bond proceeds to fund the construction of a new Drug Discovery Building and a Bioengineering Building. The University is not obligated to repay these funds to the State; therefore, the debt is not recorded in the University's financial statements.
- *Private Gifts and Grants*. Cash and other resources donated to the MUSC Foundation are periodically transferred to the University for capital projects.

Medical University Hospital Authority

During fiscal year 2008, the Authority completed the first phase of a phased approach replacement of much of its principal patient care facilities, a project planned for completion in stages over the next 20 years. Phase 1 of the project involved building a facility comprised of a four-story diagnostic and treatment facility, a seven-story hospitality (bed) tower, and a garden atrium uniting the two sections of the building. The new 641,000 square-foot facility was opened on February 4, 2008. No new clinical health services were added as a result of this phase of the project. There are 156 replacement beds involved. Preliminary discussions have recently begun for the next phase of replacement patient care facilities. The project scope of the next phase will be determined over the next 24 months and will include recommendations for future facility replacement projects.

In December 2004, the Authority entered into an Enhanced Total Return Contract (ETRC) with Bank of America, N.A. 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 maturing August 15, 2034, and reinvest earnings related to those respective bonds during the construction period of the replacement hospital facility. The effective term of the ETRC extended from the date of issuance of the bonds until December 1, 2009, at which time the Bank of America, N.A. and the Authority terminated the contract resulting in an $8.75 million payment from the Authority to the Bank of America, N.A.

University Medical Associates

At year-end, UMA had $70.7 million in outstanding bonds, notes and capital lease obligations compared to $72.7 million outstanding in the prior year.

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, Suite 505, MSC 817, Charleston, South Carolina, 29425. These financial statements may also be obtained from our website:

http://academicdepartments.musc.edu/vpfa/financialreports

STATEMENT OF NET ASSETS
June 30, 2010

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Total Primary Government
ASSETS					
Current Assets					
Cash and cash equivalents	$ 91,473,077	$ 44,498,607	$ 99,940,331	$ -	$ 235,912,015
Investments	-	-	22,244,001	-	22,244,001
Receivables, net	82,782,245	171,705,863	32,861,783	7,308	287,357,199
Student loans receivable	86,711	-	-	-	86,711
Due from other funds	-	8,923,233	22,829,226	-	31,752,459
Due from component units	3,150,206	12,770	200,537	-	3,363,513
Inventories	-	18,056,188	-	-	18,056,188
Prepaid items	6,517,709	6,489,986	338,226	156,349	13,502,270
Restricted assets					
Cash and cash equivalents	4,014,049	5,458,396	-	1,397,422	10,869,867
Investments	-	-	-	3,603,069	3,603,069
Due from component units	310,514	-	-	-	310,514
Interfund receivables	-	-	-	3,039,459	3,039,459
Student loans receivable	1,046,388	-	-	-	1,046,388
Other currrent assets	35,768	630,581	1,211,689	124,610	2,002,648
Total current assets	189,416,667	255,775,624	179,625,793	8,328,217	633,146,301
Noncurrent Assets					
Investments	-	-	17,739,000	-	17,739,000
Student loans receivable	671,455	-	-	-	671,455
Due from other funds	-	-	2,055,060	-	2,055,060
Restricted assets					
Cash and cash equivalents	27,121,090	52,407,880	-	1,739,697	81,268,667
Investments	-	36,027,210	-	213,000	36,240,210
Due from component units	49,419,549	-	-	-	49,419,549
Interfund receivables	-	-	-	29,006,085	29,006,085
Student loans receivable	13,063,834	-	-	-	13,063,834
Prepaid items	-	-	9,293,221	1,958,898	11,252,119
Investment in partnerships	-	-	2,155,685	-	2,155,685
Capital assets, net of accumulated depreciation	556,080,359	547,139,824	47,453,313	-	1,150,673,496
Fair value of derivative instruments	-	-	1,458,501	-	1,458,501
Other noncurrent assets	760,378	17,236,490	966,631	916,142	19,879,641
Total noncurrent assets	647,116,665	652,811,404	81,121,411	33,833,822	1,414,883,302
Total assets	836,533,332	908,587,028	260,747,204	42,162,039	2,048,029,603
DEFERRED OUTFLOWS					
Deferred outflows	-	2,748,753	709,048	258,440	3,716,241
Total assets and deferred outflows	836,533,332	911,335,781	261,456,252	42,420,479	2,051,745,844
LIABILITIES					
Current liabilities					
Payables and accrued liabilities	27,741,801	120,025,393	21,612,404	773,429	170,153,027
Due to other funds	31,465,740	-	286,719	-	31,752,459
Due to component unit	450,808	-	-	-	450,808
Deferred revenues	18,076,400	-	-	16,304	18,092,704
Interfund payables	3,039,459	-	-	-	3,039,459
Long-term liabilities	49,841,272	23,572,486	6,027,448	3,402,326	82,843,532
Other current liabilities	4,452,549	-	-	-	4,452,549
Total current liabilities	135,068,029	143,597,879	27,926,571	4,192,059	310,784,538
Noncurrent liabilities					
Interfund payables	29,006,085	-	-	-	29,006,085
Due to other funds	-	2,055,060	-	-	2,055,060
Due to component unit	45,927,100	-	-	-	45,927,100
Federal loan program liability	13,646,961	-	-	-	13,646,961
Long-term liabilities	94,446,476	466,519,245	68,214,588	36,203,729	665,384,038
Fair value of derivative instruments	-	2,748,753	709,048	258,440	3,716,241
Total noncurrent liabilities	183,026,622	471,323,058	68,923,636	36,462,169	759,735,485
Total liabilities	318,094,651	614,920,937	96,850,207	40,654,228	1,070,520,023
DEFERRED INFLOWS					
Deferred inflows	-	-	1,458,501	-	1,458,501
Total liabilities and deferred inflows	318,094,651	614,920,937	98,308,708	40,654,228	1,071,978,524
NET ASSETS					
Invested in capital assets, net of related debt	365,976,569	78,737,313	11,681,825	-	456,395,707
Restricted					
Nonexpendable	52,446,170	-	-	-	52,446,170
Expendable for					
Education	2,741,879	-	-	-	2,741,879
Loans	3,727,702	-	-	-	3,727,702
Capital projects	9,680,802	-	-	-	9,680,802
Debt service	14,951,044	89,268,392	-	1,766,251	105,985,687
Unrestricted	68,914,515	128,409,139	151,465,719	-	348,789,373
Total net assets	$ 518,438,681	$ 296,414,844	$ 163,147,544	$ 1,766,251	$ 979,767,320

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended June 30, 2010

	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 $ 2,810,940)	$ 62,544,739	$ -	$ -	$ -	$ 62,544,739
Federal operating grants and contracts	138,760,245	-	-	-	138,760,245
State operating grants and contracts	2,935,985	-	-	-	2,935,985
Local government operating grants and contracts	89,185	-	-	-	89,185
Nongovernmental operating grants and contracts	22,901,854	-	-	-	22,901,854
Interfund services provided	68,422,935	-	-	-	68,422,935
Sales and services of educational and other activities	56,953,464	-	-	-	56,953,464
Net patient service revenue	-	980,119,929	293,847,793	-	1,273,967,722
Ambulatory care and primary care agreements	-	-	5,408,975	-	5,408,975
Auxiliary enterprises	6,686,371	-	-	-	6,686,371
Interest income (used as security for revenue bonds and notes)	-	-	-	1,895,870	1,895,870
Other operating revenues	10,633,575	17,323,514	12,490,861	33,070	40,481,020
Total operating revenues	369,928,353	997,443,443	311,747,629	1,928,940	1,681,048,365
Operating expenses					
Compensation and employee benefits	288,819,396	412,236,403	174,552,237	-	875,608,036
Services and supplies	204,133,475	362,569,107	58,036,595	-	624,739,177
Utilities	11,145,283	12,357,351	446,774	-	23,949,408
Interfund services used	-	68,422,935	-	-	68,422,935
Scholarships and fellowships	8,613,760	-	-	-	8,613,760
Interest expense	-	-	-	2,030,461	2,030,461
Depreciation and amortization	30,946,795	52,600,970	3,134,859	280,958	86,963,582
Total operating expenses	543,658,709	908,186,766	236,170,465	2,311,419	1,690,327,359
Operating income (loss)	(173,730,356)	89,256,677	75,577,164	(382,479)	(9,278,994)
Nonoperating revenues (expenses)					
State appropriations	108,647,100	-	-	-	108,647,100
Gifts and grants	26,497,620	-	-	-	26,497,620
Gifts made	-	-	(9,913,894)	-	(9,913,894)
Refunds to grantors	(406,140)	-	-	-	(406,140)
Investment income	6,255,770	1,758,062	5,228,629	-	13,242,461
Interest expense	(8,676,852)	(27,448,960)	(4,373,201)	-	(40,499,013)
Loss on sale of capital assets	(958,895)	-	(5,793)	-	(964,688)
Transfers to other state funds	(198,451)	-	-	-	(198,451)
Other nonoperating revenues	7,444,846	-	3,910,662	-	11,355,508
Net nonoperating revenues (expenses)	138,604,998	(25,690,898)	(5,153,597)	-	107,760,503
Income (loss) before other revenues, expenses, gains, losses, and transfers	(35,125,358)	63,565,779	70,423,567	(382,479)	98,481,509
Capital appropriations	22,005,113	-	-	-	22,005,113
Capital grants and gifts	25,668,847	-	-	-	25,668,847
Additions to permanent endowments	9,997,894	-	-	-	9,997,894
Interfund transfers	41,306,164	247,759	(42,206,602)	652,679	-
Change in net assets	63,852,660	63,813,538	28,216,965	270,200	156,153,363
Net assets at beginning of year (restated)	454,586,021	232,601,306	134,930,579	1,496,051	823,613,957
Net assets at end of year	$ 518,438,681	$ 296,414,844	$ 163,147,544	$ 1,766,251	$ 979,767,320

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

STATEMENT OF CASH FLOWS
For the year ended June 30, 2010

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Total Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES					
Student tuition and fees	$ 61,855,255	$ -	$ -	$ -	$ 61,855,255
Grants and contracts	160,756,401	-	-	-	160,756,401
Auxiliary enterprise charges	6,685,688	-	-	-	6,685,688
Receipts from interfund services provided	90,182,225	-	-	-	90,182,225
Receipts from services of educational activities	42,857,212	-	-	-	42,857,212
Receipts from patients and third-party payors	-	970,579,490	280,565,679	-	1,251,145,169
Payments to employees	(302,461,579)	(418,080,652)	(142,788,348)	-	(863,330,579)
Payments to suppliers	(196,854,462)	(364,893,782)	(86,854,235)	-	(648,602,479)
Payments for scholarships and fellowships	(8,613,760)	-	-	-	(8,613,760)
Payments for interfund services provided	-	(90,182,225)	-	-	(90,182,225)
Loans issued to students	(2,229,699)	-	-	-	(2,229,699)
Collection of loans to students	1,656,084	-	-	-	1,656,084
Student loan program receipts	31,301,555	-	-	-	31,301,555
Student loan program disbursements	(32,036,239)	-	-	-	(32,036,239)
Other receipts	10,446,198	18,610,324	23,083,013	-	52,139,535
Other payments	(718,464)	-	-	-	(718,464)
Net cash provided (used) by operating activities	(137,173,585)	116,033,155	74,006,109	-	52,865,679
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
State appropriations	108,647,100	-	-	-	108,647,100
Interfund transfers received	42,243,632	247,759	-	689,709	43,181,100
Interfund transfers paid	(937,468)	-	(42,206,602)	(37,030)	(43,181,100)
Transfers to other state funds	(260,780)	-	-	-	(260,780)
Gifts made	-	-	(9,913,894)	-	(9,913,894)
Gifts and grants received	35,263,605	-	-	-	35,263,605
Refunds to grantors	(406,140)	-	-	-	(406,140)
Interest paid on noncapital debt	(52,151)	-	-	-	(52,151)
Principal paid on bonds and notes payable	-	-	(1,849,115)	-	(1,849,115)
Interest paid on bonds and notes payable	-	-	(1,301,191)	-	(1,301,191)
Net cash provided (used) by noncapital financing activities	184,497,798	247,759	(55,270,802)	652,679	130,127,434
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	30,000,000	-	-	-	30,000,000
Capital appropriations	17,063,631	-	-	-	17,063,631
Capital grants and gifts received	24,237,234	-	-	-	24,237,234
Proceeds from sale of capital assets	14,805	14,475	-	-	29,280
Purchases of capital assets	(68,956,622)	(43,083,269)	(5,760,251)	-	(117,800,142)
Principal paid on capital debt and leases	(41,271,744)	(29,049,250)	(2,027,597)	(3,221,000)	(75,569,591)
Interest paid on capital debt and leases	(8,525,633)	(26,671,991)	(1,384,331)	(2,083,915)	(38,665,870)
Payment of fees and issuance cost	-	(2,031,984)	-	-	(2,031,984)
Net cash used by capital and related financing activities	(47,438,329)	(100,822,019)	(9,172,179)	(5,304,915)	(162,737,442)
CASH FLOWS FROM INVESTING ACTIVITIES					
Collection of interfund receivables	-	-	-	2,873,982	2,873,982
Interest received on interfund receivables	-	-	-	1,735,621	1,735,621
Purchases of investments	-	(4,210,382)	(24,649,550)	(9,316,377)	(38,176,309)
Net settlement of investment derivative	-	(8,750,000)	-	-	(8,750,000)
Proceeds from sales and maturities of investments	-	9,995,394	7,175,312	6,716,619	23,887,325
Distributions from investments	-	-	88,951	-	88,951
Deposits of endowment corpus with MUSC Foundation	(8,211,823)	-	-	-	(8,211,823)
Interest on investments	1,826,795	1,677,790	991,236	131,555	4,627,376
Net cash provided (used) by investing activities	(6,385,028)	(1,287,198)	(16,394,051)	2,141,400	(21,924,877)
Net increase (decrease) in cash and cash equivalents	(6,499,144)	14,171,697	(6,830,923)	(2,510,836)	(1,669,206)
Cash and cash equivalents at beginning of year	129,107,360	88,193,186	106,771,254	5,647,955	329,719,755
Cash and cash equivalents at end of year	$ 122,608,216	$ 102,364,883	$ 99,940,331	$ 3,137,119	$ 328,050,549

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

STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended June 30, 2010

	The University	Medical University Hospital Authority	University Medical Associates	Nonmajor Enterprise Funds	Total Primary Government
Cash and cash equivalents as reported in the following Statement of Net Assets sections					
Current assets	$ 91,473,077	$ 44,498,607	$ 99,940,331	$ -	$ 235,912,015
Current restricted assets	4,014,049	5,458,396	-	1,397,422	10,869,867
Noncurrent restricted assets	27,121,090	52,407,880	-	1,739,697	81,268,667
Total cash and cash equivalents	$ 122,608,216	$ 102,364,883	$ 99,940,331	$ 3,137,119	$ 328,050,549
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	$ (173,730,356)	$ 89,256,677	$ 75,577,164	$ (382,479)	$ (9,278,994)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	30,946,795	52,600,970	3,134,859	280,958	86,963,582
Provision for bad debts	-	66,530,209	22,494,963	-	89,025,172
Rental income, net	-	-	4,972,902	-	4,972,902
Interest income	-	-	-	(1,928,940)	(1,928,940)
Interest expense	-	-	-	2,030,461	2,030,461
Loss on sale of equipment	-	676,091	-	-	676,091
Changes in assets and liabilities					
Receivables	(32,363,034)	(78,257,969)	(22,859,070)	-	(133,480,073)
Student loans receivable	(282,535)	-	-	-	(282,535)
Due from other funds	12,430,215	(8,547,566)	(13,564,583)	-	(9,681,934)
Due from component unit	468,235	(2,884)	(137,004)	-	328,347
Inventories	-	(53,294)	-	-	(53,294)
Prepaid items	(29,167)	(387,981)	338,225	-	(78,923)
Other assets	-	1,450,465	455,576	-	1,906,041
Payables and accrued liabilities	5,846,876	3,143,593	3,593,683	-	12,584,152
Accrued compensated absences	20,922	-	88,342	-	109,264
Deferred revenues	(6,372)	-	-	-	(6,372)
Due to other funds	20,146,036	(10,375,156)	(88,948)	-	9,681,932
Federal loan program liability	9,451	-	-	-	9,451
Other liabilities	(630,651)	-	-	-	(630,651)
Net cash provided (used) by operating activities	$ (137,173,585)	$ 116,033,155	$ 74,006,109	$ -	$ 52,865,679
Noncash transactions					
Buildings and equipment acquired via capital leases or long-term debt	$ 1,105,667	$ -	$ 142,697	$ -	$ 1,248,364
Donated equipment	1,431,613	-	-	-	1,431,613
Increase (decrease) in fair market value of investments	-	-	4,355,563	-	4,355,563
Prorata income (loss) from partnerships	-	-	(86,179)	-	(86,179)
Total noncash transactions	$ 2,537,280	$ -	$ 4,412,081	$ -	$ 6,949,361

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

STATEMENT OF FINANCIAL POSITION
MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION
Nongovernmental Discretely Presented Component Unit
June 30, 2010

ASSETS	
Cash and cash equivalents	$ 6,690,995
Receivables:	
Accounts and other receivables	401,317
Contributions receivable, net	17,623,280
Investments	233,625,842
Funds held in trust by the Foundation	2,933,863
Funds held in trust by others	2,163,318
Income producing property	82,430,296
Property and equipment, net	462,066
Other assets	17,732
Total assets	$ 346,348,709
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued expenses	$ 4,526,583
Annuities payable	3,763,188
Note payable to primary government	49,419,549
Long-term debt	52,399,282
Unearned income	10,946,551
Contributions payable to primary government	17,852,400
Total liabilities	138,907,553
Net Assets:	
Unrestricted:	
Undesignated:	17,973,326
Designated for primary government programs	13,665,796
Total unrestricted	31,639,122
Temporarily restricted	79,948,908
Permanently restricted	95,853,126
Total net assets	207,441,156
Total liabilities and net assets	$ 346,348,709

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

STATEMENT OF ACTIVITIES
MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION
Nongovernmental Discretely Presented Component Unit
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support				
Contributions	$ 1,088,404	$ 16,588,533	$ 7,203,257	$ 24,880,194
Interest and dividends	1,009,607	3,025,071	-	4,034,678
Net unrealized and realized gain (loss)	3,100,255	16,179,285	-	19,279,540
Special events revenue	-	433,852	-	433,852
Rental income	6,545,775	22,896	31,071	6,599,742
Other income	17,595	8,364,050	2,336,238	10,717,883
	11,761,636	44,613,687	9,570,566	65,945,889
Net assets released from restrictions:				
Program restrictions satisfied	17,498,608	(19,459,298)	1,960,690	-
Total revenues, gains, and other support	29,260,244	25,154,389	11,531,256	65,945,889
Expenses and losses				
Program expenses	27,215,297	-	-	27,215,297
Supporting services				
General and administrative	1,552,372	-	-	1,552,372
Fundraising and promotion	1,668,819	-	-	1,668,819
Total expenses	30,436,488	-	-	30,436,488
Changes in net assets	(1,176,244)	25,154,389	11,531,256	35,509,401
Net assets at beginning of year	32,815,366	54,794,519	84,321,870	171,931,755
Net assets at end of year	$ 31,639,122	$ 79,948,908	$ 95,853,126	$ 207,441,156

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, 2010

ASSETS		
Cash and cash equivalents	$	84,315
Interest receivable		3,486
Accounts receivable		267,278
Prepaid expense		38,384
Investments		288,858
Property and equipment (at cost less accumulated depreciation)		10,304
Total assets	$	692,625
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$	218,988
Capital lease payable		340
Accrued expenses		44,605
Due to primary government		57,088
Unearned revenue and deposits		84,910
Total liabilities		405,931
Net Assets		
Unrestricted		286,694
Total liabilities and net assets	$	692,625

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

STATEMENT OF ACTIVITIES
MUSC FOUNDATION FOR RESEARCH DEVELOPMENT
Nongovernmental Discretely Presented Component Unit
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
State grants and contracts	$ 924,358	$ -	$ 924,358
Corporate contracts and awards	41,998	10,858	52,856
Program contributions	138,127	-	138,127
License fees and royalties	176,770	-	176,770
Interest and dividend income	12,819	-	12,819
Net unrealized and realized gain on investments	11,107	-	11,107
Registration and seminar fees	69,295	-	69,295
Miscellaneous income	133	-	133
Subtotal	1,374,607	10,858	1,385,465
Net assets released from restrictions			
Program restrictions satisfied	10,858	(10,858)	-
Total revenues, gains, and other support	1,385,465	-	1,385,465
Expenses			
Program services			
Research	2,113	-	2,113
Training	172,208	-	172,208
Technology transfer activity	798,556	-	798,556
Residuals	32,421	-	32,421
Total program expenses	1,005,298	-	1,005,298
Supporting services			
Management and general:			
Supporting operations	362,759	-	362,759
Total expenses	1,368,057	-	1,368,057
Changes in net assets	17,408	-	17,408
Net assets at beginning of year	269,286	-	269,286
Net assets at end of year	$ 286,694	$ -	$ 286,694

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

Reporting Entity

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

Blended Component Units

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

Major Funds

The Medical University Hospital Authority (the Authority) was created on June 16, 2000, for the purpose of managing and operating the Medical University Hospitals and Clinics. The Authority is a component unit of the University as defined by the provisions of GASB Statement No.14. The Authority's component unit relationship to the University arises principally from the Authority's financial accountability to the University. In particular, the legislation establishing the Authority as a stand-alone healthcare system requires that the members of the University's Board of Trustees also constitute the Board of Trustees of the Authority. As required by GASB Statement No. 14, the Authority's financial activity is blended with the University's activity. Copies of the separately issued financial statements of the Authority can be obtained by sending a request to the following address: Medical University Hospital Authority, Chief Financial Officer, P.O. Box 250332, 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 statements of the Authority. CEP does not issue separate financial statements.

University Medical Associates of The Medical University of South Carolina (UMA) was organized as a non-profit corporation under the laws of South Carolina on June 3, 1991 and has received tax-exempt status recognition from the Internal Revenue Service. UMA was established by the Board of Trustees of the Medical University of South Carolina to benefit the programs and further the mission of the University. UMA bills, collects, and administers all clinical income generated by its participating physicians and provides the full-time professional clinical faculty of the University and other health professionals with the development of group practice arrangements. UMA 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 nonprofit 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 nonprofit public benefit corporation. Since these companies serve an essentially identical purpose, all financial activities of these companies are blended into the financial statements of UMA. Some of UMA's component units are income taxable under state and federal law. UMA's component units do not issue separate financial statements.

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

Nonmajor Funds

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

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

Discretely Presented Component Units

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

The Medical University of South Carolina Foundation (MUSCF) was incorporated in July 1966 under the laws of South Carolina as an educational, charitable, eleemosynary foundation to promote educational, research, clinical and other facilities and programs of the University. In 2005, MUSCF expanded its purpose by amending its bylaws to promote the same types of programs through the Authority. MUSCF acts primarily as a fund-raising organization to supplement the resources that are available to the University and the Authority in support of its programs. Although the University does not control the timing or amount of receipts from MUSCF, the majority of resources or income thereon that MUSCF holds and invests is restricted by the donors for support of the activities of the University.

The MUSCF reporting entity includes the Parking Garage Associates, LLC, (PGA), 135 Cannon Street, LLC , and 55 Bee Street, LLC, all of which are single member limited liability companies and wholly-owned subsidiaries of MUSCF. PGA owns and leases a parking garage to the University. 135 Cannon Street, LLC owns and leases an office building and parking lot to the University. 55 Bee Street, LLC owns and leases an office building to the University.

Because the restricted resources held by MUSCF can only be used by, or for the benefit of the University or the Authority, and because if MUSCF is dissolved, its assets shall be transferred to the University, MUSCF is considered a component unit of the University and is discretely presented in the University's financial statements. Copies of the separately issued financial statements of the MUSCF can be obtained by sending a request to the following address: MUSC Foundation, 18 Bee Street, P.O. Box 250450, Charleston, SC 29425-4500.

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

Based on its close relationship with the University, MFRD is deemed to be financially integrated with the University; therefore, MFRD is reported as a discretely presented component unit of the University. Copies of the separately issued financial statements of MFRD can be obtained by ending a request to the following address: MUSC Foundation for Research Development, MSC 828, 19 Hagood Avenue, Suite 909, 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 to recipients are presented as scholarship and fellowship expenses. All significant intrafund transactions and balances have been eliminated.

The University and its governmental component units apply all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* have elected to apply only those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 which do not conflict with GASB standards.

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

Cash and Cash Equivalents

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

Investments and Investment Income

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

Receivables

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

Pursuant to an amendment to the South Carolina Medicaid Plan, approved by the US Department of Health and Human Services on September 20, 2002 to be effective retroactive to October 1, 2001, the University receives certain supplemental Medicaid payments for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. As of June 30, 2010, the University has recorded a receivable from Medicaid of $23,742,927.

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

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

Inventories

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

Prepaid Items

Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, prepaid items consist primarily of insurance premiums, subscriptions, maintenance contracts, and deposits on equipment not yet received. The Authority's prepaid items consist primarily of insurance premiums, equipment maintenance contracts, rent, and operating leases. UMA's prepaid items consist of prepaid rent and an other postemployment benefit (OPEB) asset (see Note 7) .

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, if received as a gift, at fair market value at the date of donation. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of $5,000 and a useful life in excess of two years, and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of $100,000. The University and the Authority capitalize, as a component of construction in progress, interest cost in excess of earnings on debt associated with the capital projects. Interest amounts capitalized in fiscal year 2010 were approximately $2.3 million for the University and approximately $674,000 for the Authority. Financing costs and a deferred accounting loss on refunding are amortized by the Authority over the terms of the related indebtedness using the interest method. Routine repairs and maintenance and library materials, except individual items costing in excess of $5,000, are charged to operating expense in the year in which the expense was incurred.

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

Compensated Absences

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

Deferred Revenues

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

Derivative Instruments

Effective July 1, 2009, the University and its blended units have adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which requires recognition of derivative instruments on the Statement of Net Assets at fair value.

The University and its blended units classify derivative instruments into hedging derivative instruments and investment derivative instruments. If a derivative is classified as a hedging derivative instrument, changes in its fair value are deferred on the Statement of Net Assets as either deferred inflows or deferred outflows. If the derivative is classified as an investment derivative instrument, changes in its fair value are reported in investment income on the Statement of Revenues, Expenses, and Changes in Net Assets in the period in which the changes occur. The University and its blended units formally assess the effectiveness of hedging derivative instruments at each year-end.

The impact of GASB Statement No. 53 is described in Note 12 (Bonds and Notes Payable) in conjunction with the debt instrument to which the derivative instrument relates.

Net Assets

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

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

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

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

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

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

Classification of Revenues and Expenses

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

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

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

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

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

Scholarship Allowances

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

Net Patient Service Revenue

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

Sales and Services of Educational and Other Activities

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

Interfund Transfers and Balances

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

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

Amounts owed to (by) the Primary Government by (to) discretely presented component units are presented as Due From (To) Component Unit(s). Activities between blended component units that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are presented as Interfund Receivables and Interfund Payables. All other outstanding balances between blended component units, which are primarily related to services provided or used, are presented as Due to/from Other Funds.

Charity Care

The Authority and UMA provide care to patients who meet certain criteria under charity care policies without charge or at amounts less than established rates. Since management does not expect payment for charity care, the estimated charges are excluded from revenue.

Income Taxes

The University and the Authority, as political subdivisions of the State of South Carolina, are exempt from federal income taxes. The income of the University is exempt under Section 115(1) of the Internal Revenue Code, as amended. The Authority is also recognized as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income tax under Section 501(a) of the Internal Revenue Code.

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

Use of Estimates

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

New Accounting Pronouncements

In June 2007, the Government Accounting Standards Board (GASB) issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. GASB Statement No. 51 requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, GASB Statement No. 51 establishes a specified-conditions approach to recognizing intangible assets that are internally generated. The requirements of GASB Statement No. 51 were effective for the University's fiscal year 2010 financial statements. Its implementation did not have a significant impact on the financial statements of the University.

In June 2009, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in GASB Statement No. 53 requires that derivative instruments covered in its scope are reported at fair value. The changes in fair value of derivative instruments that are used for investment purposes or that are reported as investment derivative instruments because of ineffectiveness are reported within the investment revenue classification. Alternatively, the changes in fair value of derivative instruments that are classified as hedging derivative instruments are reported in the statement of net assets as deferrals. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item. In these instances, hedge accounting should be applied. Under hedge accounting, the changes in fair values of the hedging derivative instrument are reported as either deferred inflows or deferred outflows in a government's statement of net assets. The requirements of GASB Statement No. 53 were effective for the University's fiscal year 2010 financial statements. The impact of the University's adoption of GASB Statement No. 53 is described in Note 12.

In February 2010, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of GASB Statement No. 54 are effective for the University's fiscal year 2011 financial statements. Management does not anticipate that the adoption of GASB Statement No. 54 will have a significant impact on the financial statements of the University.

In March 2010, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB Statement No. 55 is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The requirements of GASB Statement No. 55 were effective for the University's fiscal year 2010 financial statements. Its implementation did not have a significant impact on the financial statements of the University.

2. DEPOSITS AND INVESTMENTS

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

				---- Nonmajor Enterprise Funds ----	
	The University	The Authority	UMA	MUFC	CHS
Statement of Net Assets:					
Current assets					
Cash and cash equivalents	$ 91,473,077	$ 44,498,607	$ 99,940,331	$ -	$ -
Investments	-	-	22,244,001	-	-
Restricted assets					
Cash and cash equivalents	4,014,049	5,458,396	-	1,386,796	10,626
Investments	-	-	-	316,168	3,286,901
Noncurrent assets					
Investments	-	-	17,739,000	-	-
Restricted assets					
Cash and cash equivalents	27,121,090	52,407,880	-	-	1,739,697
Investments	-	36,027,210	-	213,000	-
Total Statement of Net Assets	$ 122,608,216	$ 138,392,093	$ 139,923,332	$ 1,915,964	$ 5,037,224
Disclosure, Deposits and Investments plus reconciling items:					
Carrying value of deposits					
Held by State Treasurer	$ 122,553,811	$ -	$ -	$ -	$ -
Other	-	44,498,607	33,719,503	1,386,796	1,750,323
Investments, reported amount					
Unrestricted	-	-	106,167,207	-	-
Restricted	-	93,893,486	-	529,168	3,286,901
Cash on hand	54,405	-	36,622	-	-
Total Notes plus reconciling items	$ 122,608,216	$ 138,392,093	$ 139,923,332	$ 1,915,964	$ 5,037,224

Deposits Held by State Treasurer

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

Other Deposits

The Authority's bank balances at June 30, 2010 follow:

Insured (FDIC / SIPC)	$ 750,000
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	46,316,238
Total	$ 47,066,238
Carrying amount (cash and cash equivalents)	$ 44,498,607

UMA and its blended component units maintain their cash accounts in commercial banks. Accounts are guaranteed by the Federal Depository Insurance Corporation (FDIC) up to $250,000 for both demand and time deposits per depositor. At June 30, 2010, the carrying amount of unrestricted deposits was $33,719,503. Bank balances before reconciling items were $36,214,066. Of these unrestricted bank balances, $1,360,182 was insured by the FDIC, and the remainder was uninsured and uncollateralized.

Investments

As of June 30, 2010, the investment balances were as follows:

Investment	Carrying Value	Maturity	Interest Rate	Credit Rating
Medical University Hospital Authority				
Cash	$ 1,926,868	N/A	N/A	N/A
US Treasury Note	6,470,505	2/15/2011	4.85%	AAA
US Treasury Tri-party Repurchase Agreement	29,556,705	N/A	N/A	N/A
Commercial Paper	33,121,198	8/16/2010	N/A	A1
Money Market Funds	22,818,210	N/A	N/A	AAAm
Total Hospital Authority investments	$ 93,893,486			
University Medical Associates, unrestricted				
Cerificate of Deposit	$ 200,000	06/11/2011	1.25%	N/A
Fixed Income Securities:				
U.S. Government Agency Issues	6,914,661	March 2032	5.6 - 10.0%	N/A
U.S. Government Agency CMO's	1,729,680	September 2031	6.8 - 8.5%	N/A
Auction rate debt securities:				
Merrill Lynch Bonds	8,107,000	12/01/2026	1.11%	A3/A-
J. P. Morgan Bonds	5,040,000	2/02/2087	1.27%	A2/A-
J. P. Morgan Bonds	4,592,000	5/15/2077	1.28%	A2/A-
Commercial Paper:				
American Crystal	4,599,080	7/19/2010	0.34%	A2/P2
Carnival Corporation	5,000,000	8/02/2010	0.31%	A2/P2
Harley Davidson FND	4,997,750	8/02/2010	0.34%	A2/P2
Ryder System, Inc.	4,997,750	8/02/2010	0.30%	A2/P2
Money Market Funds:				
Fidelity Fund #931	12,998,480	average 38 days	0.19%	N/A
Wells Fargo Fund #451	32,581,061	average 19 days	0.21%	N/A
SSGA Institutional Liquid Reserves	1,010,085	average 30 days	N/A	AAA
Mutual Funds:				
Equity Funds - Domestic	9,810,693	N/A	1.8%	N/A
Equity Funds - Foreign	3,588,967	N/A	1.8%	N/A
Total UMA investments, unrestricted	106,167,207			
Nonmajor Enterprise Funds				
Medical University Facilities Corporation				
Berkshire Hathaway Investment	$ 316,168	open-ended	5.78%	N/A
Berkshire Hathaway Investment	213,000	open-ended	6.20%	N/A
Total MUFC investments	$ 529,168			
CHS Development Company				
Federal National Mortgage Association Discount Notes	$ 328,923	07/01/2010 - 10/01/2010	4.46% - 4.57%	AAA
Federal Home Loan Mortgage Corporation Discount Note	327,978	07/13/2010 - 09/10/2010	4.42% - 4.55%	AAA
US Treasury Bill	2,630,000	7/1/2010	N/A	AAA
Total CHS investments	$ 3,286,901			

Custodial Credit Risk

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

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

Credit Risk

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

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

UMA has adopted two investment policies depending on whether the funds are invested on a self-directed or professionally managed basis. The self-directed investment policy approved by the UMA board of directors allows investment in money market mutual funds, U.S. Treasury and Agency obligations, obligations of U.S. or foreign banks rated A1/P1 by Standard & Poors (S&P) or Moody's Investor Services (Moody's), repurchase agreements with major banks collateralized by U.S. Treasury obligations, Eurodollar time deposits rated A or higher, commercial paper rated A2/P2/F2 or higher, and other corporate obligations including bonds and medium term notes rated A+ or A1 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.

Except for restrictions imposed by its debt indenture agreements, the Authority places no limit on the amount that may be invested in any one issuer. As of June 30, 2010, more than 5% of the Authority's investments are held in Silver Tower FDG LLC commercial paper and in money market funds managed by Fidelity Investments.

UMA’s professionally managed portfolio includes both equity and fixed income investments. Fixed income investments comprise 40%, while equities comprise 60% of the total. Allowable fixed income investments include obligations issued or guaranteed by the US government, mortgage backed securities including GNMA, FNMA and FHLMC, asset backed securities, corporate debt securities, taxable municipal securities, and short-term obligations including commercial paper. The policy allows investment in instruments with maturity from one to two and a half years with the average credit quality to be no lower than AA/Aa by S&P and Moody’s. No more than five percent may be invested in a single issuer except for the US Government and its agencies and no more than ten percent of the total may be invested in securities under Rule 144A. Both of these limits may be exceeded with the approval of the UMA Executive Committee. UMA has investments in the following securities that comprise more than 10% of its total unrestricted portfolio: money market funds with Fidelity Fund #931 (12.3%) and Wells Fargo Fund #451 (30.7%).

The equity portion of the professionally managed investment policy provides for domestic and international equities and real estate funds with all having diversification among issuers, class of issuers and industrial sectors. UMA’s policy is to limit investment in any one equity issuer to five percent and investment in a particular market segment to twenty percent of the total portfolio balance.

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

Interest Rate Risk
Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value.

UMA, in accordance with its self-directed investment policy, manages its exposure to interest rate risk 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. As June 30, 2010, investments subject to this policy were the certificate of deposit, auction rate securities, commercial paper, and money market funds.

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.

Investments in Partnerships

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

On May 8, 1998, Carolina Primary Care Physicians, P.A. (CPCP), a blended component unit of UMA, entered into a partnership with several physicians and medical practices by purchasing a 35 percent interest in Lowcountry Medical Group of Beaufort County, LLC (LCMG). During the fiscal year ended June 30, 2000, the members of LCMG invested in Lowcountry Real Property, LLC (LCRP), which reflected the same proportionate ownership as LCMG and holds title to all real estate occupied by LCMG. The operating agreements of LCMG and LCRP state that all powers to control normal operations are exercised exclusively by the managers except for veto authority over certain transactions affecting the acquisition and disposition of significant assets or changes to the members of each partnership. CPCP is prohibited from serving as a manager, but no other party has a controlling interest. These two joint ventures are accounted for using the equity method.

During the year ended June 30, 2010, there was a reallocation of partnership interests from a withdrawing partner bringing CPCP's total interest in the capital of LCRP to 43.35 percent. In May 2010, CPCP also agreed to purchase an additional five percent interest in LCRP for $173,117 (consideration subject to revision based on the updated valuation of LCRP). The first installment of this additional capital contribution of $17,311 was paid in May 2010.

On February 10, 2004, UMA entered into a partnership, reflecting an effective date of August 5, 2003, with Georgetown Hospital System to form Georgetown Radiation Therapy Center, L.L.C. (GRTC) to provide radiation therapy for patients of Georgetown County, South Carolina. UMA received a one percent equity interest for a contribution of $1,000. Pursuant to a licensing agreement, in exchange for GRTC's use of UMA's intellectual property, UMA has been entitled to receive an additional one percent equity interest in GRTC for each $100,000 of cumulative net income the entity produces up to a maximum of ten percent. In prior years, UMA received an additional nine percent interest in the partnership as a result of increases in accumulated earnings bringing the total interest in GRTC to the maximum ten percent. UMA appointed its CEO as the 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 being reported as investment income.

	LCMG	LCRP	GRTC	Total
UMA's carrying value at June 30, 2009	$ 1,822,423	$ 490,081	$ 1,000	$ 2,313,504
Capital contribution made in fiscal year 2010	-	17,311	-	17,311
Capital adjustments made in fiscal year 2010	-	(102,709)	-	(102,709)
UMA's share of parnership income (loss) for fiscal year 2010	(12,781)	29,311	-	16,530
Partnership distributions to UMA in fiscal year 2010	(53,951)	(35,000)	-	(88,951)
UMA's carrying value at June 30, 2010	$ 1,755,691	$ 398,994	$ 1,000	$ 2,155,685

3. RECEIVABLES

Receivables at June 30, 2010, including applicable allowances, were as follows:

	The University	The Authority	UMA	Nonmajor Enterprise Fund MUFC
Student accounts	$ 518,622	$ -	$ -	$ -
Patient accounts	-	205,491,015	119,200,194	-
Less allowances for:				
Contractual adjustments	-	-	(65,100,158)	-
Uncollectibles	-	(59,300,000)	(21,873,189)	-
Third party payors	-	11,340,000	-	-
Federal grants and contracts	18,679,719	-	-	-
State grants and contracts	61,947	-	-	-
Nongovernmental grants and contracts	4,390,114	-	-	-
Interest	593,620	-	-	7,308
Medicaid supplemental reimbursement	23,742,927	-	-	-
Medicaid Disproportionate Share Hospital program	-	3,282,421	-	-
Graduate Medical Education program	-	10,892,427	-	-
Research Infrastructure Bond proceeds	7,878,829	-		-
State capital appropriation	2,496,163	-	-	-
Medical resident FICA refund	20,973,781	-	-	-
Other	3,446,523	-	634,936	-
Receivables, net	82,782,245	$ 171,705,863	$ 32,861,783	$ 7,308

4. RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2010 were as follows:

Asset/Restricted for	The University	The Authority	UMA	-- Nonmajor Enterprise Funds -- MUFC	CHS
Current:					
Cash and cash equivalents:					
Debt service	$ 1,258,671	$ -	$ -	$ 1,386,796	$ 10,626
Research & education	2,755,378	-	-	-	-
Capital projects	-	5,458,396	-	-	-
Total cash and cash equivalents	$ 4,014,049	$ 5,458,396	$ -	$ 1,386,796	$ 10,626
Investments:					
Debt service	$ -	$ -	$ -	$ 316,168	$ 3,286,901
Due from component units					
Earnings on endowments	$ 310,514	$ -	$ -	$ -	$ -
Interfund receivables:					
Debt service	$ -	$ -	$ -	$ 2,028,260	$ 1,011,199
Student loans receivable:					
Student loan programs	$ 1,046,388	$ -	$ -	$ -	$ -
Noncurrent:					
Cash and cash equivalents:					
Debt service	$ -	$ -	$ -	$ -	$ 1,739,697
Capital projects	24,009,630	52,407,880	-	-	-
Student loan programs	1,829,432	-	-	-	-
Endowments	1,282,028	-	-	-	-
Total cash and cash equivalents	$ 27,121,090	$ 52,407,880	$ -	$ -	$ 1,739,697
Investments					
Debt service	$ -	$ 36,027,210	$ -	$ 213,000	$ -
Capital projects	-	-	-	-	-
Total investments	$ -	$ 36,027,210	$ -	$ 213,000	$ -
Due from component units					
Endowments	$ 49,419,549	$ -	$ -	$ -	$ -
Interfund receivables:					
Debt service	$ -	$ -	$ -	$ 9,706,036	$ 19,300,049
Student loans receivable:					
Student loan programs	$ 13,063,834	$ -	$ -	$ -	$ -

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
The University				
Capital assets not being depreciated				
Land	$ 11,646,316	$ -	$ -	$ 11,646,316
Construction in progress	85,878,756	51,462,284	(71,933,373)	65,407,667
Total capital assets not being depreciated	97,525,072	51,462,284	(71,933,373)	77,053,983
Other capital assets				
Depreciable land improvements	7,773,021	764,241	-	8,537,262
Buildings and improvements	521,867,911	71,399,514	-	593,267,425
Machinery and equipment	132,879,431	19,590,322	(5,353,455)	147,116,298
Vehicles	4,648,087	72,225	(72,465)	4,647,847
Total other capital assets at historical cost	667,168,450	91,826,302	(5,425,920)	753,568,832
Less accumulated depreciation for				
Depreciable land improvements	(5,122,018)	(255,440)	-	(5,377,458)
Buildings and improvements	(178,019,983)	(19,394,839)	-	(197,414,822)
Machinery and equipment	(60,982,543)	(11,041,243)	4,379,755	(67,644,031)
Vehicles	(3,923,337)	(255,273)	72,465	(4,106,145)
Total accumulated depreciation	(248,047,881)	(30,946,795)	4,452,220	(274,542,456)
Other capital assets, net	419,120,569	60,879,507	(973,700)	479,026,376
University capital assets, net	516,645,641	112,341,791	(72,907,073)	556,080,359
Medical University Hospital Authority				
Capital assets not being depreciated				
Land and land improvements	6,092,725	-	-	6,092,725
Construction in progress	11,128,528	22,082,785	(24,606,153)	8,605,160
Total capital assets not being depreciated	17,221,253	22,082,785	(24,606,153)	14,697,885
Other capital assets				
Buildings and improvements	590,341,724	22,504,083	-	612,845,807
Machinery and equipment	254,426,940	17,768,771	(3,100,456)	269,095,255
Vehicles	2,494,879	528,203	(57,143)	2,965,939
Total other capital assets at historical cost	847,263,543	40,801,057	(3,157,599)	884,907,001
Less accumulated depreciation for				
Buildings and improvements	(168,261,569)	(26,714,641)	-	(194,976,210)
Machinery and equipment	(131,971,854)	(25,684,059)	2,409,890	(155,246,023)
Vehicles	(2,097,702)	(202,270)	57,143	(2,242,829)
Total accumulated depreciation	(302,331,125)	(52,600,970)	2,467,033	(352,465,062)
Other capital assets, net	544,932,418	(11,799,913)	(690,566)	532,441,939
Authority capital assets, net	562,153,671	10,282,872	(25,296,719)	547,139,824
University Medical Associates				
Capital assets not being depreciated				
Land	3,184,798	4,268,368	-	7,453,166
Construction in progress	9,075	398,699	(9,075)	398,699
Total capital assets not being depreciated	3,193,873	4,667,067	(9,075)	7,851,865
Other capital assets				
Buildings and improvements	63,003,060	371,853	-	63,374,913
Machinery and equipment	12,665,287	1,021,503	(363,873)	13,322,917
Intangible assets	2,669,741	247,264	(1,200,000)	1,717,005
Total other capital assets at historical cost	78,338,088	1,640,620	(1,563,873)	78,414,835
Less accumulated depreciation for				
Buildings and improvements	(24,170,373)	(2,990,992)	-	(27,161,365)
Machinery and equipment	(9,570,767)	(1,081,285)	358,080	(10,293,972)
Intangible assets	(2,494,957)	(63,093)	1,200,000	(1,358,050)
Total accumulated depreciation	(36,236,097)	(4,135,370)	1,558,080	(38,813,387)
Other capital assets, net	42,101,991	(2,494,750)	(5,793)	39,601,448
UMA capital assets, net	45,295,864	2,172,317	(14,868)	47,453,313
Grand Total	$ 1,124,095,176	$ 124,796,980	$ (98,218,660)	$ 1,150,673,496

6. PENSION PLANS

The South Carolina Retirement Systems, a division of the State Budget and Control Board, maintains four independent defined benefit plans and one defined contribution plan. It 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. 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 South Carolina Retirement Systems, 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, survivor, and group-life insurance benefits to eligible employees and retirees.

The employee contribution rates for fiscal years ending June 30, 2010, 2009 and 2008 were 6.50 percent in each year. Including a surcharge to fund retiree health and dental insurance coverage, the employer contribution rates for fiscal years ending June 30, 2010, 2009, and 2008 were 12.74 percent, 12.74 percent, and 12.48 percent, respectively. The University's actual contributions to the SCRS for the fiscal years ending June 30, 2010, 2009, and 2008, were approximately $9,909,000, $10,027,000, and $9,721,000, respectively, and equaled the required contributions (excluding the surcharge) of 9.24 percent for fiscal years 2010 and 2009, and 9.06 percent for fiscal year 2008. The surcharge equaled 3.50 percent for fiscal years 2010 and 2009, and 3.42 percent for fiscal year 2008.

The Authority's contributions to SCRS for the years ending June 30, 2010, 2009, and 2008 were approximately $32,400,000, $29,300,000, and $27,300,000, respectively, which equaled the required contributions for each year.

Neither the University or the Authority have any other liability under the SCRS retirement plan other than to make the required contributions, which have been fully paid as of June 30, 2010.

The University paid employer group-life insurance contributions of approximately $161,000 in the fiscal year 2010 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 South Carolina Retirement Systems. 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, cost of living adjustment, survivor, and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firefighters killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. The employer contribution rates for fiscal years ending June 30, 2010, 2009, and 2008 were 14.15 percent, 14.15 percent, and 13.72 percent, respectively. The University's actual contributions to the PORS for the fiscal years ending June 30, 2010, 2009 and 2008, were approximately $302,000, $288,000, and $252,000, respectively, and equaled the required contributions (excluding the surcharge) of 10.65 percent for fiscal years 2010 and 2009, and 10.30 percent for fiscal year 2008. The surcharge equaled 3.50 percent for fiscal years 2010 and 2009, and 3.42 percent for fiscal year 2008.

Also, the University paid employer group-life insurance contributions of $5,675 and accidental death insurance contributions of $5,675 in fiscal year 2010 for PORS participants. The rate for each of these insurance benefits is 0.20 percent of compensation.

Optional Retirement Program

Employees eligible to participate in the SCRS 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. ORP participants are also eligible for group-life insurance. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is available to all employees of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. Employees must select ORP participation within thirty days of employment or becoming retirement benefits eligible. Employees may irrevocably change to the SCRS traditional plan during the designated open enrollment period (January 1 - March 1) if they hold between one and five years of State ORP participation. Under State law, contributions to the ORP are required at the same rates as for the SCRS.

Some of the University's employees have elected to be covered under the ORP. For fiscal year 2010, total contribution requirements to the ORP were approximately $10,040,000 (excluding the surcharge) from the University as employer and $7,062,000 from its employees as plan members. In addition, the University paid employer group-life insurance contributions of approximately $163,000 in the fiscal year 2010. Employee contributions of 6.5 percent and 5 percent of the employer contribution were remitted directly to the respective annuity policy providers. The balance of the employer portion was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefits resides with the annuity policy providers.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows active members of the South Carolina Retirement Systems (SCRS plan only) who are eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants are considered retirees 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. At the beginning of the program, participants may receive service credit for up to 90 days of unused sick leave. Participants who entered the program prior to June 30, 2005 are entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon retirement and again at the end of the program period for annual vacation leave earned during the program period. Participants entering the program after June 30, 2005 maintain their current annual leave balance and are entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon ending participation in the TERI program. The University recorded expenses of $419,612 for lump-sum vacation leave payments to its employees retiring under TERI in fiscal year 2010.

Component Unit Pension Plans

Effective July 1, 2002, the Authority established and began sponsoring a profit sharing plan and trust titled the Special Healthcare Alternative Retirement Plan (SHARP). The SHARP is qualified under Section 401(a) of the Internal Revenue Code. Certain employees, as defined in the SHARP, are eligible to participate at the commencement of employment. Contributions by the Authority to the SHARP are discretionary and vest ratably over four years after two years of service. Contributions by the Authority in fiscal year 2010 totaled approximately $335,700.

University Medical Associates maintains a defined contribution pension plan covering all employees. The plan provides for contributions by UMA in such amounts as the Board of Directors may annually determine. The plan prohibits participant contributions except for rollovers from other qualified retirement plans. Current year contributions are based upon a three-tier percentage determined by the participant's compensation as follows: (a) eleven percent of compensation up to $40,000, (b) fourteen percent of compensation from $40,001 to $80,000, and (c) twenty-five percent of compensation from $80,001 to $220,000. The maximum annual contribution per participant is $45,000. Participants become fully vested in their accounts after five years of credited service. Contributions to this plan totaled $20,859,817 in fiscal year 2010. Copies of the separately issued financial statements of the plan are available from the management of UMA.

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

7. POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

The State of South Carolina provides certain health care, dental, vision, life insurance, long-term disability, long-term care and flexible spending benefits to certain active State employees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The University recorded expense of $17,434,787 for the year ended June 30, 2010 for these insurance benefits for active employees.

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health, dental, and vision benefits to retired State and school district employees and their covered dependents. The University contributes to the Retiree Medical Plan (RMP) administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). To be eligible for retiree insurance, the last five years of service must be consecutive in a permanent benefits-eligible position working at least 20 hours weekly. Retirees who were hired before May 2, 2008 are eligible for the funded heath, dental, and vision benefits if they are least age 60 and have established at least ten years of retirement service credit and meet any one of the criteria for retirement. Retirees who have between five and ten years of retirement service are eligible for non-funded insurance benefits. Retired employees who were hired on or after May 2, 2008 who retire with 25 or more years of retirement service credit will pay only the retiree's share. Retirees who have between fifteen (15) and twenty-five (25) service years will pay 50% of the employer's share of the premium in addition to the retiree premium. Retired employees who were hired on or after May 2, 2008 who retire with between five (5) and fifteen (15) service years will pay the entire employer's share of the premium in addition to the retiree premium.

Sections 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, require these postemployment healthcare, dental, and visison benefits be funded though annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB, except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget which equaled 3.50 percent, 3.50 percent, and 3.42 percent of annual covered payroll for fiscal years 2010, 2009, and 2008, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately $7,655,000, $7,589,000, and $6,956,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2010, 2009, and 2008, respectively. Basic long-term disability benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was $3.23 for the fiscal years ended June 30, 2010, 2009 and 2008.

As the provider of postemployment benefits to State retirees, the State is responsible for implementing GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Effective May 1, 2009, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

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

University Medical Associates

UMA and its component units provide employee life and disability benefits through commercial insurance companies and have established an employee benefit plan to self-insure employees for health, accident, and dental expenses. UMA records an estimated liability for incurred but not reported claims based on estimates of the ultimate cost of reported claims using the gross method. The estimated claims liability at June 30, 2010 was $801,371. This amount is included in “Payables and accrued liabilities” on the Statement of Net Assets.

UMA sponsors the Retiree Benefit Plan for Employees of University Medical Associates, a single-employer defined benefit healthcare plan. The plan provides provide continuation of medical, dental and prescription drug benefits for certain retirees and their dependents through an irrevocable trust agreement adopted by the UMA Board with an effective date of June 26, 2008. The trust meets the definition of a qualifying trust as defined in GASB Statement No. 45. Eligible employees are those reaching age 62 with 15 years of service. This coverage is considered primary until age 65 or until the employee is covered under Medicare, at which time it becomes the secondary payer. The plan may be amended by future actions of the UMA Board of Directors. The plan, which has a June 30 year-end, issued a separate stand-alone financial report as of June 30, 2009.

The obligations of plan members and UMA are established each year by action of the UMA Board pursuant to changes in the healthcare environment to ensure its self-insured healthcare plan remains viable. Retirees are required to pay monthly premiums as approved by the UMA Board depending on the selected level of coverage. UMA’s required contribution for these other postemployment benefits (OPEB) is due to the implicit rate subsidy for retirees who pay the same premiums as active employees and is determined by an actuarial review of the plan provisions and participants. UMA decided to fully fund the actuarial accrued liability as of June 30, 2008 which will be amortized to expense over a 30 year period, and will fund the remaining actuarial accrued liability based upon the annual required contribution based on an annual charge of $429 per covered employee. All costs of administering the plan are paid by UMA.

UMA’s annual OPEB cost (expense) is calculated based on the *annual required contribution* (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual OPEB Cost	Fiscal Year Ending June 30, 2010
Annual required contribution (ARC)	$ 288,068
Interest on net OPEB asset	-
Adjustment to ARC	44,995
OPEB expense	$ 333,063
Net OPEB contributions made during the year	(288,068)
Decrease in OPEB asset	$ 44,995
Net (Prepaid) OPEB asset at beginning of year	(544,338)
Net (Prepaid) OPEB asset at end of year	$ (499,343)

The prepaid OPEB asset is included in the Prepaid items reflected in the noncurrent assets section of the Statement of Net Assets.

UMA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB Obligation as of June 30, 2008 (the first year of implementation), June 30, 2009, and June 30, 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Prepaid OPEB Asset
June 30, 2010	$ 333,063	86.4%	$ 499,343
June 30, 2009	$ 77,894	44.0%	$ 544,338
June 30, 2008	$ 75,173	882.0%	$ 587,933

The most recent actuarial valuation was dated July 1, 2009. As of the valuation date, the unfunded actuarial accrued liability (UAAL) amounted to $1,822,979 which represents 4.77% of covered payroll. Current year contributions to the trust totaled $288,068. The covered payroll (annual payroll of active employees covered by the plan) was $38.2 million. The actuarial value of the assets as of June 30, 2010 was $917,138.

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

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

In the July 1, 2009 actuarial valuation, the *projected unit credit actuarial cost method* was used to determine plan liabilities. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of ten percent in 2009 decreasing to five percent by 2015 and thereafter. The UAAL is being amortized as a level cost per active employee over a thirty year closed amortization period. The next actuarial valuation date for this plan will be July 1, 2011.

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 age 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 $16,500 of eligible compensation. The Authority does not match employee contributions.

Employees of Carolina Primary Care Physicians, P.A. (CPCP) and Carolina Health Management Services (CHMS), component units of UMA, participate in a deferred compensation plan under Internal Revenue Code Section 401(k) which allows employees to defer up to $22,000 of compensation annually. The employer makes safe-harbor contributions for all employees of three percent of compensation up to $245,000. A separate employer contribution of five percent for all physicians and eight percent for all non-physician employees is made for all eligible compensation. All employee and employer safe-harbor contributions are 100% vested at the time of contribution. The five and eight percent employer contributions vest ratably over a 5-year period. Total employer contributions to this plan for the fiscal year ending June 30, 2010 were $396,000.

9. COMMITMENTS, CONTINGENCIES AND LITIGATION

The various federal programs administered by the University for fiscal year 2010 and prior years are subject to examination by the federal grantor agencies. At the present time, amounts, if any, which may be due federal grantors have not been determined, but the University believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the University. Therefore, an estimated loss has not been recorded.

The University, the Authority and UMA are involved in a number of legal proceedings and claims with various parties which arose in the normal course of business and cover a wide range of matters including medical malpractice. In the opinion of management, the outcome of the legal proceedings and claims is not expected to have a material adverse effect on the financial positions of the entities.

The University had outstanding commitments related to capital projects of $44,326,372 at June 30, 2010. The University anticipates funding these projects out of current resources, proceeds from debt issuances, private gifts, federal capital grants, special appropriations, and state capital improvement bond proceeds.

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

10. PAYABLES AND ACCRUED LIABILITIES

				-- Nonmajor Enterprise Funds --	
	The University	The Authority	UMA	MUFC	CHS
Accounts payable	$ 17,082,465	$ 42,609,008	$ 3,098,559	$ -	$ -
Retainages	1,892,184	3,403,966	-	-	-
Compensated absences payable	-	24,349,719	-	-	-
Accrued payroll & related liabilities	7,249,497	19,147,219	15,190,055	-	-
Medicaid cost reports' settlement liability	-	17,656,006	-	-	-
Accrued interest	1,407,692	8,130,522	229,161	139,104	634,325
Other	109,963	4,728,953	3,094,629	-	-
	$ 27,741,801	$ 120,025,393	$ 21,612,404	$ 139,104	$ 634,325

Activity for the year ended June 30, 2010 associated with the Authority's compensated absences (all payable within one year) is as follows:

Beginning balance	$ 20,915,813
Increases	32,596,416
Decreases	(29,162,510)
Ending balance	$ 24,349,719

11. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
The University					
General obligation bonds payable	$ 40,690,000	$ -	$ (3,390,000)	$ 37,300,000	$ 3,505,000
State bond anticipation notes	30,000,000	30,000,000	(30,000,000)	30,000,000	30,000,000
Revenue bond payable	36,975,000	-	(1,075,000)	35,900,000	1,115,000
Energy note payable	15,387,340	-	(1,013,596)	14,373,744	1,491,900
Capital leases payable	3,354,435	1,105,667	(2,561,134)	1,898,968	897,128
Compensated absences payable	25,577,504	12,933,513	(12,912,592)	25,598,425	12,912,592
Less deferred loss on early retirement of general obligation bonds	(863,736)	-	- 80,347	(783,389)	- (80,348)
Total University long-term liabilities	151,120,543	44,039,180	(50,871,975)	144,287,748	49,841,272
Interfund payables	34,919,526	-	(2,873,982)	32,045,544	3,039,459
Due to component unit	46,735,941	-	(358,033)	46,377,908	450,808
Federal loan program liability	13,579,102	290,167	(222,308)	13,646,961	-
Total University noncurrrent liabilities	246,355,112	44,329,347	(54,326,298)	236,358,161	53,331,539
Medical University Hospital Authority					
Bonds payable	473,260,000	-	(14,805,000)	458,455,000	10,395,000
GE notes payable	8,764,920	-	(2,070,239)	6,694,681	2,163,823
BA notes payable	42,369,412	-	(10,533,930)	31,835,482	11,013,663
Capital leases payable	1,640,081	-	(1,640,081)	-	-
Subtotal	526,034,413	-	(29,049,250)	496,985,163	23,572,486
Plus unamortized bond premium	8,382,139	-	(583,083)	7,799,056	-
Less deferred (loss) on refunding	(15,679,106)	-	986,618	(14,692,488)	-
Total Authority long-term liabilities	518,737,446	-	(28,645,715)	490,091,731	23,572,486
Due to other funds	-	2,055,060	-	2,055,060	-
Due to third party payors	22,682,135	7,393,913	(12,420,042)	17,656,006	17,656,006
Fair value of derivative instruments	-	2,748,753	-	2,748,753	-
Total Authority noncurrrent liabilities	541,419,581	12,197,726	(41,065,757)	512,551,550	41,228,492
University Medical Associates					
Capital leases payable	89,559	-	(62,063)	27,496	27,496
Variable rate demand bonds	62,085,000	-	-	62,085,000	-
Term loan payable	36,335,208	-	(3,791,500)	32,543,708	3,791,500
Equipment note payable	-	142,697	(23,149)	119,548	70,951
Compensated absences payable	3,474,160	4,058,382	(3,970,040)	3,562,502	2,137,501
Subtotal	101,983,927	4,201,079	(7,846,752)	98,338,254	6,027,448
Less deferred refunding costs:					
Variable rate demand bonds	(15,985,394)	-	176,094	(15,809,300)	-
Term loan payable	(9,797,500)	-	1,510,582	(8,286,918)	-
Total UMA long-term liabilities	76,201,033	4,201,079	(6,160,076)	74,242,036	6,027,448
Fair value of derivative instruments	-	709,048	-	709,048	-
Total UMA noncurrent liabilities	76,201,033	4,910,127	(6,160,076)	74,951,084	6,027,448
Nonmajor Enterprise Funds					
Medical University Facilities Corporation					
Revenue bonds payable	7,350,000	-	(741,000)	6,609,000	797,000
Notes payable	7,015,000	-	(1,245,000)	5,770,000	1,300,000
Total MUFC long-term liabilities	14,365,000	-	(1,986,000)	12,379,000	2,097,000
Fair value of derivative instruments	-	258,440	-	258,440	-
Total MUFC noncurrent liabilities	14,365,000	258,440	(1,986,000)	12,637,440	2,097,000
CHS Development Company					
Notes payable	28,390,000	-	(1,235,000)	27,155,000	1,300,000
Unamortized premium	77,381	-	(5,326)	72,055	5,326
Total CHS noncurrent liabilities	28,467,381	-	(1,240,326)	27,227,055	1,305,326
Grand total	$ 906,808,107	$ 61,695,640	$ (104,778,457)	$ 863,725,290	$ 103,989,805

12. BONDS AND NOTES PAYABLE

Bonds Payable

The University's bonds payable at June 30, 2010 consisted of the following:

	Interest Rates	Maturity Dates	Balance June 30, 2010
State Institution Bonds:			
1996A series dated 07/01/1996	5.40%	03/01/2011	$ 315,000
2001 series dated 12/01/2001	4.25 - 5.00%	12/01/2016	4,010,000
2003D series dated 01/01/2003	3.50 - 4.40%	01/01/2018	4,980,000
2003J series dated 12/01/2003	3.00 - 5.00%	12/01/2023	9,445,000
2005A Refunding dated 04/01/2005	3.00 - 5.00%	03/01/2020	18,550,000
Total state institution bonds			37,300,000
State Institution Bond Anticipation Note:			
2009 series dated 12/19/2009	2.66%	12/19/2010	30,000,000
Higher Education Facilities Revenue Bond:			
2006 series dated 11/01/2006	4.00 - 5.00%	04/01/2031	35,900,000
			$ 103,200,000

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt service requirement for the payment of principal and interest on State Institution Bonds. SC Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees designated for debt service for the preceding year were $8,612,000 which resulted in a legal debt margin at June 30, 2010, of $7,750,800.

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

Year Ending	State Institution Bonds		
June 30,	Principal	Interest	Total
2011	$ 3,505,000	$ 1,568,249	$ 5,073,249
2012	3,330,000	1,410,047	4,740,047
2013	3,450,000	1,260,543	4,710,543
2014	3,585,000	1,102,350	4,687,350
2015	3,630,000	934,955	4,564,955
2016 - 2020	16,450,000	2,461,244	18,911,244
2021 - 2025	3,350,000	309,561	3,659,561
	$ 37,300,000	$ 9,046,949	$ 46,346,949

For the year ended June 30, 2010, principal payments on the State Institution Bonds totaled $3,390,000 and the related interest expense totaled $1,716,748.

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

Year Ending	Higher Education Revenue Bond		
June 30,	Principal	Interest	Total
2011	$ 1,115,000	$ 1,484,237	$ 2,599,237
2012	1,160,000	1,439,637	2,599,637
2013	1,210,000	1,393,237	2,603,237
2014	1,255,000	1,344,837	2,599,837
2015	1,305,000	1,294,637	2,599,637
2016 - 2020	7,365,000	5,645,989	13,010,989
2021 - 2025	8,975,000	4,035,534	13,010,534
2026 - 2030	11,020,000	1,986,337	13,006,337
2031	2,495,000	107,285	2,602,285
	$ 35,900,000	$ 18,731,730	$ 54,631,730

For the year ended June 30, 2010, principal payments on the Higher Education Facilities Revenue bond totaled $1,075,000 and the related interest expense totaled $1,527,237.

During fiscal year 2010, the University issued a State Bond Anticipation Note in the amount of $30,000,000. The proceeds of this State Bond Anticipation Note were used to repay the State Bond Anticipation Note issued in fiscal year 2009. The proceeds of the related original Bond Anticipation Notes (issued in fiscal year 2008) were used to finance the construction of the College of Dental Medicine Building. Interest expense incurred in fiscal year 2010 related to the State Bond Anticipation Note issued in fiscal year 2009 and the State Bond Anticipation Note issued in fiscal year 2010 totaled $795,783.

The State Bond Anticipation Note issued in fiscal year 2010 will mature during fiscal year 2011, at which time re-financing via an issuance of a new State Bond Anticipation Note is anticipated. Interest payments related to this State Bond Anticipation Note during fiscal year 2010 are anticipated to be $795,783.

The total amount of defeased debt outstanding at June 30, 2010, was $17,845,000 for the University and $110,055,000 for the Authority.

The Authority's hospital facilities and refunding revenue bonds payable at June 30, 2010 consisted of the following:

	Interest Rates	Balance June 30, 2010
2004 A Series	4.85 - 5.25%	$ 299,110,000
2004 B Series	3.92 - 5.38%	105,365,000
		404,475,000
Unamortized bond premiums and deferred losses on bond refunding		(6,893,432)
		397,581,568
Less current installments		(8,950,000)
		$ 388,631,568

The 2004 Series A and B bonds bear interest at fixed rates for tranches defined by the principal payments due each year. The average interest rates during fiscal year 2010 were 5.23% and 5.30% 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 converted the Authority's borrowing costs for the related bonds from a fixed rate to a variable rate instrument based on the Bond Market Association index, subject to a cap of 4.93%. This part of ETRC expired on the contractual termination date of June 1, 2008.

The ETRC also included 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 received 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 was subject to a cap of $8,750,000 and was secured with funds deposited by the Authority in an escrow account. The option, and thus all existing provisions of the ETRC, was terminated by the Authority and the bank on December 1, 2009, at which time the Authority made the final net settlement payment to the bank in the maximum amount of $8,750,000.

During the implementation period of GASB Statement No. 53, the ETRC was considered an investment derivative instrument which was fully terminated by the Authority on December 1, 2009. As such, changes in its fair value were required to be recognized in the Authority's Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA). However, since the ETRC reached its capped maximum negative value of $8,750,000 as of June 30, 2009, its termination and net settlement in fiscal year 2010 did not have an impact on the Authority's SRECNA for fiscal year 2010. Because it related to periods prior to fiscal year 2010, the $8,750,000 decline in the fair value of the ETRC as of June 30, 2009 has been recognized in these financial statements as an adjustment to the beginning balance of the Authority's net assets reflected in the Statement of Net Assets (see Note 23).

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

Fiscal Year Ending June 30,	Hospital Facilities & Refunding Revenue Bonds		
	Principal	Interest	Total
2011	$ 8,950,000	$ 20,642,396	$ 29,592,396
2012	9,335,000	20,246,957	29,581,957
2013	9,775,000	19,815,816	29,590,816
2014	10,245,000	19,349,447	29,594,447
2015	10,745,000	18,847,547	29,592,547
2016 - 2020	62,795,000	85,253,765	148,048,765
2021 - 2025	81,615,000	66,567,882	148,182,882
2026 - 2030	70,875,000	43,637,078	114,512,078
2031- 2035	140,140,000	24,322,371	164,462,371
Total	$ 404,475,000	$ 318,683,259	$ 723,158,259

In December, 2004, the South Carolina Jobs-Economic Development Authority (JEDA) issued $61 million of Economic Development Revenue Bonds (MUFC Central Energy Plant Project), Series 2004. Proceeds of the bonds were loaned to MUFC Central Energy Plant, LLC, (CEP) a single member limited liability company organized under the laws of the State of South Carolina, whose sole member is Medical University Facilities Corporation. The net bond proceeds were used to build the central energy plant for the new hospital facility. Originally, the CEP Series 2004 bonds were subject to interest at a variable rate determined by a public auction conducted by the bond trustee. On February 1, 2008, CEP converted the then outstanding $59.4 million bonds into indexed floating rate bonds to reduce the cost of capital and annual debt service payments. At the time of the conversion, CEP made a $3.0 million prepayment which reduced the outstanding principal balance to $56.4 million. The weighted average interest rate applicable to the bonds in fiscal year 2010 was 2.18%.

Concurrent with the refunding of the CEP Series 2004 Bonds, CEP entered into a fixed payer interest rate swap (CEP swap) to hedge the changes in cash flows of the underlying bonds by effectively converting the variable interest rate on the CEP Series 2004 Bonds to a synthetic fixed rate of 5.755%. The initial notional amount of the CEP swap was $56,415,000. The notional value of the CEP swap declines in conjunction with payments of the principal on the CEP Series 2004 Bonds such that the outstanding balance of these bonds and the notional amount of the CEP swap shall remain equal at all times. Under the swap, CEP pays the counterparty interest at a fixed rate of 3.855% and receives interest payments at a variable rate equal to the SIFMA Municipal Swap Index, subject to a cap of 6.50%.

Based on the guidance provided in GASB Statement No. 53, the CEP swap is considered a hedging derivative instrument. The fair value of the CEP swap as of June 30, 2010 was a negative ($2,748,753). The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the derivative, 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 of the derivative. Pursuant to GASB Statement No. 53, the CEP swap is considered an effective hedging instrument; therefore, the negative fair value of the CEP swap has been recorded on the Statement of Net Assets and offset by an identical amount for the deferred outflows from this swap. The decrease in the fair value of the CEP swap from June 30, 2009 of $1,801,586 is not recognized in these financial statements.

Interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined borrowing rate on the associated debt is called basis risk. As of June 30, 2010, the Authority is subject to basis risk related to this swap and the associated CEP Series 2004 Bonds as the indexed variable rate on the CEP swap is determined by the SIFMA Index whereas the actual market-determined borrowing rate on the CEP Series 2004 Bonds is equal to the SIFMA Index plus 1.90%.

The CEP swap contract incorporates the terms and provisions of the International Swap Dealers Association Master Agreement which includes standard termination events, such as failure to pay and bankruptcy. The Authority or the counterparty may terminate the CEP swap if the other party fails to perform under the terms of the contract. In addition, the Authority may terminate the CEP swap at its discretion on the first day of each month commencing on February 1, 2015 and ending on September 1, 2031. If the CEP is terminated, the variable rate CEP Series 2004 Bonds would no longer carry a fixed synthetic interest rate. In addition, if at the time of termination the CEP swap had a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

The scheduled maturities, calculated using the synthetic fixed rate described above, of the Authority's Economic Development Revenue Bonds are as follows.

Fiscal Year Ending June 30,	CEP Project Series 2004 Principal	Interest	Swap Payment, Net	Total
2011	$ 1,445,000	$ 1,160,570	$ 1,945,976	$ 4,551,546
2012	1,515,000	1,129,503	1,893,886	4,538,389
2013	1,590,000	1,096,930	1,839,271	4,526,201
2014	1,670,000	1,062,745	1,781,951	4,514,696
2015	1,750,000	1,023,840	1,721,748	4,495,588
2016 - 2020	10,125,000	4,531,659	7,598,439	22,255,098
2021 - 2025	12,875,000	3,330,351	5,584,148	21,789,499
2026 - 2030	16,345,000	1,804,282	3,025,317	21,174,599
2031 - 2032	6,665,000	205,648	344,818	7,215,466
Total	$ 53,980,000	$ 15,345,528	$ 25,735,554	$ 95,061,082

On December 18, 2008, UMA issued Series 2008 South Carolina Jobs-Economic Development Authority Variable Rate Demand Bonds (Series 2009 Bonds) in the amount of $65,085,000 in conjunction with the refunding of its 1994, 1997, 1999A and 1999B Select Auction Variable Rate Securities (SAVRS). The proceeds of the Series 2008 Bonds were used to fully redeem the 1999 A&B SAVRS and pay certain costs of issuance. The Series 2008 Bonds mature in various installments ranging from $1.7 million to $3.925 million beginning on July 1, 2019 with final maturity on July 1, 2037.

In addition to issuing the Series 2008 Bonds in fiscal year 2009, UMA borrowed $37,915,000 via a taxable term loan payable to Wachovia Bank (see Notes Payable section). UMA used the proceeds from the Series 2009 Bonds and the Wachovia term loan, along with $9,643,570 of cash from the existing debt service reserve funds, to advance refund outstanding SAVRS direct note obligations of $85,100,000, terminate previous swap agreements with a fair value of $23,481,775, and pay issue costs of $1,061,795. This refunding resulted in an economic gain of $4,164,815 and an increase in cash flows of $4,811,190 due to extending the term by ten years. The deferred refunding costs of 26,736,722, including the swap termination payment, are being amortized over the shorter life of the refunded debt (ending May 15, 2027) using the effective interest method.

The Series 2008 Bonds initially bear interest at a daily interest rate. The daily interest rate is the rate of interest per annum determined by the remarketing agent for the Series 2008 Bonds (based on examination of tax-exempt obligations comparable in the judgment of the remarketing agent and known by the remarketing agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by such Series 2008 Bonds, would enable the remarketing agent to sell the Series 2008 Bonds at a price equal to the principal amount thereof. In the event that a daily interest rate for the Series 2008 Bonds is not so established for any business day by the remarketing agent, the daily interest rate for such business day will be the same as the daily interest rate for the immediately preceding day and such rate will continue until the earlier of (a) the date on which the remarketing agent determines a new daily interest rate or (b) the seventh day succeeding the first such day on which such daily interest rate is not determined by the remarketing agent. In the event that the daily interest rate will be held invalid or unenforceable by a court of law, or the remarketing agent fails to determine a new daily interest rate for a period of seven days, as described above, the interest rate applicable to the Series 2008 Bonds, as determined by the remarketing agent, will be the interest rate per annum equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in the *Wall Street Journal* for each business day until such daily interest rate is again validly determined by the remarketing agent.

UMA may, under certain conditions, elect that the interest rate on the Series 2008 Bonds bearing interest at a daily interest rate be converted into a weekly interest rate, a long-term interest rate or a bond interest term rate, as these rates are described in the Series 2008 Bonds indenture. If the interest rate period for the Series 2008 Bonds is to be converted from the daily interest rate, then the Series 2008 Bonds will be subject to mandatory tender for purchase on the effective date of the conversion to another interest rate period.

As of June 30, 2010, the annual effective variable interest rate incurred on the Series 2008 Bonds was 0.15%, determined in accordance with the remarketing process described above. However UMA has synthetically converted the overall interest cost to a fixed rate using derivative financial instruments as described below.

As security for repayment of the Series 2008 Bonds and other obligations issued under the Master Trust Indenture, UMA has granted to the master trustee a security interest in its Pledged Assets, subject to permitted liens and subject to the right of the Members of the Obligated Group to transfer property, plant and equipment and cash and investments free of the security interest created in the Pledged Assets under certain specified circumstances as further set forth in the Master Indenture. Pledged Assets consist of the UMA Receipts of each Member of the Obligated Group. "UMA Receipts" means all accounts and assignable general intangibles of each Member of the Obligated Group, now owned or hereafter acquired, and all proceeds thereof and therefrom whether cash or noncash; excluding, however, (a) gifts, grants, bequests, donations, contributions, charitable pledges, or other contract or property rights to any Member of

the Obligated Group heretofore or hereafter made, and the income and gains and other proceeds derived therefrom, to the extent any of the foregoing are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payments required under the Master Indenture or on any obligations; (b) mandatory transfers to MUSC and MUSCF; (c) transfers under the ambulatory care and primary care agreements; and (d) non-UMA revenues. All obligations issued under the Master Indenture are secured pari passu by the security interest in the Pledged Assets created by the Master Indenture. The Members of the Obligated Group are also subject to certain covenants under the Master Indenture restricting, among other things, incurrence of indebtedness, existence of liens, consolidation or merger and disposition of assets. UMA is currently the only Member of the Obligated Group.

The Series 2008 Bonds are secured by an irrevocable direct-pay letter of credit from Wells Fargo (Wachovia Bank) issued in the initial stated amount of $62,799,402. This amount included initial principal and accrued interest components. UMA is obligated to repay amounts drawn under the letter of credit as set forth in the Reimbursement and Security Agreement, dated as of December 1, 2008. This letter of credit expires on December 31, 2011, at which time, it is anticipated that it will be renewed under similar terms.

The Series 2008 Bonds were issued pursuant to a resolution by the South Carolina Jobs-Economic Development Authority in order to obtain tax-exempt status for the interest payments to the bond holders and reduce the total interest costs. The Series 2008 Bonds are subject to compliance with the arbitrage regulations of the Internal Revenue Code.

UMA has entered into an interest rate swap agreement with Wachovia Bank, NA to modify interest rates on the Series 2008 Bonds in an effort to convert its variable rate debt to a synthetic fixed rate of 2.1028% on the bonds. The Series 2008 Bonds swap agreement was issued on December 5, 2008 with an effective date of December 18, 2008, and matures on July 1, 2037. The notional amount as of June 30, 2010 was $62,085,000 which equals the principal outstanding. Under the Series 2008 Bonds swap agreement, UMA pays Wachovia a fixed interest payment of 2.1028% and receives a variable payment equal to 67% of the one month LIBOR rate. The variable rate in effect at June 30, 2010 was .15%.

As of June 30, 2010, the fair value of the Series 2008 Bonds' swap was $1,458,501. The fair value was estimated by independent financial advisors using the zero-coupon method. This method calculates the future net settlement payments required by the swap, 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 swap.

Consistent with the guidance provided by GASB Statement No. 53, the positive fair value of the Series 2008 Bonds' cash flow hedge swap has been recorded on the Statement of Net Assets and offset by an identical amount for the deferred inflows from this swap since the swap is considered an effective hedging instrument. The decrease in the fair value of the Series 2008 Bonds' cash flow hedge swap from June 30, 2009 of $3,149,883 is not recognized in these financial statements.

As of June 30, 2010, UMA is exposed to counterparty credit risk in the amount of the derivative's fair value. Wachovia Bank, NA is rated Aa2 by Moody's Investor Services, and AA by Standard & Poor's and Fitch Ratings as of June 30, 2010. Should the estimated termination value of the Series 2008 Bonds swap or the term loan swap, which is discussed in the Notes Payable section of this note, (assuming their early termination) become negative to UMA, UMA may be required to post collateral with the swap counterparty in the form of cash or negotiable debt securities of the U.S. Treasury Department, provided that in any case the collateral held by the swap counterparty shall at no time exceed $8.2 million.

Interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined variable borrowing rate on the bonds is called "basis risk." UMA is subject to this basis risk on the bonds as of June 30, 2010 as the indexed variable rate is 67% of the one month LIBOR and the actual market-determined borrowing rate approximates the SIFMA Municipal Swap Index.

The Series 2008 Bonds swap derivative contract uses the International Swap Dealers Association Master Agreement ("Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. UMA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. UMA may also terminate the swap at its discretion upon two business days notice to the counterparty. If the swap were terminated, the variable rate debt would no longer carry a synthetic interest rate. In addition, if at the time of the termination the swap has a negative fair value, UMA would be liable to the counterparty for a payment equal to the swap's fair value. Conversely, if the fair value is positive at termination, UMA would be entitled to receive a payment from the counterparty.

Using rates as of June 30, 2010, debt service requirements of UMA's Series 2008 South Carolina Jobs-Economic Development Authority Variable Rate Demand Bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Fiscal Year Ending June 30,	Series 2008 SC JEDA Variable Rate Demand Bonds			
	Principal	Interest	Swap Payment, Net	Total Debt Service
2011	$ -	$ 93,128	$ 1,160,127	$ 1,253,255
2012	-	93,128	1,160,127	1,253,255
2013	-	93,128	1,160,127	1,253,255
2014	-	93,128	1,160,127	1,253,255
2015	-	93,128	1,160,127	1,253,255
2016 - 2020	5,200,000	455,288	5,671,698	11,326,986
2021 - 2025	13,430,000	365,828	4,557,258	18,353,086
2026 - 2030	14,905,000	259,965	3,238,487	18,403,452
2031 - 2035	17,100,000	138,548	1,725,942	18,964,490
2036 - 2038	11,450,000	17,498	217,973	11,685,471
Totals	$ 62,085,000	$ 1,702,767	$ 21,211,993	$ 84,999,760

On September 20, 1995, the Medical University Facilities Corporation (MUFC) issued lease revenue bonds series 1995 A in the amount of $12,729,000 and series 1995 B in the amount of $472,000. Related bond issue costs totaling $356,900 were capitalized as deferred charges to be amortized over the lives of the bonds. The bonds were issued for the purpose of providing a portion of the payment for the costs of completing the acquisition and construction of the Strom Thurmond Biomedical Research Center. Interest rates range from 7.45% to 7.5%. The final maturity is in 2016, and the bonds are secured by the rental payments received under the capital lease as detailed in Note 13. The bond covenants require that MUFC establish and maintain funds with a trustee for the payment of principal and interest on the lease revenue bonds. MUFC paid $741,000 in principal and incurred $520,340 in interest expense on these bonds for the year ended June 30, 2010.

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

Fiscal Year Ending June 30,	Lease Revenue Bonds		
	Principal	Interest	Total
2011	$ 797,000	$ 477,921	$ 1,274,921
2012	858,000	417,413	1,275,413
2013	923,000	352,284	1,275,284
2014	992,000	282,237	1,274,237
2015	1,070,000	206,900	1,276,900
2016 - 2017	1,969,000	156,265	2,125,265
Total	$ 6,609,000	$ 1,893,020	$ 8,502,020

Notes Payable

On October 3, 2008, the Board of Trustees approved a resolution authorizing the University to use the South Carolina Master Lease Program for the purpose of financing the costs of purchasing and implementing energy conservation measures that will benefit both the University and the Authority with the understanding that debt service payments will be generated from the associated energy savings. Pursuant to this resolution, the University borrowed $15,387,340 from Bank of America during fiscal year 2009. For the year ended June 30, 2010, principal payments on this Energy Note totaled $1,013,596 and the related interest expense totaled $821,660.

The scheduled maturities of the energy note payable are as follows:

Fiscal Year Ending June 30,	Bank of America Energy Note		
	Principal	Interest	Total
2011	$ 1,491,900	$ 738,810	$ 2,230,710
2012	1,568,584	662,127	2,230,711
2013	1,649,209	581,502	2,230,711
2014	1,733,978	496,732	2,230,710
2015	1,823,105	407,606	2,230,711
2016 - 2018	6,106,968	585,165	6,692,133
Totals	$ 14,373,744	$ 3,471,942	$ 17,845,686

On December 18, 2008, UMA borrowed $37,915,000 via a taxable term loan payable to Wachovia Bank, NA to cover the taxable portion of the refunding of the aforementioned SAVRS. The proceeds of the term loan were used to fully redeem the outstanding 1994 and 1997 SAVRS, terminate the previously outstanding swap agreements, and pay certain costs of issuance. The Term Loan is being amortized over a ten year period and payable in level monthly principal installments of $315,958 plus interest through January 1, 2019. The ten-year repayment schedule is conditional on the successful renewal or replacement of the above referenced letter of credit in December 2011 and subsequent periods. Should the letter of credit not be renewed or replaced in December 2011, a balloon payment of $26,856,457 would be due at that time. However, it is anticipated that the Term Loan and the letter of credit will be renewed or replaced under similar terms..

The Wachovia term loan is governed by a conventional loan agreement and additional security documents entered into by UMA in favor of the bank. These security documents include a Leasehold Mortgage and Security Agreement under which, among other things, UMA grants to the bank a leasehold mortgage and security interest in its rights under and in respect of the Rutledge Tower lease and subleases.

UMA has entered into an interest rate swap agreement with Wachovia Bank, NA to modify interest rates on the Wachovia term loan in an effort to convert its variable rate to a synthetic fixed rate of 3.869%. The swap agreement related to the Wachovia term loan was issued on December 5, 2008 with an effective date of December 18, 2008 and matures January 1, 2019. The notional amount as of June 30, 2010 was $32,543,708 which equaled the principal outstanding. Under the swap agreement, UMA pays Wachovia a fixed interest payment of 3.869% on the term loan. UMA receives a variable payment equal to the one month LIBOR rate plus 1.30% on the swap associated with the taxable term loan. The variable rate for the 2008 Wachovia term loan in effect at June 30, 2010 was 1.65%.

As of June 30, 2010, the fair value of the term loan swap was a negative ($709,048). The fair value was estimated by independent financial advisors using the zero-coupon method. This method calculates the future net settlement payments required by the swap, 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 swap.

Consistent with the guidance provided by GASB Statement No. 53, the negative fair value of the term loan cash flow hedge swap has been recorded on the Statement of Net Assets and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The decrease in the fair value of the term loan cash flow hedge swap from June 30, 2009 of $1,382,316 is not recognized in these financial statements.

As of June 30, 2010, UMA is exposed to counterparty credit risk in the amount of the derivative's fair value. Wachovia Bank, NA is rated Aa2 by Moody's Investor Services, and AA by Standard & Poor's and Fitch Ratings as of June 30, 2010.

Interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined variable borrowing rate on the bonds is called "basis risk." Basis risk has been eliminated on the Wachovia term loan as both the payment received and the borrowing rate are determined based on the one month LIBOR plus a spread of 1.30%.

The term loan swap derivative contract uses the International Swap Dealers Association Master Agreement ("Master Agreement"), which includes standard termination events, such as failure to pay and bankruptcy. UMA or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. UMA may also terminate the swap at its discretion upon two business days notice to the counterparty. If the swap were terminated, the variable rate debt would no longer carry a synthetic interest rate. In addition, if at the time of the termination the swap has a negative fair value, UMA would be liable to the counterparty for a payment equal to the swap's fair value. Conversely, if the fair value is positive at termination, UMA would be entitled to receive a payment from the counterparty.

Using rates as of June 30, 2010, debt service requirements of UMA's Wachovia term loan and net swap payments, assuming current interest rates remain the same for their term, are as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Fiscal Year Ending June 30,	Wachovia term loan			
	Principal	Interest	Swap Payment, Net	Total Debt Service
2011	$ 3,791,500	$ 506,840	$ 710,818	$ 5,009,158
2012	3,791,500	444,138	622,882	4,858,520
2013	3,791,500	381,437	534,946	4,707,883
2014	3,791,500	318,735	447,009	4,557,244
2015	3,791,500	256,033	359,073	4,406,606
2016 - 2019	13,586,208	410,175	575,250	14,571,633
Totals	$ 32,543,708	$ 2,317,358	$ 3,249,978	$ 38,111,044

On March 1, 2010, Carolina Family Care, Inc., a subsidiary of UMA, issued a note for $142,697 payable to Dr. Richard C. Holgate for the acquisition of certain equipment and furnishings in connection with the start up of CFC's Disc Imaging operations. The note has been assigned to Community First Bank and is payable in 24 monthly installments of $6,149 with interest at 3.25% through February 28, 2012.

UMA has a line of credit with Wachovia Bank (a subsidiary of Wells Fargo Bank) with a maximum borrowing limit of $10 million, on which UMA could draw for working capital. The loan bears interest at the 30 day LIBOR rate plus 1.15% and is secured by all unrestricted accounts receivable. During fiscal year 2010, there were no advances under this line of credit. In June 2010, this line of credit expired and was renewed with basically the same terms through June 30, 2011.

The Authority financed the acquisition of certain medical equipment in 2008 with promissory notes payable to GE Capital Public Finance payable in variable amounts. The interest rates on these promissory notes range from 4.10% to 6.15%.

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

Fiscal Year Ending	GE Capital Notes		
June 30,	Principal	Interest	Total
2011	$ 2,163,823	$ 242,973	$ 2,406,796
2012	2,261,758	144,667	2,406,425
2013	1,662,096	49,771	1,711,867
2014	607,004	9,539	616,543
Totals	$ 6,694,681	$ 446,950	$ 7,141,631

In November 2004, the Authority entered into an agreement with Banc of America Leasing & Capital, LLC (predecessor to Banc of America Public Capital Corporation) for a funding commitment of $36.8 million to purchase equipment for the new hospital facility. The Authority began to access the funding commitment in December 2006. During fiscal year 2007, the Authority drew $6.2 million on the available line of credit for purchases of equipment for the new hospital facility. In September 2007, the Authority and Banc of America Public Capital Corporation amended the original agreement to increase the maximum amount of available financing to $56.8 million. During fiscal year 2008, the Authority drew an additional $48.8 million on the line of credit to finance the acquisition of equipment for the new hospital facility. Following completion of the equipment purchases, the entire outstanding indebtedness of approximately $55.0 million was converted into three notes payable with individual principal amounts of $24.4 million, $4.0 million, and $26.6 million and interest rates of 4.41%, 4.58%, and 4.58%, respectively. These notes are payable in varying amounts through May 2013.

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

Fiscal Year Ending	Banc of America Notes		
June 30,	Principal	Interest	Total
2011	$ 11,013,663	$ 1,313,675	$ 12,327,338
2012	11,515,250	812,087	12,327,337
2013	9,306,569	287,648	9,594,217
Totals	$ 31,835,482	$ 2,413,410	$ 34,248,892

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 trusteed accounts were used to pay the scheduled principal and interest due on the certificates of participation, to redeem the remaining aggregate principal amount of $13,525,000, and to pay the redemption premium of $270,500. As a result of the refunding, MUFC experienced an economic gain (defined as the difference between the present values of the old and new debt service payments) of $1,345,420 and decreased its total required debt service payments by $3,126,281.

In connection with the loan from JEDA, MUFC entered into an interest rate swap agreement with Wachovia Bank, NA to hedge its interest rate exposure and establish a fixed rate payment. The swap agreement provides that MUFC will pay the swap provider interest on a notional amount equal to the aggregate principal amount of the loan at a fixed rate of 3.37 percent per annum and the swap provider will pay MUFC a variable rate of interest on such notional amount in an amount sufficient to pay the variable rate of interest on the loan. The notional amount at June 30, 2010, was $5,770,000 and the variable rate in effect at that date was approximately 0.28 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 MUFC loan and the related swap agreement mature on January 1, 2013.

As of June 30, 2010, the MUFC loan swap was in a liability position with a fair value of ($258,440). Because the interest payments on the variable rate loan adjust to changing interest rates, the loan does not have a corresponding fair value increase. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. MUFC or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. Termination of the agreement would subject MUFC to the risk of fluctuating interest rates, which management believes would not materially impact the financial position of either MUFC or the University.

Consistent with the adoption of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* the negative fair value of the MUFC loan cash flow hedge swap has been recorded on the Statement of Net Assets and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the MUFC loan cash flow hedge swap from June 30, 2009 of $7,488 is not recognized in these financial statements.

Using rates as of June 30, 2010, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, the variable-rate notes interest payments and the net swap payments will vary.

Fiscal Year Ending June 30,	SC JEDA Tax-Exempt Adjustable Mode Economic Development Revenue Bonds			
	Variable-Rate Notes		Interest Rate Swaps, Net	Total
	Principal	Interest		
2011	$ 1,300,000	$ 14,727	$ 161,468	$ 1,476,195
2012	1,360,000	10,995	120,558	1,491,553
2013	3,110,000	5,110	56,042	3,171,152
	$ 5,770,000	$ 30,832	$ 338,068	$ 6,138,900

MUFC paid $1,245,000 in principal and incurred $215,922 in interest expense on these notes for the year ended June 30, 2010.

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

The scheduled maturities of the CHS bonds are as follows:

Fiscal Year Ending June 30,	SC JEDA Revenue Bonds (CHS Development Company Project)		
	Principal	Interest	Total
2011	$ 1,300,000	$ 1,268,650	$ 2,568,650
2012	1,365,000	1,203,650	2,568,650
2013	1,430,000	1,135,400	2,565,400
2014	1,490,000	1,078,200	2,568,200
2015	1,550,000	1,018,600	2,568,600
2016 - 2020	8,870,000	3,964,231	12,834,231
2021 - 2025	11,150,000	1,692,223	12,842,223
Total	$ 27,155,000	$ 11,360,954	$ 38,515,954

For the year ended June 30, 2010, CHS Development Company paid $1,235,000 in principal and incurred $1,294,199 in interest expense on these notes.

13. LEASE OBLIGATIONS

The University's future commitments for capital leases and for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2010, are as follows.

On the statement of net assets, the University capital leases with blended component units are reported as interfund payables and the capital leases with the discretely presented component unit are reported as due to component unit.

	Capital Leases with			Operating Leases with			
Fiscal Year Ending June 30,	Blended Component Units	Discretely Presented Component Unit	External Entities	Blended Component Units	Discretely Presented Component Units	External Entities	Total Operating Leases
2011	$ 4,627,531	$ 4,058,863	$ 967,476	$ 3,658,193	$ 386,714	$ 1,135,323	$ 5,180,230
2012	4,642,722	4,058,863	583,449	3,312,261	386,714	730,833	4,429,808
2013	6,317,402	4,058,863	419,774	1,014,642	99,117	306,113	1,419,872
2014	3,154,987	4,058,853	5,601	490,000	3,372	476	493,848
2015	3,154,987	4,058,863	-	-	-	-	-
2016 - 2020	10,986,920	20,294,316	-	-	-	-	-
2021 - 2025	8,760,810	20,294,316	-	-	-	-	-
2026 - 2030	-	20,294,316	-	-	-	-	-
2031 - 2035	-	20,294,316	-	-	-	-	-
2036 - 2039	-	15,220,748	-	-	-	-	-
Total minimum lease payments	41,645,359	116,692,317	1,976,300	$ 8,475,096	$ 875,917	$ 2,172,745	$ 11,523,758
Less interest	(9,599,815)	(70,314,409)	(77,332)				
Present value of minimum lease payments	$ 32,045,544	$ 46,377,908	$ 1,898,968				

The Authority's future commitments for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2010 are as follows:

	Operating Leases with			
Fiscal Year Ending June 30,	Blended Component Unit	Discretely Presented Component Unit	External Entities	Total Operating Leases
2011	$ 9,664,665	$ 84,840	$ 7,578,376	$ 17,327,881
2012	6,489,866	84,840	6,998,413	13,573,119
2013	3,285,786	-	5,996,285	9,282,071
2014	1,786,035	-	3,830,336	5,616,371
2015	193,552	-	1,906,667	2,100,219
2016 - 2020	3,380,391	-	5,133,392	8,513,783
Total minimum lease payments	$ 24,800,295	$ 169,680	$ 31,443,469	$ 56,413,444

Operating Leases

The University's and the Authority's noncancelable operating leases provide for renewal options for periods from one to five years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Total operating lease expense in fiscal year 2010 was $5,603,760 for the University and approximately $17,781,000 for the Authority. In addition, during fiscal year 2010, pursuant to an operating lease agreement with each other that covers space each entity uses in real property owned by the other entity, the University paid the Authority $1,105,340 and the Authority paid the University $2,892,146. These amounts are included in the aforementioned total operating lease expense for the University and the Authority. As discussed in Note 17 and Note 18, for the year ended June 30, 2010, the University and the Authority had certain other operating leases with related parties.

University Medical Associates leases facilities and equipment under operating leases expiring at various dates. Rent expense under these various agreements was $9,223,095 in fiscal year 2010.

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

Fiscal Year Ending June 30,	Amount
2011	$ 8,762,324
2012	6,074,052
2013	5,535,055
2014	3,176,813
2015	2,437,567
2016 - 2021	4,203,232
Total	$ 30,189,043

UMA subleases various properties to the University, the Authority, and external parties. Under these lease agreements for the fiscal year ended June 30, 2010, UMA received rent of $5,183,177, composed of $2,341,350 from the University, $2,332,125 from the Authority, and $509,702 from external parties. The rents received from the University and the Authority are included in the operating lease expense for the University and the Authority shown above. The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows:

Fiscal Year Ending June 30,	Operating Leases with University & Authority	Operating Leases with External Entities	Total Operating Leases
2011	$ 4,657,072	$ 389,760	$ 5,046,832
2012	4,515,017	375,886	4,890,903
2013	4,082,040	385,357	4,467,397
2014	1,942,163	395,089	2,337,252
2015	52,729	-	52,729
2016 - 2024	71,589	-	71,589
Totals	$ 15,320,610	$ 1,546,092	$ 16,866,702

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.

In fiscal year 2009, the University entered into capital lease agreements with MUSCF for a parking garage and two office buildings. The amount recorded as buildings related to these properties was $47.2 million. During fiscal year 2010, the University made prinicipal payments of $417,366 and interest payments of $3,641,497 related to these capital lease agreements with MUSCF.

The column in the University capital and operating lease schedule (see preceding page) titled Capital Leases with Blended Component Units reflects the repayment schedule for the capital leases with MUFC and CHS, and the column titled Capital Leases with Discretely Presented Component Unit reflects the repayment schedule for the capital leases with MUSCF.

The following is a summary of the carrying value of all assets held by the University under capital leases at June 30, 2010:

	Capital Leases with		
	Blended Component Units	Discretely Presented Component Unit	External Entities
Equipment	$ -	$ -	$ 4,410,407
Land	2,335,580	-	-
Buildings	86,382,009	47,200,000	-
Total cost	88,717,589	47,200,000	4,410,407
Less accumulated depreciation	(35,820,894)	(1,966,667)	(1,126,101)
Carrying value	$ 52,896,695	$ 45,233,333	$ 3,284,306

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

The future UMA minimum lease obligations and the net present value of these obligations as of June 30, 2010, are as follows:

Year ending June 30, 2011	$ 27,999
Less interest	(503)
Present value of minimum lease payments	$ 27,496

Leased property held by UMA under capital leases at June 30, 2010 is as follows:

	Capitalized Costs	Accumulated Depreciation	Net Book Value
Computers and equipment	$ 166,402	$ (145,562)	$ 20,840
Prepaid maintenance contract	96,221	(82,188)	14,033
Total	$ 262,623	$ (227,750)	$ 34,873

Depreciation and amortization expense related to UMA's capital lease assets was $34,471 for the year ended June 30, 2010.

On January 9, 1995, UMA prepaid MUSCF $37 million in connection with the acquisition of Rutledge Tower from Bon Secours St. Francis Hospital. This facility is used to house ambulatory care clinics, administrative offices and space subleased to others and includes a parking garage. The lease term orginally expired on June 30, 2027, but was extended to July 1, 2037 in connection with the 2009 refunding of certain acquistion indebtedness. The lease is renewable for successive five-year terms. This prepayment was allocated based upon appraised values as follows: (a) cost of land was recorded as prepaid rent, (b) cost of buildings and fixed equipment was recorded as building under capital lease, and (c) cost of other equipment was recorded as equipment under capital lease. In October 2003, MUSCF sold a portion of the property subject to this lease agreement and refunded $1,000,000 of the prepaid rent attributable to the agreement. These amounts are being amortized on a straight-line basis over the useful lives of 10 years for the equipment and 29.5 years for the land and building. Rent expense of $338,226 and depreciation expense of $474,224 was recorded for the year ending June 30, 2010. The following schedule reflects the remaining basis of assets acquired under this capital lease as of June 30, 2010.

Description	Capitalized Cost	Accumulated Depreciation	Net Book Value
Prepaid rent – MUSCF	$ 19,052,400	$ (9,920,296)	$ 9,132,104
Building under capital lease	13,989,600	(7,350,469)	6,639,131
Equipment under capital lease	2,958,000	(2,958,000)	–
Totals	$ 36,000,000	$ (20,228,765)	$ 15,771,235

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 17A -17B of Part IA of the 2009-2010 Appropriation Act. The following schedule is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2010.

Non-capital appropriations	
Current year's appropriations:	
Original appropriations per Annual Appropriations Act	$ 86,992,190
Rural Dentist Program (Proviso 17.3)	250,000
Interagency transfers:	
From Commission on Higher Education:	
Academic Endowment	60,033
Appropriation Transfer from the Department of Health and Human Services:	
Disproportionate Share	21,292,774
Disproportionate Share (Proviso 90.12)	7,500,000
Maxillofacial	238,237
Reductions during fiscal year:	
4.04% in September 2009	(3,512,131)
5.0% in December 2009	(4,174,003)
Total non-capital appropriations recorded as current year revenue	$ 108,647,100
Capital appropriations	
Capital Improvement bond proceeds	$ 27,853
Research Infrastructure bond proceeds	21,977,260
Total capital appropriations recorded as current year revenue	$ 22,005,113

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. As of June 30, 2010, the University has authorized state capital improvement bond funds of $596,631 and research infrastructure bond funds of $43,351,803. In fiscal year 2010, the University received capital improvement bond proceeds of $27,853 and research infrastructure bond proceeds of $21,977,260.

Proviso 89.28 of the 2009-2010 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 $313,628 to fiscal year 2011.

Pursuant to the American Recovery and Reinvestment Act of 2009, states received State Fiscal Stabilization Funds (SFSF) to be used to avert or mitigate state budgetary cuts. The State of South Carolina allocated $14,683,746 in SFSF for fiscal year 2010 to the University. Because the SFSF were awarded to the states by the Federal government, the monies are classified as Federal nonoperating grant revenue and are included in the Statement of Revenues, Expenditures and Changes in Net Assets as nonoperating Gifts and Grants revenue.

15. MEDICARE AND MEDICAID COST REIMBURSEMENTS

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

Substantially all of the Authority’s inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and

other factors. Additionally, the Authority is reimbursed for both its direct and indirect medical education costs (as defined), based principally on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Authority generally is reimbursed for retroactively determined items at tentative rates, with final settlement determined after submission of annual cost reports by the Authority and audits by the Medicare fiscal intermediary. The Authority's cost reports have been audited and initially settled for all fiscal years through fiscal 2005.

Revenue from the Medicare program accounted for approximately 27.8% of the Authority's net patient service revenue for the year ended June 30, 2010.

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

The Authority participates in the Disproportionate Share Hospital program (DSH Program) available to certain qualifying hospitals in the South Carolina Medicaid program. The net reimbursement benefits associated with this program totaled approximately $46.5 million in fiscal 2010, and are recognized as reductions in related contractual adjustments in the accompanying financial statements. The reimbursement benefit amounts for fiscal year 2010 are net of the effects of the retrospective settlement provision discussed below. There can be no assurance that the Authority will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified. Any material reduction in such funds would have a correspondingly material adverse effect on the Authority's operations.

During fiscal year 2008, the State of South Carolina reconfigured certain terms and conditions of its ongoing Medicaid disproportionate share hospital program for participating providers. Because of associated funding deferrals and other changes which impacted the timing of historical net revenue and cash flows to the Authority under the program, the Authority recognized a receivable of approximately $3,282,000 as of June 30, 2010 in recognition of program net revenue earned but not received in fiscal year 2010.

In fiscal year 2009, the Medicaid fiscal intermediary performed a cost settlement of the DSH Program funding provided to the Authority in fiscal years 2005 and 2006. The cost settlements identified a net overpayment to the Authority in those years totaling approximately $24.0 million. The Authority agreed to reimburse this obligation at a rate of $1 million per month beginning in August 2009. The Authority paid $11.0 million of the settlement liability in fiscal year 2010 and collected approximately $0.6 million of incremental payments related to fiscal years 2005 and 2006. The balance of the net settlement liability for fiscal years 2005 and 2006 will be paid by the Authority in fiscal year 2011.

In fiscal year 2010, the Medicaid fiscal intermediary completed a cost settlement of the DSH Program funding provided to the Authority in fiscal year 2007. The cost settlement identified a net overpayemnt to the Authority of $6.9 million of which $5.7 million was estimated and accrued by the Authority at the end of fiscal year 2009. The Authority paid $2.0 million of the settlement amount in fiscal year 2010 and will pay the remaining liability during fiscal year 2011.

The Authority applied relevant settlement results to open cost report years and recognized associated accruals for potential Medicaid overpayments in those years as well. As of June 30, 2010, in addition to the settlement liabilities discussed above, the Authority recorded an accrual for settlement of open DSH Program reimbursement years totaling $0.3 million.

The total of the net settlement liabilities described above of approximately $17.7 million is included in Payables and accrued liabilities.

Revenue from the Medicaid program, including net disproportionate share funding and settlement liabilities described above, accounted for approximately 28.2% of the Authority's net patient service revenue for the year ended June 30, 2010.

16. INCOME TAXES

UMA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The blended component units of UMA have cumulative unused net operating losses totaling $31,503,590 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: $8,087,848 in 2012, $9,848,472 in 2013, $9,502,366 in 2019, $1,311,732 in 2020, $536,668 in 2021, $1,591,411 in 2022, $606,307 in 2023, $1,108 in 2025, $161 in 2026, $4,783 in 2027, and $12,734 in 2029. Due to the application of these net operating losses, no current year income tax expense or benefit has been recorded in fiscal year 2010. No associated deferred tax assets been recognized due to the uncertainty regarding future taxable income of the taxable component units.

17. BLENDED COMPONENT UNITS

The following is a summary of the receivables and payables between the University and the blended component units and among the blended component units at June 30, 2010.

	Due From	Due To
The University		
Medical University Hospital Authority - current		$ 8,636,514
University Medical Associates - current		22,829,226
		$ 31,465,740
Medical University Facilities Corporation - current		$ 2,028,260
CHS Development Company - current		1,011,199
		$ 3,039,459
Medical University Facilities Corporation - noncurrent		$ 9,706,036
CHS Development Company - noncurrent		19,300,049
		$ 29,006,085
Medical University Hospital Authority		
The University - current	$ 8,636,514	
University Medical Associates - current	286,719	
	$ 8,923,233	
University Medical Associates - noncurrent		$ 2,055,060
University Medical Associates		
The University - current	$ 22,829,226	$ -
Medical University Hospital Authority - current	-	286,719
	$ 22,829,226	$ 286,719
Medical University Hospital Authority - noncurrent	$ 2,055,060	
Nonmajor Enterprise Funds		
Medical University Facilities Corporation		
The University - current	$ 2,028,260	
The University - noncurrent	$ 9,706,036	
CHS Development Company		
The University - current	$ 1,011,199	
The University - noncurrent	$ 19,300,049	

Medical University Hospital Authority

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

The University billed the Authority $89,396,716 during the fiscal year ended June 30, 2010 for the use of interns and residents, professional services of the College of Medicine, physical plant, rent, public safety, and other administrative and financial services. In addition, the University issued a credit to the Authority in the amount of $20,973,781, which reduced the fiscal year 2010 interfund services provided by the University to the Authority to a net of $68,422,935. This credit was related to an anticipated medical resident Federal Insurance Contributions Act (FICA) refund which is described more fully in Note 22. Also during fiscal year 2010, the University made nonmandatory transfers to the Authority of $247,759 for academic support. The University paid the Authority approximately $2,714,000 during the fiscal year ended June 30, 2010 for rent, various administrative and support services.

The Authority amounts due (to) from the University as of June 30, 2010, were as follows:

Description	Amount
Medical resident FICA (see note 22) due from University	$ 20,973,781
Amounts due to the University	(12,337,267)
Net due from the University	$ 8,636,514

The Authority and the University entered into an agreement in fiscal year 2007 whereby the Authority will provide patient care to Medicaid and medically indigent patients, and appropriate clinical and educational settings for patient care, education and research to all residents and students of the University. In exchange for these services, the University will reimburse the Authority an amount equal to the appropriation transfer from the South Carolina Department of Health and Human Services. For the fiscal year ended June 30, 2010, the University reported State appropriations revenue of $28,792,774 and an operating expense to the Authority of $28,792,774. Since this payment relates directly or indirectly to patient care, the Authority has included this amount in net patient service revenue.

University Medical Associates

Revenue from the activities of University Medical Associates is available to pay its operating expenses and support activities of the academic departments at the Medical University of South Carolina including faculty and staff compensation. Any excess may be paid to the University or retained within UMA for future use. Pursuant to this practice, UMA provided support to the University totaling $42,206,602 for the year ended June 30, 2010. This support is reported as interfund transfers.

UMA and MUHA have entered into an agreement whereby UMA will be reimbursed an annual fixed amount for providing an environment for ambulatory and community based primary care clinical education and research for MUSC residents and students. UMA shall be entitled to reimbursement for, but not limited to, expenses for facilities necessary to perform this agreement, personnel costs, insurance, necessary supplies and equipment, and necessary capital improvements. The parties agree each year to an estimated budget to be paid ratably over the year to UMA as reimbursement of its costs. Revenues of $5.4 million have been recorded for this agreement for the fiscal year ended June 30, 2010.

On April 20, 2003, the University and UMA entered into an agreement whereby UMA will provide patient care to Medicaid recipients in appropriate clinical and educational settings. The University will reimburse UMA in an amount equal to the supplemental payment made to the University by the South Carolina Department of Health and Human Services (SC DHHS). Payments to the University from SC DHHS are made in accordance with a South Carolina Medicaid Plan amendment which provides reimbursement for inherent inefficiencies of providing care to Medicaid patients while instructing medical students. For the fiscal year ended June 30, 2010, the University reported revenue of $43,642,175 from SC DHHS and an expense to UMA of $43,642,175. The South Carolina Medicaid Plan is an important source of patient care funding for UMA. There can be no assurance that UMA will continue to qualify for future participation in the South Carolina Medicaid Plan or that the Plan will not ultimately be discontinued or materially modified. Any material reduction in the funding received from the Plan would have a correspondingly material adverse effect on UMA's operations.

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

UMA has entered into a managed care contract and reimbursement agreement with the Authority. UMA performs services regarding managed care operations for the Authority and its affiliates, including arranging for contracts with various third party payers. The agreement is renewed annually and may be terminated, by either party, 30 days prior to the expiration of the term in effect. All costs from these operations of the managed care services are shared as follows: UMA (40%), Carolina Management Services (CHMS), a blended unit of UMA (10%), and the Authority (50%). For the year ended June 30, 2010, of total managed care costs of $433,952, the Authority and CHMS shared expenses of $216,976 and $43,396, respectively.

UMA provides billing and collection services to the Authority related to certain limited clinical services, for which UMA receives an administrative fee. Total billings by UMA for these services were approximately $46,972,000 in fiscal year 2010. The amounts collected and remitted by UMA to the Authority with respect to these billings amounted to approximately $12,021,000 in fiscal year 2010. The related administrative fee paid by the Authority to UMA amounted to approximately $1,183,000 in fiscal years 2010.

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 University's Department of Psychiatry has the responsibility for management of the daily operations of the Clinical Enterprise. An annual budget is prepared and approved by both parties with monthly settlement of any expenses in excess of patient service revenues collected. Any gain from operations is paid to the Authority to cover facility costs and overhead expenses. Annually 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, 2010, this agreement produced a net loss and thus no support will be paid.

UMA amounts due (to) from the University as of June 30, 2010, were as follows:

Description	Amount
Agency fund amount in excess of prepaid	$ 126,895
Rental income	65,764
Supplemental Medicaid payments	22,192,796
Parking fees	(26,160)
Other receivables	1,005,529
Other payables	(535,598)
Net due (to) from the University	$ 22,829,226

UMA amounts due (to) from the Authority as of June 30, 2010, were as follows:

Description	Amount
Ambulatory Care and Clinical Education Agreement	$ 58,033
Psychiatry Clinical Enterprise Agreement	(45,736)
Patient receivables	(276,557)
Receivables under various billing agreements	(1,350,601)
Managed Care contract	24,945
Emergency Medicine Services Agreement	309,381
Salary reimbursement	4,767
Rental income	2,172
Rutledge Tower renovations	2,879,932
Other receivables	419,897
Other payables	(257,892)
Net amount due (to) from the Authority	$ 1,768,341

The above amount is reflected on the Statement of Net Assets as follows:

Noncurrent assets	
Due from other funds	$ 2,055,060
Current liabilities	
Due to other funds	(286,719)
Net amount due (to) from the Authority	$ 1,768,341

Medical University Facilities Corporation

During fiscal year 2010, MUFC recognized interest income of $829,902 associated with its capital leases with the University.

Pursuant to the trust agreements, MUFC transferred $37,030 of excess funds on deposit to the University during the year ended June 30, 2010.

CHS Development Company

On November 1, 2003, CHS Development Company entered into a ground lease agreement with the Medical University of South Carolina Foundation (MUSCF) as part of a plan of financing the development of the former Charleston High School property for use by the University. The ground lease required CHS to prepay rent of $3,140,000 to MUSCF. The prepayment is being amortized on a straight line basis over 20 years. Amortization expense of $156,349 was recorded for the year ended June 30, 2010. The lease terminates on the earlier of December 1, 2035, or the date that the related bonds are paid in full. On November 1, 2003, CHS also entered into a lease agreement with the University. Under the terms of the agreement, the University will lease from CHS the site and all improvements thereon, including the buildings. The term of the lease began on March 1, 2005 and ends on January 1, 2025. During fiscal year 2010, CHS recognized interest income of $909,211 associated with its capital lease with the University.

During fiscal year 2010, the University transferred $689,709 to CHS as reimbursement for costs incurred in financing the CHS project.

18. DISCRETELY PRESENTED COMPONENT UNITS

Only MUSCF and MFRD report under Financial Accounting Standards Board (FASB) standards. Accordingly, net assets and changes therein are classified as follows:

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

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

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

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

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

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

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

Medical University of South Carolina Foundation

The University provides office space and pays certain administrative costs for MUSCF which are reimbursed throughout the year. MUSCF provided support to the University for general and department expenses which totaled $10,923,867 in fiscal year 2010. The University records this revenue as gifts. In addition, the University received from MUSCF in fiscal year 2010, $339,123 in donated capitalized equipment, $ 213,947 in equipment and services expensed by the University, and $5,449,578 in gifts to help fund capital projects. The net amount due the University for gifts from MUSCF, net of $348,696 owed by the University to MUSCF, at June 30, 2010 was $3,093,119.

During fiscal year 2010, MUSCF leased various properties via operating leases to the University, the Authority, and UMA. In addition, as described in Note 13, during fiscal year 2009, MUSCF entered into capital lease agreements with the University.

MUSCF has an agreement with the University which allows the University to make periodic deposits to MUSCF of the corpus of endowments received by the University primarily from the South Carolina Commission on Higher Education under the Centers of Economic Excellence Matching Endowment. MUSCF will provide earnings to the University at the investment earnings rate, net of investment fees, of the pooled investments of MUSCF. After the first twelve months held by MUSCF, the principal is due with thirty days written notice by the University. The balance owed under this agreement at June 30, 2010 is $49,730,063 which includes the accrued interest and realized and unrealized net gains and losses of 310,514.

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

MUSC Foundation for Research Development

MFRD and the University have an affiliation agreement which outlines activities requiring MUSC Board approval, conflict of interest, dissolution, insurance, and indemnity. Additionally, the agreement requires an annual accounting of the State property, personnel, and resources used directly by MFRD, as well as, reimbursement or demonstration that adequate in kind reimbursement through provision of funds or services to the University has been made. During fiscal year 2010, no State resources were used by MFRD.

MFRD entered into a contract with the University to provide management services for research activities and intellectual property activities. For the fiscal year ended June 30, 2010, MFRD recognized income of $924,358 from this contract.

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

19. RISK MANAGEMENT

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

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

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

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

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

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

The University and the Authority obtain coverage through commercial insurers for employee fidelity insurance for all employees for losses arising from theft or misappropriation as well as for Directors and Officers insurance and extra general liability insurance. The University also obtains coverage through a commercial insurer for losses related to aircraft, as well as a second layer of professional liability insurance for certain practitioners practicing outside the State of South Carolina.

UMA and its component units are exposed to various risks related to: torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. UMA, as the recognized clinical practice plan of the Medical University of South Carolina, is granted statutory protection and recovery limitations for MUSC physicians' clinical activities. Pursuant to State law, these physicians are insured by the South Carolina Insurance Reserve fund which is sustained through premiums paid by State agencies and governmental entities. For coverage of all other individuals and activities, UMA maintains coverage from commercial insurance companies. Management believes these coverages are sufficient to preclude any significant uninsured losses to UMA from risks that occur in normal and expected activities. Funds administered by the State of South Carolina or commercial insurance covers the following risks: 1) unemployment and worker's compensation benefits, 2) long-term disability benefits for employees, 3) theft of assets, 4) damage to property, and 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. Insurance coverage has been consistently maintained over this period with no significant reductions in coverage.

UMA also purchases a portion of its medical malpractice insurance coverage for healthcare providers through the State's insurance enterprises, the Medical Malpractice Patients' Compensation fund and the Joint Underwriters Association, with the majority of practicing physicians being covered by the State Insurance Reserve Fund discussed above. 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. This liability is included in "Payables and accrued liabilities" on the Statement of Net Assets on the Statement of Net Assets. Changes in the incurred but not reported claims liability for fiscal years ended June 30, 2010 and 2009 were as follows:

	2010	2009
Liability balance – beginning	$ 801,371	$ 563,997
Current year claims and changes in estimate	7,261,212	6,728,112
Claims payments	(7,261,212)	(6,490,738)
Liability balance – ending	$ 801,371	$ 801,371

20. OPERATING EXPENSES BY FUNCTION

Operating expenses of the University by functional classification for the year ended June 30, 2010 are as follows:

	Compensation and Employee Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 86,432,025	$ 100,557,801	$ 8,631	$ 877,342	$ -	$ 187,875,799
Research	93,668,362	50,377,277	59,069	4,437,262	-	148,541,970
Public service	35,763,320	7,247,176	-	7,620	-	43,018,116
Academic support	23,907,675	12,596,920	11,979	73,581	-	36,590,155
Student services	8,255,529	2,023,654	327	41,425	-	10,320,935
Institutional support	21,546,042	15,316,727	151,850	-	-	37,014,619
Operation and maintenance of plant	17,584,581	10,399,280	10,454,097	-	30,946,795	69,384,753
Scholarships and fellowships	-	-	-	3,176,530	-	3,176,530
Auxiliary enterprises	1,661,862	5,614,640	459,330	-	-	7,735,832
	$ 288,819,396	$ 204,133,475	$ 11,145,283	$ 8,613,760	$ 30,946,795	$ 543,658,709

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. Cumulative net realized and unrealized gains and losses, net of earned interest income, totaled $310,514 at June 30, 2010.

In fiscal year 2010, the University received funding totaling $9,889,394 from the South Carolina Commission on Higher Education under the Centers of Economic Excellence Matching Endowment (COEE). This program funds endowed chair professorships, which are to be used "to recruit and maintain leading scientists and engineers at the senior research universities of South Carolina for the purpose of developing and leveraging the research capabilities of the universities for the creation of well-paying jobs and enhanced economic opportunities for the people of South Carolina." In addition to the COEE funding, the University received, in fiscal year 2010, $108,500 for other endowed purposes.

22. MEDICAL RESIDENT FICA RECEIVABLE

On March 2, 2010, the Internal Revenue Service (IRS) issued an administrative determination to accept the position that the earnings of medical residents are excepted from Federal Insurance Contributions Act (FICA) taxes based on the "student exception" for tax periods ending prior to April 1, 2005, the date new IRS regulations went into effect. The University timely filed protective claims with the IRS for medical resident FICA taxes paid for the period January 1996 through March 2005 and anticipates a refund from IRS. The University is currently in the process of perfecting its refund claims and estimates that it is due a refund of FICA taxes and interest of approximately $21.0 million, net of an allowance for risks in the process of perfecting its claims.

The University has recorded the net refund amount in its fiscal year 2010 Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) as an approximately $13.5 million reduction of compensation and employee benefits (FICA tax) and as approximately $7.5 million of other nonoperating revenue (interest).

Since the Authority, as the predominant contractual user of the University's medical residents, has reimbursed the University for the majority of the compensation costs of the University's medical residents, the University has agreed to remit to the Authority all amounts received as refunds (FICA tax and interest) from the IRS and, as such, has reduced its interfund services provided in fiscal year 2010 by the total estimated refund amount of approximately $21.0 million.

In the University's Statement of Net Assets, the total amount of the estimated FICA tax and interest due from the IRS is included in Receivables, net, (see Note 3) and the amount due the Authority is included in Due to Other Funds (see Note 17).

The Authority has recorded the approximate $21.0 million net refund due from the University as a reduction of its fiscal year 2010 interfund services.

23. RESTATEMENT OF NET ASSETS

In accordance with its adoption of GASB Statement No. 53 the Authority restated its beginning net assets to reflect the negative fair value of its Enhanced Total Return Contract (ETRC) as of June 30, 2009. As described in Note 12, because the ETRC was considered an investment derivative, its negative $8,750,000 fair value as of June 30, 2009 was required to be recognized in fiscal years prior to fiscal year 2010. As such, the beginning net assets for fiscal year 2010 for the Authority were reduced by this amount.

24. SUBSEQUENT EVENTS

On August 13, 2010, the Board of Trustees approved the issuance of bonds in the amount of $22,000,000 for various renovation projects in the Thurmond Gazes, Basic Science Building, Harborview Office Tower, and the Storm Eye Institute buildings.

Construction is approximately 70% complete on the Drug Discovery Building and approximately 65% complete on the Bioengineering Building. The Drug Discovery building is estimated to be complete by October 22, 2011. Total project costs are currently estimated at $61,504,400. The Bioengineering building is estimated to be complete by November 22, 2011. Total project costs are currently estimated at $58,250,000.

25. INFORMATION FOR STATEMENT OF ACTIVITIES

	Fiscal Year 2010	Fiscal Year 2009	Increase (Decrease)
The University			
Charges for services	$ 359,294,778	$ 352,732,688	$ 6,562,090
Operating grants and contributions	50,831,811	21,372,951	29,458,860
Capital grants and contributions	25,668,847	6,357,170	19,311,677
Less: expenses	(553,700,596)	(540,319,456)	(13,381,140)
Net program expense	(117,905,160)	(159,856,647)	41,951,487
Additions to permanent endowments	9,997,894	10,697,948	(700,054)
Transfers:			
State appropriations	108,647,100	116,417,914	(7,770,814)
Capital improvement bond proceeds	27,853	2,522,456	(2,494,603)
Research infrastructure bond proceeds	21,977,260	-	21,977,260
Other transfers in from state agencies/funds	41,306,164	44,926,367	(3,620,203)
Less: transfers out to state agencies/funds	(198,451)	(249,864)	51,413
Total general revenue and transfers	181,757,820	174,314,821	7,442,999
Change in net assets	63,852,660	14,458,174	49,394,486
Net assets - beginning	454,586,021	440,127,847	14,458,174
Net assets - ending	$ 518,438,681	$ 454,586,021	$ 63,852,660
Medical University Hospital Authority			
Charges for services	$ 980,119,929	$ 885,162,629	$ 94,957,300
Operating grants and contributions (restated for 2009)	19,081,576	15,903,086	3,178,490
Less: expenses	(935,635,726)	(901,883,116)	(33,752,610)
Net program revenue (expense)	63,565,779	(817,401)	64,383,180
Transfers in from state agencies/funds	247,759	247,759	-
Total general revenue and transfers	247,759	247,759	-
Change in net assets	63,813,538	(569,642)	64,383,180
Net assets - beginning as restated	232,601,306	233,170,948	(569,642)
Net assets - ending (restated at June 30, 2009)	$ 296,414,844	$ 232,601,306	$ 63,813,538
University Medical Associates			
Charges for services	$ 299,256,768	$ 283,528,422	$ 15,728,346
Operating grants and contributions	21,630,152	12,581,781	9,048,371
Less: expenses	(250,463,353)	(240,373,034)	(10,090,319)
Net program revenue	70,423,567	55,737,169	14,686,398
Transfers out to state agencies/funds	(42,206,602)	(45,758,467)	3,551,865
Total general revenue and transfers	(42,206,602)	(45,758,467)	3,551,865
Change in net assets	28,216,965	9,978,702	18,238,263
Net assets - beginning	134,930,579	124,951,877	9,978,702
Net assets - ending	$ 163,147,544	$ 134,930,579	$ 28,216,965
Nonmajor Enterprise Funds			
Medical University Facilities Corporation			
Operating grants and contributions	$ 862,972	$ 971,386	$ (108,414)
Less: expenses	(800,165)	(894,162)	93,997
Net program revenue	62,807	77,224	(14,417)
Transfers out to state agencies/funds	(37,030)	(104,243)	67,213
Total general revenue and transfers	(37,030)	(104,243)	67,213
Change in net assets	25,777	(27,019)	52,796
Net assets - beginning	1,316,828	1,343,847	(27,019)
Net assets - ending	$ 1,342,605	$ 1,316,828	$ 25,777
CHS Development Company			
Operating grants and contributions	$ 1,065,968	$ 1,119,560	$ (53,592)
Less: expenses	(1,511,254)	(1,560,130)	48,876
Net program expense	(445,286)	(440,570)	(4,716)
Transfers in from state agencies/funds	689,709	688,584	1,125
Total general revenue and transfers	689,709	688,584	1,125
Change in net assets	244,423	248,014	(3,591)
Net assets (deficit) - beginning	179,223	(68,791)	248,014
Net assets (deficit) - ending	$ 423,646	$ 179,223	$ 244,423

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2010

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets			
Cash and cash equivalents	$ -	$ -	$ -
Receivables, net	7,308	-	7,308
Prepaid items	-	156,349	156,349
Restricted assets			
Cash and cash equivalents	1,386,796	10,626	1,397,422
Investments	316,168	3,286,901	3,603,069
Interfund receivables	2,028,260	1,011,199	3,039,459
Other currrent assets	63,903	60,707	124,610
Total current assets	3,802,435	4,525,782	8,328,217
Noncurrent Assets			
Restricted assets			
Cash and cash equivalents	-	1,739,697	1,739,697
Investments	213,000	-	213,000
Interfund receivables	9,706,036	19,300,049	29,006,085
Prepaid items	-	1,958,898	1,958,898
Other noncurrent assets	155,542	760,600	916,142
Total noncurrent assets	10,074,578	23,759,244	33,833,822
Total assets	13,877,013	28,285,026	42,162,039
DEFERRED OUTFLOWS			
Deferred outflows	258,440	-	258,440
Total assets & deferred outflows	14,135,453	28,285,026	42,420,479
LIABILITIES			
Current liabilities			
Payables and accrued liabilities	139,104	634,325	773,429
Deferred revenue	16,304	-	16,304
Long-term liabilities	2,097,000	1,305,326	3,402,326
Total current liabilities	2,252,408	1,939,651	4,192,059
Noncurrent liabilities			
Long-term liabilities	10,282,000	25,921,729	36,203,729
Fair value of derivative instruments	258,440	-	258,440
Total noncurrent liabilities	10,540,440	25,921,729	36,462,169
Total liabilities	12,792,848	27,861,380	40,654,228
NET ASSETS			
Restricted			
Expendable for:			
Debt service	1,342,605	423,646	1,766,251
Total net assets	$ 1,342,605	$ 423,646	$ 1,766,251

See accompanying independent auditors' report.

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
Operating revenues			
Interest income (used as security for revenue bonds and notes)	$ 829,902	$ 1,065,968	$ 1,895,870
Other operating revenues	33,070	-	33,070
Total operating revenues	862,972	1,065,968	1,928,940
Operating expenses			
Interest expense	736,262	1,294,199	2,030,461
Amortization	63,903	217,055	280,958
Total operating expenses	800,165	1,511,254	2,311,419
Operating income (loss)	62,807	(445,286)	(382,479)
Income (loss) before other revenues, expenses gains, losses, and transfers	62,807	(445,286)	(382,479)
Interfund transfers	(37,030)	689,709	652,679
Change in net assets	25,777	244,423	270,200
Net assets (deficit) at beginning of year	1,316,828	179,223	1,496,051
Net assets at end of year	$ 1,342,605	$ 423,646	$ 1,766,251

See accompanying independent auditors' report.

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Other payments	$ -	$ -	$ -
Net cash provided by operating activities	-	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund transfers	(37,030)	689,709	652,679
Net cash provided (used) by noncapital financing activities	(37,030)	689,709	652,679
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds and notes payable	(1,986,000)	(1,235,000)	(3,221,000)
Interest paid on bonds and notes payable	(753,515)	(1,330,400)	(2,083,915)
Net cash (used) by capital and related financing activities	(2,739,515)	(2,565,400)	(5,304,915)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of interfund receivables	1,905,877	968,105	2,873,982
Interest received on interfund receivables	826,410	909,211	1,735,621
Purchases of investments	(1,312,175)	(8,004,202)	(9,316,377)
Proceeds from sales and maturities of investments	1,312,175	5,404,444	6,716,619
Interest on investments	33,298	98,257	131,555
Net cash provided (used) by investing activities	2,765,585	(624,185)	2,141,400
Net increase (decrease) in cash and cash equivalents	(10,960)	(2,499,876)	(2,510,836)
Cash and cash equivalents at beginning of year	1,397,756	4,250,199	5,647,955
Cash and cash equivalents at end of year	$ 1,386,796	$ 1,750,323	$ 3,137,119
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	$ 62,807	$ (445,286)	$ (382,479)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Amortization	63,903	217,055	280,958
Interest income	(862,972)	(1,065,968)	(1,928,940)
Interest expense	736,262	1,294,199	2,030,461
Net cash provided by operating activities	$ -	$ -	$ -

See accompanying independent auditors' report.

Statistical Section
(unaudited)

STATISTICAL SECTION (UNAUDITED)

This section of the comprehensive annual financial report for the Medical University of South Carolina (MUSC) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about its overall financial health.

Contents **Page(s)**

Accreditation Statement 77

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

Schedule of Revenues By Source 78-79
Annual Tuition By College – University 94
Sources of Gross Clinical Service Charges – UMA 97

Financial Trends
These schedules contain trend information to help understand how the financial performance and well-being of MUSC have changed over time.

Schedule of Expenses By Use 80-81
Schedule of Expenses By Function - University 82-83
Schedule of Net Assets 84
Schedule of Changes in Net Assets 85

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

Schedule of Bond Coverage - University 86
Schedule of Ratios of Outstanding Debt – University 87
Schedule of Pledged Revenue Coverage – UMA 88
Schedule of Ratios of Outstanding Debt – UMA 89

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

Enrollment Statistics – University 90
University Enrollment by Race/Ethnicity and Gender (graph) 91
Admissions and Degree Statistics – University 92
University Admissions – Freshman (graph) 93
Clinical Activity – Authority 95
Outpatient Visits By Specialty – UMA 96
Employee Statistics – University and Authority 98
Employee Statistics – UMA 99
Schedule of Capital Asset Information – University 100

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

Demographic Statistics – State of South Carolina 101
Ten Largest Employers – State of South Carolina 102

[This page intentionally blank.]

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.

SCHEDULE OF REVENUES BY SOURCE
LAST NINE FISCAL YEARS

	For the Year Ended June 30, (amounts expressed in thousands $)								
Revenues	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
The University									
Student tuition and fees (net of scholarship allowances)	$ 62,545	$ 55,377	$ 49,199	$ 46,341	$ 39,934	$ 34,985	$ 27,217	$ 22,587	$ 21,100
Federal grants and contracts	138,760	119,783	117,734	116,302	120,472	121,834	115,469	103,271	83,239
State grants and contracts	2,936	5,278	6,158	5,368	4,343	5,066	3,392	2,765	3,292
Local grants and contracts	89	206	65	67	93	105	170	228	247
Nongovernmental grants and contracts	22,902	25,852	29,988	20,876	18,176	17,342	14,711	15,116	19,239
Interest on student loans receivable	-	-	-	-	-	-	-	-	130
Interfund services	68,423	83,025	83,161	70,960	66,973	62,602	60,086	55,822	51,425
Sales and services of educational and other activities	56,953	53,429	37,850	36,256	34,179	30,842	27,396	31,279	10,979
Auxiliary enterprises	6,686	9,782	7,470	6,898	5,514	5,248	5,838	5,971	5,178
Other operating revenues	10,634	10,534	9,901	10,110	8,797	8,304	9,505	10,141	9,302
Operating revenues	369,928	363,266	341,526	313,178	298,481	286,328	263,784	247,180	204,131
State appropriations	108,647	116,418	138,157	136,510	103,014	97,656	96,526	108,201	121,242
Gifts and grants	26,498	13,951	10,985	8,363	7,281	7,905	14,452	10,769	11,845
Investment income (losses)	6,256	(3,112)	2,472	5,548	1,554	1,448	605	2,727	2,667
Other nonoperating revenues	7,445	-	158	-	-	-	-	-	-
Nonoperating revenues	148,846	127,257	151,772	150,421	111,849	107,009	111,583	121,697	135,754
Total Revenues -- The University	$ 518,774	$ 490,523	$ 493,298	$ 463,599	$ 410,330	$ 393,337	$ 375,367	$ 368,877	$ 339,885
Medical University Hospital Authority									
Net patient service revenue	$ 980,120	$ 885,163	$ 802,380	$ 733,302	$ 681,349	$ 624,942	$ 578,827	$ 535,211	$ 507,631
Other operating revenues	17,323	17,328	19,502	15,748	16,743	13,084	9,568	13,113	10,097
Operating revenues	997,443	902,491	821,882	749,050	698,092	638,026	588,395	548,324	517,728
Investment income (restated for 2008 and 2009)	1,758	(1,425)	(1,241)	3,164	1,810	2,826	216	64	777
Nonoperating revenues	1,758	(1,425)	(1,241)	3,164	1,810	2,826	216	64	777
Total Revenues -- Medical University Hospital Authority	$ 999,201	$ 901,066	$ 820,641	$ 752,214	$ 699,902	$ 640,852	$ 588,611	$ 548,388	$ 518,505
University Medical Associates									
Net patient service revenue	$ 293,848	$ 276,251	$ 234,901	$ 217,320	$ 194,387	$ 171,898	$ 160,682	$ 172,294	$ 138,588
Ambulatory care and primary care agreements	5,409	7,277	8,354	8,409	8,332	8,382	8,547	12,159	38,162
Other operating revenues	12,491	13,442	11,513	10,280	7,094	4,608	4,320	3,718	6,155
Operating revenues	311,748	296,970	254,768	236,009	209,813	184,888	173,549	188,171	182,905
Investment income (losses)	5,229	(4,699)	862	5,540	1,904	1,904	395	1,615	1,419
Other nonoperating revenues	3,910	3,839	4,060	3,993	4,164	4,071	3,778	4,568	4,725
Nonoperating revenues	9,139	(860)	4,922	9,533	6,068	5,975	4,173	6,183	6,144
Total Revenues -- University Medical Associates	$ 320,887	$ 296,110	$ 259,690	$ 245,542	$ 215,881	$ 190,863	$ 177,722	$ 194,354	$ 189,049
Nonmajor Enterprise Funds									
Interest income	$ 1,896	$ 2,052	$ 2,273	$ 2,280	$ 2,443	$ 2,037	$ 1,550	$ 1,915	$ 2,048
Other operating revenues	33	39	84	100	80	6	-	100	200
Operating revenues	1,929	2,091	2,357	2,380	2,523	2,043	1,550	2,015	2,248
Investment income	-	-	-	-	-	-	2	-	-
Other nonoperating revenues	-	-	-	-	-	152	-	-	-
Nonoperating revenues	-	-	-	-	-	152	2	-	-
Total Revenues -- Nonmajor Enterprise Funds	$ 1,929	$ 2,091	$ 2,357	$ 2,380	$ 2,523	$ 2,195	$ 1,552	$ 2,015	$ 2,248
Total Revenues -- Primary Government	$ 1,840,791	$ 1,689,790	$ 1,575,986	$ 1,463,735	$ 1,328,636	$ 1,227,247	$ 1,143,252	$ 1,113,634	$ 1,049,687

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

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

SCHEDULE OF REVENUES BY SOURCE
LAST NINE FISCAL YEARS

	For the Year Ended June 30, (percent of total revenues)								
Revenues	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
The University									
Student tuition and fees (net of scholarship allowances)	3.4%	3.3%	3.1%	3.2%	3.0%	2.9%	2.4%	2.0%	2.0%
Federal grants and contracts	7.5%	7.1%	7.5%	7.9%	9.1%	9.9%	10.1%	9.3%	7.9%
State grants and contracts	0.2%	0.3%	0.4%	0.4%	0.3%	0.4%	0.3%	0.2%	0.3%
Local grants and contracts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nongovernmental grants and contracts	1.2%	1.5%	1.9%	1.4%	1.4%	1.4%	1.3%	1.4%	1.8%
Interest on student loans receivable	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interfund Services	3.7%	4.9%	5.3%	4.8%	5.0%	5.1%	5.3%	5.0%	4.9%
Sales and services of educational and other activities	3.1%	3.2%	2.4%	2.5%	2.6%	2.5%	2.4%	2.8%	1.0%
Auxiliary enterprises	0.4%	0.6%	0.5%	0.5%	0.4%	0.4%	0.5%	0.5%	0.5%
Other operating revenues	0.6%	0.6%	0.6%	0.6%	0.8%	0.7%	0.9%	1.0%	0.9%
Operating revenues	20.1%	21.5%	21.7%	21.3%	22.6%	23.3%	23.2%	22.2%	19.3%
State appropriations	5.9%	6.9%	8.8%	9.3%	7.8%	8.0%	8.4%	9.7%	11.6%
Gifts and grants	1.4%	0.8%	0.7%	0.6%	0.5%	0.6%	1.3%	1.0%	1.1%
Investment income (losses)	0.4%	-0.2%	0.2%	0.4%	0.1%	0.1%	0.1%	0.2%	0.3%
Other nonoperating revenues	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-operating revenues	8.1%	7.5%	9.7%	10.3%	8.4%	8.7%	9.8%	10.9%	13.0%
Total Revenues -- The University	28.2%	29.0%	31.4%	31.6%	31.0%	32.0%	33.0%	33.1%	32.3%
Medical University Hospital Authority									
Net patient service revenue	53.3%	52.5%	50.9%	50.1%	51.3%	50.9%	50.6%	48.1%	48.4%
Other operating revenues	0.9%	1.0%	1.2%	1.1%	1.3%	1.1%	0.8%	1.2%	1.0%
Operating revenues	54.2%	53.5%	52.1%	51.2%	52.6%	52.0%	51.4%	49.3%	49.4%
Investment income	0.1%	0.0%	-0.1%	0.2%	0.1%	0.2%	0.0%	0.0%	0.1%
Non-operating revenues	0.1%	0.0%	-0.1%	0.2%	0.1%	0.2%	0.0%	0.0%	0.1%
Total Revenues -- Medical University Hospital Authority	54.3%	53.5%	52.0%	51.4%	52.7%	52.2%	51.4%	49.3%	49.5%
University Medical Associates									
Net patient service revenue	15.9%	16.3%	14.9%	14.8%	14.6%	14.0%	14.1%	15.5%	13.2%
Ambulatory care and primary care agreements	0.3%	0.4%	0.5%	0.6%	0.6%	0.7%	0.7%	1.1%	3.6%
Other operating revenues	0.7%	0.8%	0.7%	0.7%	0.5%	0.4%	0.4%	0.3%	0.6%
Operating revenues	16.9%	17.5%	16.1%	16.1%	15.7%	15.1%	15.2%	16.9%	17.4%
Investment income (losses)	0.3%	-0.3%	0.1%	0.4%	0.1%	0.2%	0.0%	0.1%	0.1%
Other nonoperating revenues	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%
Non-operating revenues	0.5%	-0.1%	0.4%	0.7%	0.4%	0.5%	0.3%	0.5%	0.6%
Total Revenues -- University Medical Associates	17.4%	17.4%	16.5%	16.8%	16.1%	15.6%	15.5%	17.4%	18.0%
Nonmajor Enterprise Funds									
Interest income	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%
Other operating revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating revenues	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other nonoperating revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Revenues -- Nonmajor Enterprise Funds	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%
Total Revenues -- Primary Government	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

SCHEDULE OF EXPENSES BY USE
LAST NINE FISCAL YEARS

	For the Year Ended June 30, (amounts expressed in thousands $)								
Expenses	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
The University									
Compensation and employee benefits	$ 288,819	$ 302,542	$ 289,327	$ 263,954	$ 252,358	$ 240,221	$ 224,889	$ 219,996	$ 213,753
Services and supplies	204,134	184,695	179,097	165,251	128,468	121,604	115,544	122,597	99,000
Utilities	11,145	10,962	9,358	9,360	8,915	7,785	5,525	5,983	6,153
Scholarships and fellowships	8,614	8,795	9,104	8,897	8,287	8,087	5,750	5,094	5,065
Depreciation	30,947	27,223	23,287	21,613	18,667	14,065	11,761	11,953	12,089
Operating expenses	543,659	534,217	510,173	469,075	416,695	391,762	363,469	365,623	336,060
Refunds to grantors	406	137	240	314	462	381	647	422	403
Interest expense	8,677	5,217	4,551	3,675	3,508	3,161	3,059	4,211	4,271
(Gain) Loss on disposal of capital assets	959	712	984	286	279	739	(1,415)	37	316
Transfers to other state funds	198	250	257	810	327	321	255	128	-
Other nonoperating expenses	-	36	-	241	-	-	35	38	90
Nonoperating expenses	10,240	6,352	6,032	5,326	4,576	4,602	2,581	4,836	5,080
Total Expenses -- The University	$ 553,899	$ 540,569	$ 516,205	$ 474,401	$ 421,271	$ 396,364	$ 366,050	$ 370,459	$ 341,140
Medical University Hospital Authority									
Compensation and employee benefits	$ 412,236	$ 392,149	$ 388,991	$ 314,692	$ 283,432	$ 255,474	$ 241,757	$ 225,216	$ 357,729
Services and supplies	362,569	336,188	309,112	294,724	277,941	251,996	236,809	219,184	96,992
Utilities	12,357	12,676	12,898	10,474	9,721	8,958	7,059	6,429	4,857
Interfund services used	68,423	83,025	83,161	70,960	66,973	62,602	60,086	55,822	-
Interest expense	-	-	-	-	-	-	-	-	3,894
Provision for bad debt	-	-	-	-	-	-	-	-	24,239
Depreciation	52,601	52,093	32,379	22,946	21,158	20,260	19,524	17,365	16,987
Operating expenses	908,186	876,131	826,541	713,796	659,225	599,290	565,235	524,016	504,698
Interest expense	27,449	25,753	17,881	9,829	9,499	10,037	6,681	5,846	-
Nonoperating expenses	27,449	25,753	17,881	9,829	9,499	10,037	6,681	5,846	-
Total Expenses -- Medical University Hospital Authority	$ 935,635	$ 901,884	$ 844,422	$ 723,625	$ 668,724	$ 609,327	$ 571,916	$ 529,862	$ 504,698
University Medical Associates									
Compensation and employee benefits	$ 174,552	$ 169,440	$ 153,815	$ 132,499	$ 116,631	$ 104,277	$ 97,980	$ 89,059	$ 104,961
Services and supplies	58,037	55,121	50,070	48,364	45,830	42,150	38,057	37,767	42,225
Utilities	447	389	317	-	-	-	-	-	-
Provision for bad debt	-	-	-	-	-	-	-	21,603	16,432
Amortization	-	-	-	-	-	-	-	216	132
Depreciation	3,135	3,314	2,679	1,611	2,127	2,355	2,616	2,564	3,049
Operating expenses	236,171	228,264	206,881	182,474	164,588	148,782	138,653	151,209	166,799
Gifts made	9,914	5,525	6,924	3,162	937	156	138	367	775
Interest expense	4,373	6,363	5,679	5,799	5,860	5,801	5,968	6,362	6,895
Depreciation on rental property	-	-	-	-	-	-	-	1,146	912
(Gain) Loss on disposal of capital assets	6	221	(245)	2	(4)	(133)	114	499	483
Nonoperating expenses	14,293	12,109	12,358	8,963	6,793	5,824	6,220	8,374	9,065
Total Expenses -- University Medical Associates	$ 250,464	$ 240,373	$ 219,239	$ 191,437	$ 171,381	$ 154,606	$ 144,873	$ 159,583	$ 175,864
Nonmajor Enterprise Funds									
Compensation and employee benefits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 54	$ 261
Services and supplies	-	-	-	-	221	58	680	213	535
Interest expense	2,031	2,173	2,294	2,415	2,534	1,545	2,114	1,894	1,930
Amortization	281	281	281	281	281	275	191	21	17
(Gain) Loss on disposal of capital assets	-	-	-	-	-	-	-	-	452
Other operating expenses	-	-	-	-	-	-	270	25	-
Operating expenses	2,312	2,454	2,575	2,696	3,036	1,878	3,255	2,207	3,195
Nonoperating expenses	-	-	-	-	-	-	-	-	-
Total Expenses -- Nonmajor Enterprise Funds	$ 2,312	$ 2,454	$ 2,575	$ 2,696	$ 3,036	$ 1,878	$ 3,255	$ 2,207	$ 3,195
Total Expenses -- Primary Government	$ 1,742,310	$ 1,685,280	$ 1,582,441	$ 1,392,159	$ 1,264,412	$ 1,162,175	$ 1,086,094	$ 1,062,111	$ 1,024,897

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

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

SCHEDULE OF EXPENSES BY USE
LAST NINE FISCAL YEARS

	For the Year Ended June 30, (percent of total expenses)								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses									
The University									
Compensation and employee benefits	16.6%	18.0%	18.3%	19.0%	20.0%	20.7%	20.7%	20.7%	20.9%
Services and supplies	11.7%	11.0%	11.3%	11.8%	10.1%	10.4%	10.7%	11.6%	9.7%
Utilities	0.6%	0.7%	0.6%	0.7%	0.7%	0.7%	0.5%	0.6%	0.6%
Scholarships and fellowships	0.5%	0.5%	0.6%	0.6%	0.7%	0.7%	0.5%	0.5%	0.5%
Depreciation	1.8%	1.6%	1.5%	1.6%	1.5%	1.2%	1.1%	1.1%	1.2%
Operating expenses	31.2%	31.8%	32.3%	33.7%	33.0%	33.7%	33.5%	34.5%	32.9%
Refunds to grantors	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Interest expense	0.5%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%
(Gain) Loss on disposal of capital assets	0.1%	0.0%	0.1%	0.0%	0.0%	0.1%	-0.1%	0.0%	0.0%
Transfers to other state funds	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Other nonoperating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating expenses	0.6%	0.3%	0.4%	0.4%	0.3%	0.4%	0.3%	0.4%	0.4%
Total Expenses -- The University	31.8%	32.1%	32.7%	34.1%	33.3%	34.1%	33.8%	34.9%	33.3%
Medical University Hospital Authority									
Compensation and employee benefits	23.7%	23.3%	24.6%	22.6%	22.4%	22.0%	22.3%	21.2%	34.9%
Services and supplies	20.8%	19.9%	19.5%	21.2%	21.9%	21.7%	21.9%	20.7%	9.4%
Utilities	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.6%	0.6%	0.5%
Interfund services used	3.9%	4.9%	5.3%	5.1%	5.3%	5.4%	5.5%	5.3%	0.0%
Interest expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
Provision for bad debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.4%
Depreciation	3.0%	3.1%	2.0%	1.6%	1.7%	1.7%	1.8%	1.6%	1.7%
Operating expenses	52.1%	52.0%	52.2%	51.3%	52.1%	51.6%	52.1%	49.4%	49.3%
Interest expense	1.6%	1.5%	1.1%	0.7%	0.8%	0.9%	0.6%	0.6%	0.0%
Nonoperating expenses	1.6%	1.5%	1.1%	0.7%	0.8%	0.9%	0.6%	0.6%	0.0%
Total Expenses -- Medical University Hospital Authority	53.7%	53.5%	53.3%	52.0%	52.9%	52.5%	52.7%	50.0%	49.3%
University Medical Associates									
Compensation and employee benefits	10.0%	10.1%	9.7%	9.5%	9.2%	9.0%	9.0%	8.4%	10.2%
Services and supplies	3.3%	3.3%	3.2%	3.5%	3.6%	3.6%	3.5%	3.6%	4.1%
Utilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provision for bad debt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	1.6%
Amortization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Depreciation	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.3%
Operating expenses	13.5%	13.6%	13.1%	13.1%	13.0%	12.8%	12.7%	14.2%	16.2%
Gifts made	0.6%	0.3%	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%	0.1%
Interest expense	0.3%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.6%	0.7%
Depreciation on rental property	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
(Gain) Loss on disposal of capital assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating expenses	0.9%	0.7%	0.8%	0.6%	0.6%	0.5%	0.5%	0.7%	0.9%
Total Expenses -- University Medical Associates	14.4%	14.3%	13.9%	13.7%	13.6%	13.3%	13.2%	14.9%	17.1%
Nonmajor Enterprise Funds									
Compensation and employee benefits	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Services and supplies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
Interest expense	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%
Amortization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
(Gain) Loss on disposal of capital assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating expenses	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.3%	0.2%	0.3%
Nonoperating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Expenses -- Nonmajor Enterprise Funds	0.1%	0.1%	0.1%	0.2%	0.2%	0.1%	0.3%	0.2%	0.3%
Total Expenses -- Primary Government	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY
LAST NINE FISCAL YEARS

	For the Year Ended June 30, (amounts expressed in thousands $)								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses by function:									
Instruction	$ 187,876	$ 192,271	$ 180,898	$ 164,547	$ 136,877	$ 129,898	$ 121,217	$ 132,803	$ 116,513
Research	148,542	140,638	130,597	126,864	119,065	117,024	109,516	99,871	90,302
Public service	43,018	40,452	37,434	33,089	31,337	27,124	25,450	24,762	21,476
Academic support	36,590	38,332	35,235	32,210	26,739	25,298	24,200	24,431	25,506
Student services	10,321	9,881	9,605	9,028	7,823	7,194	7,410	6,839	6,441
Institutional support	37,015	34,203	40,052	36,669	34,475	30,295	29,432	27,701	27,134
Operation and maintenance of plant	69,385	67,919	66,775	59,770	54,110	47,278	41,298	44,441	43,769
Scholarships and fellowships	3,176	3,653	3,747	2,022	2,025	3,780	1,676	1,525	2,087
Auxiliary enterprises	7,736	6,868	5,830	4,876	4,244	3,871	3,270	3,250	2,832
Refunds to grantors	406	137	240	314	462	381	647	422	403
Interest expense	8,677	5,217	4,551	3,675	3,508	3,161	3,059	4,211	4,271
(Gain) loss on disposal of capital assets	959	712	984	286	279	739	(1,415)	37	316
Transfers to other State funds	198	250	257	810	327	321	255	128	-
Other non-operating expenses	-	36	-	241	-	-	35	38	90
Total expenses by function	$ 553,899	$ 540,569	$ 516,205	$ 474,401	$ 421,271	$ 396,364	$ 366,050	$ 370,459	$ 341,140

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

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

SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY
LAST NINE FISCAL YEARS

	For the Year Ended June 30, *(percent of total expenses)*								
	2010	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Expenses:									
Instruction	33.9%	35.6%	35.0%	34.7%	32.5%	32.8%	33.1%	35.8%	34.2%
Research	26.8%	26.0%	25.3%	26.7%	28.3%	29.5%	29.9%	27.0%	26.5%
Public services	7.8%	7.5%	7.3%	7.0%	7.4%	6.8%	7.0%	6.7%	6.3%
Academic support	6.6%	7.1%	6.8%	6.8%	6.3%	6.4%	6.6%	6.6%	7.5%
Student services	1.9%	1.8%	1.9%	1.9%	1.9%	1.8%	2.0%	1.8%	1.9%
Institutional support	6.7%	6.3%	7.8%	7.7%	8.2%	7.6%	8.0%	7.5%	8.0%
Operation and maintenance of plant	12.5%	12.6%	12.9%	12.6%	12.8%	11.9%	11.3%	12.0%	12.8%
Scholarships and fellowships	0.6%	0.7%	0.7%	0.4%	0.5%	1.0%	0.5%	0.4%	0.6%
Auxiliary enterprises	1.4%	1.3%	1.1%	1.0%	1.0%	1.0%	0.9%	0.9%	0.8%
Refunds to grantors	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%
Interest expense	1.6%	1.0%	0.9%	0.8%	0.8%	0.8%	0.8%	1.1%	1.3%
(Gain) loss on disposal of capital assets	0.1%	0.1%	0.2%	0.1%	0.1%	0.2%	-0.4%	0.0%	0.0%
Transfers to other State funds	0.0%	0.0%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%
Other non-operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total expenses	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

SCHEDULE OF NET ASSETS
LAST NINE FISCAL YEARS

	For the Year Ended June 30, (amounts expressed in thousands $)								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
The University									
Invested in capital assets, net of related debt	$ 365,977	$ 327,486	$ 320,983	$ 288,316	$ 270,028	$ 247,812	$ 184,822	$ 154,987	$ 138,621
Restricted - nonexpendable	52,446	42,430	31,712	23,609	20,669	10,209	943	925	909
Restricted - expendable	31,102	26,075	37,191	40,734	26,207	21,324	29,747	25,418	15,974
Unrestricted	68,914	58,595	50,242	44,896	41,888	39,879	39,996	22,506	20,818
Net assets -- The University	518,439	454,586	440,128	397,555	358,792	319,224	255,508	203,836	176,322
Medical University Hospital Authority									
Invested in capital assets, net of related debt	78,737	70,482	80,805	56,689	61,407	42,700	98,459	78,816	58,047
Restricted - expendable (restated for 2008 and 2009)	89,269	73,837	73,625	71,975	67,782	71,189	17,556	-	-
Unrestricted	128,409	88,282	78,741	128,841	101,937	86,611	64,149	85,206	93,259
Net assets -- Medical University Hospital Authority	296,415	232,601	233,171	257,505	231,126	200,500	180,164	164,022	151,306
University Medical Associates									
Invested in capital assets, net of related debt	11,681	10,563	2,290	2,952	330	(2,414)	(518)	(1,329)	826
Restricted - expendable	-	-	24,256	22,448	20,377	19,531	16,522	15,692	12,618
Unrestricted	151,466	124,368	98,406	89,851	66,937	47,243	27,825	12,358	(11,208)
Net assets -- University Medical Associates	163,147	134,931	124,952	115,251	87,644	64,360	43,829	26,721	2,236
Nonmajor Enterprise Funds									
Restricted - expendable	1,766	1,496	1,344	1,345	1,047	1,812	1,093	1,333	1,398
Unrestricted	-	-	(69)	-	-	(8,923)	(8,993)	(7,489)	(7,328)
Net assets -- Nonmajor Enterprise Funds	1,766	1,496	1,275	1,345	1,047	(7,111)	(7,900)	(6,156)	(5,930)
Net assets - Primary Government	$ 979,767	$ 823,614	$ 799,526	$ 771,656	$ 678,609	$ 576,973	$ 471,601	$ 388,423	$ 323,934
Total Primary Government									
Invested in capital assets, net of related debt	$ 456,395	$ 408,531	$ 404,078	$ 347,957	$ 331,765	$ 288,098	$ 282,763	$ 232,474	$ 197,494
Restricted - nonexpendable	52,446	42,430	31,712	23,609	20,669	10,209	943	925	909
Restricted - expendable	122,137	101,408	136,416	136,502	115,413	113,856	64,918	42,443	29,990
Unrestricted	348,789	271,245	227,320	263,588	210,762	164,810	122,977	112,581	95,541
Net assets - Primary Government	$ 979,767	$ 823,614	$ 799,526	$ 771,656	$ 678,609	$ 576,973	$ 471,601	$ 388,423	$ 323,934

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

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

SCHEDULE OF CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS

	For the Year Ended June 30, (amounts expressed in thousands $)								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
The University									
Income (loss) before other revenues, expenses, gains or losses	$ (35,125)	$ (50,046)	$ (22,907)	$ (10,802)	$ (10,941)	$ (3,027)	$ 9,317	$ (1,582)	$ (1,255)
State capital appropriations	22,005	2,523	11,382	6,808	5,271	2,868	239	2,341	1,164
Capital grants and gifts	25,669	6,357	14,863	11,350	13,660	28,182	25,781	10,154	6,259
Additions to permanent endowments	9,998	10,698	8,080	3,418	10,443	9,250	-	-	-
Interfund transfers	41,306	44,926	31,155	27,989	21,135	26,444	16,334	16,602	9,071
Changes in net assets -- The University	63,853	14,458	42,573	38,763	39,568	63,717	51,671	27,515	15,239
Medical University Hospital Authority									
Income (loss) before other revenues, expenses, gains or losses (restated for 2008 and 2009)	63,566	(818)	(23,781)	28,589	31,178	31,525	16,695	18,526	13,807
Interfund transfers	248	248	(553)	(2,210)	(552)	(11,189)	(552)	(5,810)	(3,751)
Changes in net assets -- Medical University Hospital Authority	63,814	(570)	(24,334)	26,379	30,626	20,336	16,143	12,716	10,056
University Medical Associates									
Income before other revenues, expenses, gains or losses	70,423	55,737	40,451	54,105	44,500	36,257	32,849	34,771	13,185
Interfund transfers	(42,207)	(45,758)	(30,750)	(26,393)	(21,216)	(15,726)	(15,741)	(10,757)	(5,375)
Special item - disposition of primary care practice	-	-	-	(105)	-	-	-	(457)	(2,571)
Extraordinary item - relator's legal fee settlement	-	-	-	-	-	-	-	927	(2,150)
Changes in net assets -- University Medical Associates	28,216	9,979	9,701	27,607	23,284	20,531	17,108	24,484	3,089
Nonmajor Enterprise Funds									
Income (loss) before other revenues, expenses, gains or losses	(383)	(363)	(218)	(316)	(513)	317	(1,703)	(192)	(947)
Interfund transfers	653	584	148	614	633	471	(41)	(34)	(44)
Liquidation gain	-	-	-	-	8,038	-	-	-	-
Extraordinary loss on early extinquishment of debt	-	-	-	-	-	-	-	-	(576)
Changes in net assets -- Nonmajor Enterprise Funds	270	221	(70)	298	8,158	788	(1,744)	(226)	(1,567)
Primary Government									
Total changes in net assets	156,153	24,088	27,870	93,047	101,636	105,372	83,178	64,489	26,817
Net assets, beginning	823,614	799,526	771,656	678,609	576,973	471,601	388,423	323,934	297,117
Net assets, ending	$ 979,767	$ 823,614	$ 799,526	$ 771,656	$ 678,609	$ 576,973	$ 471,601	$ 388,423	$ 323,934

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

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

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

State Institution Bonds (Note 1)

Year ending June 30,	Tuition	Total Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage Ratio
2010	$ 8,612	$ 8,612	$ 3,390	$ 1,717	$ 5,107	**1.69**
2009	8,400	8,400	3,270	1,858	5,128	**1.64**
2008	8,400	8,400	3,135	1,992	5,127	**1.64**
2007	8,400	8,400	3,495	2,162	5,657	**1.48**
2006	8,400	8,400	3,475	2,300	5,775	**1.45**
2005	7,200	7,200	3,120	2,624	5,744	**1.25**
2004	6,776	6,776	2,565	2,534	5,099	**1.33**
2003	6,549	6,549	2,090	2,117	4,207	**1.56**
2002	5,627	5,627	1,645	2,035	3,680	**1.53**
2001	4,830	4,830	1,565	1,754	3,319	**1.46**

Revenue Bonds Parking (Note 2)

Year ending June 30,	Parking Revenue	Total Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage Ratio
2010	$ -	$ -	$ -	$ -	$ -	**-**
2009	-	-	-	-	-	**-**
2008	-	-	-	-	-	**-**
2007	-	-	-	-	-	**-**
2006	-	-	-	-	-	**-**
2005	-	-	-	-	-	**-**
2004	2,234	2,234	2,155	79	2,234	**1.00**
2003	855	855	525	186	711	**1.20**
2002	855	855	490	221	711	**1.20**
2001	855	855	455	254	709	**1.21**

Note 1: Bonds secured by tuition revenue.
Note 2: Bonds secured by parking revenue.

Source: The Medical University of South Carolina Controller's Office.

SCHEDULE OF RATIOS OF OUTSTANDING DEBT – UNIVERSITY
LAST NINE FISCAL YEARS

For the Year Ended June 30,

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
General obligation bonds payable, net	$ 36,517	$ 39,826	$ 43,016	$ 47,095	$ 49,485	$ 52,880	$ 55,985	$ 46,550	$ 40,640
State bond anticipation notes	30,000	30,000	30,000	-	-	-	-	-	-
Revenue bonds, net	35,900	36,975	38,000	38,000	-	-	-	2,155	2,680
Energy note payable	14,374	15,387	-	-	-	-	-	-	-
Capital lease obligations	1,899	3,354	4,569	5,061	3,912	1,102	638	861	231
Due to component unit	46,378	46,736	-	-	-	-	-	-	-
Interfund payables	32,045	34,920	37,641	40,218	42,656	44,968	21,848	23,461	24,122
Total outstanding debt	$ 197,113	$ 207,198	$ 153,226	$ 130,374	$ 96,053	$ 98,950	$ 78,471	$ 73,027	$ 67,673
Full-time equivalent students	2,776	2,755	2,816	2,777	2,734	2,577	2,381	2,321	2,275
Outstanding debt per student	$ 71,006	$ 75,208	$ 54,413	$ 46,948	$ 35,133	$ 38,397	$ 32,957	$ 31,464	$ 29,746

Note: Outstanding debt per student was calculated using full-time equivalent student enrollment data for the fiscal year's Fall term.

Source: Medical University of South Carolina Comprehensive Annual Financial Report and Office of Enrollment Services.

SCHEDULE OF PLEDGED REVENUE COVERAGE – UMA
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Net Clinical Service Revenues	Less Operating Expenses	Net Available Revenue	Variable Rate Securities and Notes Payable			
				Principal	Interest	Total	Coverage
2010	$ 293,847,793	$ 232,075,430	$ 61,772,363	$ 3,791,500	$ 4,355,901	$ 8,147,401	7.58
2009	276,251,035	223,545,159	52,705,876	1,579,792	6,668,058	8,247,850	6.39
2008	234,901,456	201,966,544	32,934,912	2,650,000	5,671,047	8,321,047	3.96
2007	217,320,428	178,081,321	39,239,107	2,500,000	5,798,569	8,298,569	4.73
2006	192,331,390	160,078,127	32,253,263	2,400,000	5,866,286	8,266,286	3.90
2005	171,897,964	144,529,159	27,368,805	1,900,000	5,747,368	7,647,368	3.58
2004	160,681,940	134,472,062	26,209,878	2,450,000	5,835,490	8,285,490	3.16
2003	150,690,643	125,675,028	25,015,615	1,400,000	5,928,114	7,328,114	3.41
2002	122,156,674	119,693,610	2,463,064	1,750,000	6,179,359	7,929,359	0.31
2001	112,844,013	116,412,615	(3,568,602)	1,600,000	6,798,981	8,398,981	(0.42)

Note: Operating expenses are net of Ambulatory Care Clinical Education Agreement expenses which are fully reimbursed under the agreement.

Source: University Medical Associates Comprehensive Annual Financial Reports.

SCHEDULE OF RATIOS OF OUTSTANDING DEBT – UMA
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Variable Rate Debt	Capital Lease Obligations	Notes Payable	Structured Legal Settlement	Total Outstanding Debt	Net Clinical Service Revenue	Outstanding Debt as Percentage of: Net Clinical Service Revenue	Personal Income	Per Capita
2010	$ 62,085,000	$ 27,496	$ 32,663,256	$ -	$ 94,775,752	$ 293,847,793	32.25%	0.06%	21
2009	62,085,000	89,559	36,335,208	-	98,509,767	276,251,035	35.66%	0.07%	22
2008	85,100,000	151,145	-	-	85,251,145	234,901,456	36.29%	0.07%	20
2007	87,750,000	155,877	-	-	87,905,877	217,320,428	40.45%	0.07%	21
2006	90,250,000	242,981	-	-	90,492,981	192,331,390	47.05%	0.08%	21
2005	92,650,000	241,688	-	-	92,891,688	171,897,964	54.04%	0.08%	22
2004	94,550,000	580,409	-	840,000	95,970,409	160,681,940	59.73%	0.09%	23
2003	97,000,000	1,136,116	44,355	1,680,000	99,860,471	150,690,643	66.27%	0.10%	24
2002	98,400,000	1,720,951	88,432	2,520,000	102,729,383	122,156,674	84.10%	0.10%	25
2001	100,150,000	1,571,980	171,617	3,360,000	105,253,597	112,844,013	93.27%	0.11%	26

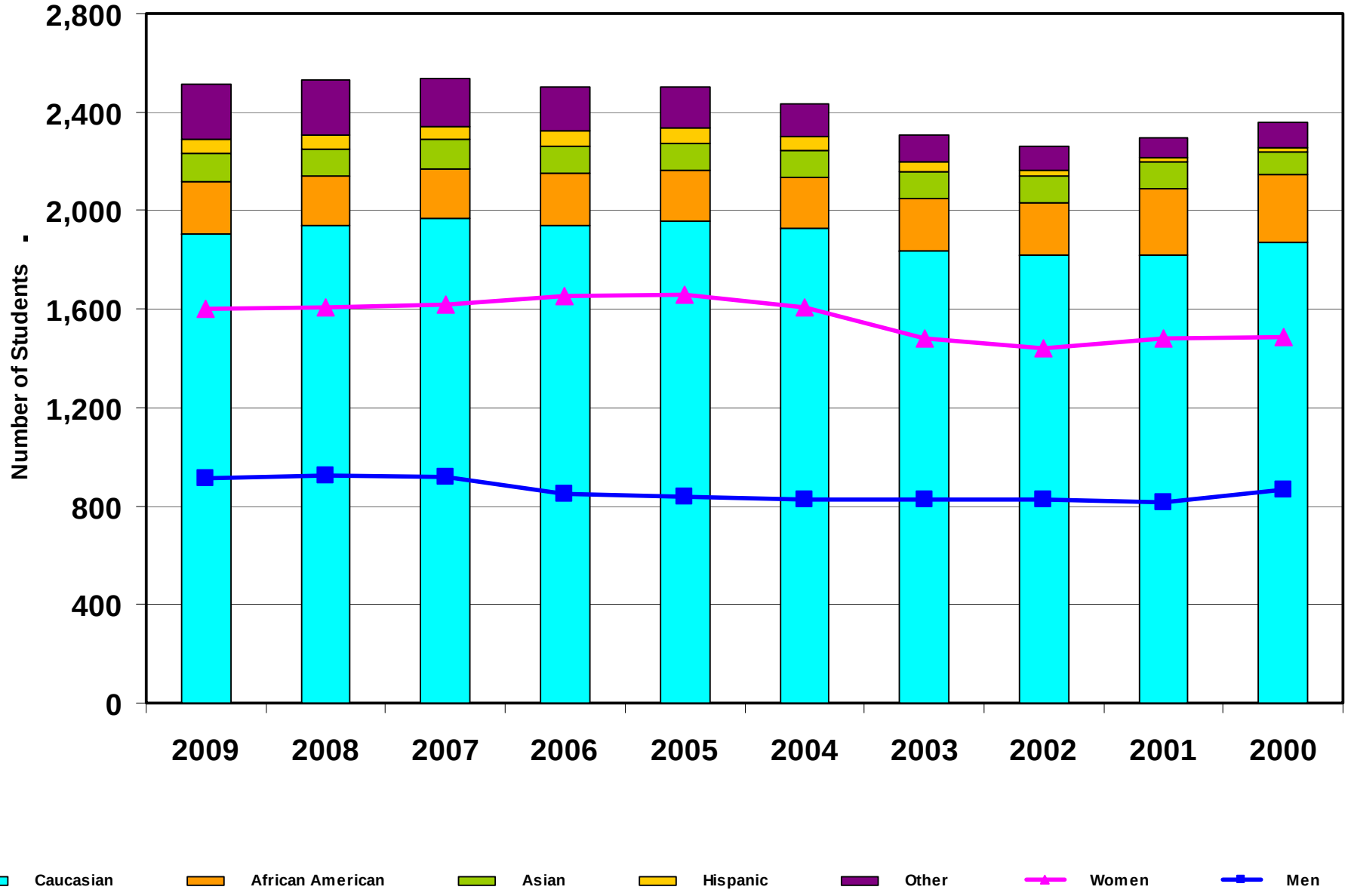
Source: University Medical Associates Comprehensive Annual Financial Reports.

ENROLLMENT STATISTICS – UNIVERSITY
LAST TEN ACADEMIC YEARS
FALL ENROLLMENTS

ENROLLMENT	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
LEVEL										
Undergraduate	267	319	272	289	285	353	322	357	400	409
Graduate	1,027	1,032	1,105	1,061	1,082	973	898	865	888	944
First Professional	1,220	1,181	1,161	1,152	1,133	1,108	1,085	1,041	1,009	1,004
STATUS										
Full-Time	2,287	2,261	2,206	2,234	2,046	2,171	2,034	1,989	1,899	2,055
Part-Time	227	271	332	268	454	263	271	274	398	302
ORIGIN										
In State	1,908	1,941	1,934	1,943	1,954	1,974	1,901	1,878	1,941	1,979
Out of State	567	547	565	522	495	415	363	348	318	341
Foreign	39	44	39	37	51	45	41	37	38	37
RACE/ETHNICITY										
Caucasian	1,904	1,942	1,968	1,942	1,958	1,928	1,836	1,816	1,821	1,873
African American	212	198	202	208	204	209	214	218	267	273
Asian	114	110	119	112	113	108	110	106	108	91
Hispanic	60	56	54	64	61	57	35	25	20	20
Other	224	226	195	176	164	132	110	98	81	100
GENDER										
Women	1,601	1,607	1,619	1,653	1,660	1,605	1,481	1,438	1,482	1,488
Men	913	925	919	849	840	829	824	825	815	869
COLLEGES										
Medicine	670	642	620	609	598	594	604	585	574	580
Pharmacy	315	314	319	319	315	297	265	242	227	210
Nursing	351	343	330	339	368	390	364	324	374	372
Graduate Studies	159	182	200	210	238	247	218	214	176	178
Dental Medicine	235	225	222	224	220	217	216	214	208	214
Health Professions	760	802	822	781	735	675	613	661	695	747
Non-Degree Seeking	24	24	25	20	26	14	25	23	43	56
Total enrollment	**2,514**	**2,532**	**2,538**	**2,502**	**2,500**	**2,434**	**2,305**	**2,263**	**2,297**	**2,357**

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

University Enrollment by Race/Ethnicity and Gender



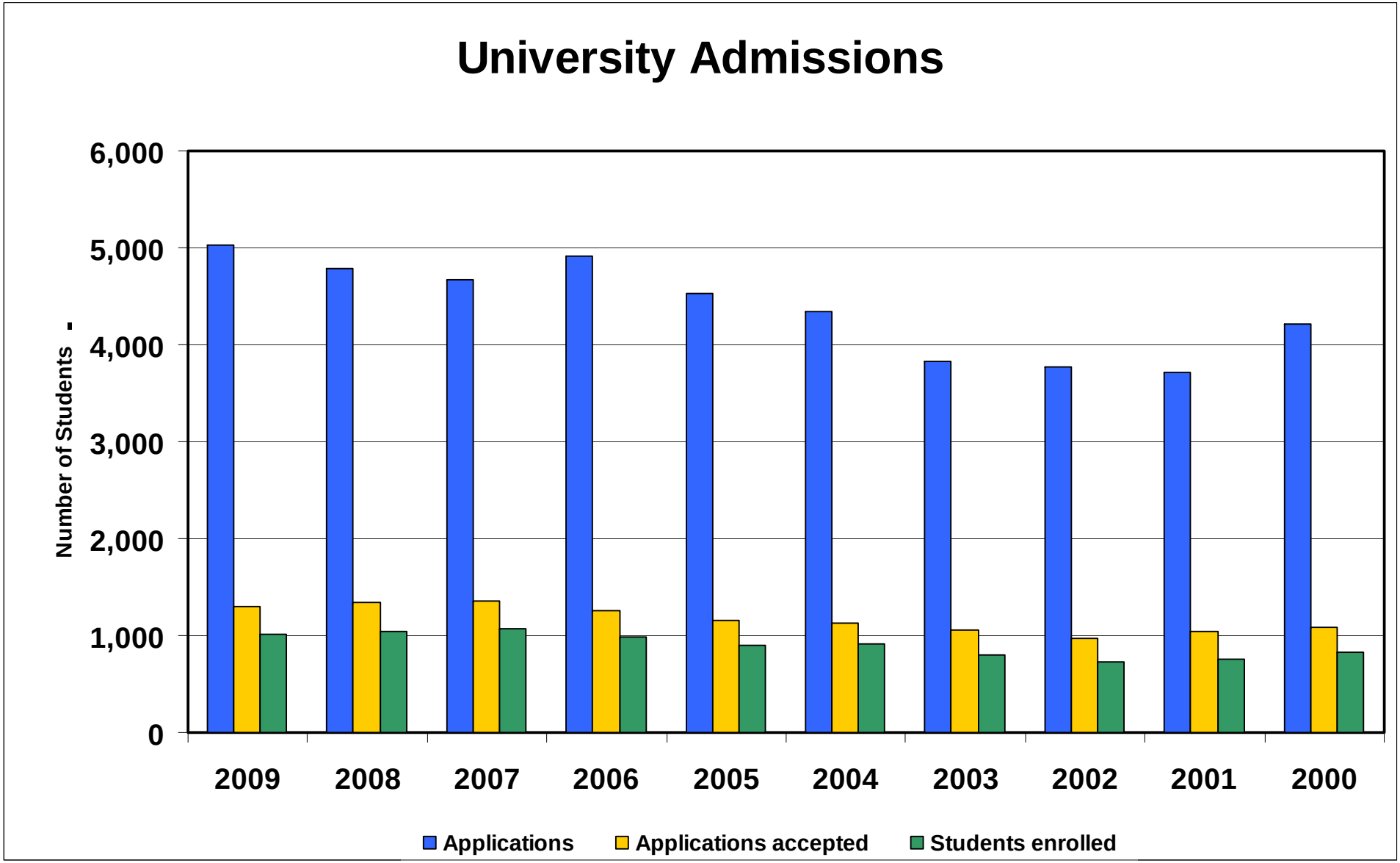
ADMISSIONS AND DEGREE STATISTICS – UNIVERSITY
LAST TEN ACADEMIC YEARS
FALL ENROLLMENTS

ADMISSIONS	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Applications	5,028	4,786	4,673	4,919	4,528	4,346	3,829	3,770	3,717	4,216
Applications accepted	1,307	1,337	1,354	1,256	1,164	1,122	1,064	969	1,039	1,090
Percentage of applications accepted	26.0%	27.9%	29.0%	25.5%	25.7%	25.8%	27.8%	25.7%	28.0%	25.9%
Students enrolled	1,020	1,036	1,065	982	902	909	803	726	755	830
Enrolled as a percentage of accepted	78.0%	77.5%	78.7%	78.2%	77.5%	81.0%	75.5%	74.9%	72.7%	76.1%

DEGREES GRANTED	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Bachelor	194	172	193	190	188	161	168	222	192	209
Master	292	293	346	306	255	243	245	248	283	286
First Professional	270	276	261	266	243	235	232	232	224	214
Doctoral	114	152	57	29	32	21	40	29	45	23
Total	870	893	857	791	718	660	685	731	744	732

Note: As of 2006, admissions figures include all applicants to The South Carolina College of Pharmacy.

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


University Admissions
Number of Students
6,000
5,000
4,000
3,000
2,000
1,000
0
2009
2008
2007
2006
2005
2004
2003
2002
2001
2000
Applications
Applications accepted
Students enrolled

ANNUAL TUITION BY COLLEGE – UNIVERSITY
LAST TEN ACADEMIC YEARS

RESIDENT

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Undergraduate										
Health Professions	$ 19,374	$ 17,361	$ 16,533	$ 15,747	$ 14,316	$ 8,646	$ 7,146	$ 6,382	$ 9,183	$ 8,004
Nursing	18,987	17,418	15,837	15,084	13,590	12,135	10,029	9,117	8,289	7,536
Graduate										
Dental Medicine	36,345	31,064	26,551	22,500	19,068	16,024	12,972	11,913	11,199	10,182
Graduate Studies	15,498	14,483	13,166	12,861	12,121	11,664	10,085	8,769	7,840	7,374
Health Professions	21,289	18,338	17,058	16,245	14,316	13,131	11,309	9,693	9,300	8,133
Medicine	29,438	25,598	23,270	21,688	19,716	18,600	15,712	13,302	12,092	10,514
Nursing	21,015	18,765	17,058	16,245	14,766	13,185	10,896	9,906	9,006	8,187
Pharmacy	19,411	17,647	15,330	14,460	13,144	11,878	10,089	9,180	8,700	7,908

NON-RESIDENT

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Undergraduate										
Health Professions	$ 35,726	$ 46,767	$ 44,538	$ 42,417	$ 38,562	$ 36,204	$ 29,922	$ 26,715	$ 25,827	$ 22,599
Nursing	33,399	30,264	$ 43,377	41,310	37,215	33,228	27,462	24,966	22,695	20,631
Graduate										
Dental Medicine	63,831	81,455	74,050	62,754	53,181	44,690	36,084	33,105	31,125	28,296
Graduate Studies	22,741	18,192	16,536	16,195	15,296	14,319	13,370	11,641	10,579	10,011
Health Professions	34,329	30,943	34,011	32,391	29,445	27,480	23,657	20,277	19,575	17,394
Medicine	52,770	72,380	65,800	61,344	55,768	52,610	44,442	37,622	34,202	29,740
Nursing	34,803	30,264	27,513	26,202	23,604	21,075	17,418	15,831	14,391	13,083
Pharmacy	29,000	35,294	36,400	34,333	32,270	29,336	27,330	24,870	22,073	21,828

Notes: 1) Except for Medicine, the tuition calculation includes three semsters (Fall, Spring, and Summer) and does not include web-based programs.
2) Effective 2009, Medicine discontinued its summer semester. For comparative purposes, all prior years for Medicine have been restated to reflect two semesters (Fall and Spring).
3) Health Professions tuition calculation reflects an average of the individual programs.
4) Graduate Studies tuition calculation includes Ph.D. students only.
5) Pharmacy 2000-2007 reflects MUSC College of Pharmacy; 2008-2009 reflects South Carolina College of Pharmacy.

Source: Medical University of South Carolina Student Accounting Department.

CLINICAL ACTIVITY – AUTHORITY
LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Licensed Beds	709	709	709	709	709	709	709	709	709	709
Patient Days	201,046	189,478	188,005	187,212	179,990	180,847	178,070	176,656	170,334	167,867
Average Census	551	524	515	513	493	495	487	484	467	460
Average Length of Stay	5.8	5.7	5.4	5.4	5.7	5.9	6.0	6.0	5.9	5.8
Admissions	34,735	33,704	33,728	33,567	31,578	30,646	29,630	29,242	29,002	28,736
Outpatient Registrations	947,319	963,967	846,757	773,045	737,789	696,544	645,418	610,373	592,112	573,381
Emergency/Trauma Visits	75,352	72,512	70,589	63,473	62,518	58,580	53,584	50,486	51,582	50,221
Surgical Procedures	25,611	24,869	22,058	20,961	20,412	18,654	18,183	17,444	16,146	16,306
Number of Deliveries	1,851	1,997	2,676	2,633	2,313	2,181	2,131	1,856	1,858	2,029
Medicare Case Mix Index	2.02	2.03	1.89	1.86	1.88	1.88	1.87	1.81	1.70	1.72
Percent of Total Charges:										
Blue Cross	18.7%	18.8%	17.1%	17.1%	17.2%	16.3%	16.9%	16.3%	15.2%	14.5%
Medicare	32.6%	32.2%	29.1%	29.1%	30.2%	31.8%	31.3%	31.1%	30.8%	30.0%
Medicaid	19.0%	17.9%	18.4%	19.0%	22.2%	22.1%	21.0%	21.2%	22.0%	22.4%
Private Insurance / Managed Care	13.0%	14.3%	15.9%	15.6%	18.1%	19.3%	18.9%	20.6%	21.0%	21.8%
Med. Ind./Self Pay/Other	16.7%	16.8%	19.5%	19.2%	12.3%	10.5%	11.9%	10.8%	11.0%	11.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Medical University Hospital Authority Keane Patient Financial System.

OUTPATIENT VISITS BY SPECIALTY – UMA
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Specialty							
	Medicine	Family Medicine	Obstetrics/ Gynecology	Pediatrics	Ophthalmology	Surgery	All Others	Total
2010	416,066	104,881	106,773	113,969	45,280	73,177	288,975	1,149,121
	36.21%	9.13%	9.29%	9.92%	3.94%	6.37%	25.14%	100.00%
2009	360,190	89,541	104,763	114,216	53,049	68,354	275,993	1,066,106
	33.79%	8.40%	9.83%	10.71%	4.98%	6.41%	25.88%	100.00%
2008	282,534	77,622	106,775	111,654	53,382	63,857	256,527	952,351
	29.67%	8.15%	11.21%	11.72%	5.61%	6.71%	26.93%	100.00%
2007	258,963	77,758	99,467	107,382	52,425	61,920	231,513	889,428
	29.12%	8.74%	11.18%	12.07%	5.89%	6.96%	26.04%	100.00%
2006	254,180	69,629	84,661	101,627	45,950	55,737	194,413	806,197
	31.53%	8.64%	10.50%	12.61%	5.70%	6.91%	24.11%	100.00%
2005	238,028	72,607	91,354	98,923	42,333	53,704	177,900	774,849
	30.72%	9.37%	11.79%	12.77%	5.46%	6.93%	22.96%	100.00%
2004	141,480	64,060	61,235	55,281	36,567	35,618	136,333	530,574
	26.67%	12.07%	11.54%	10.42%	6.89%	6.71%	25.70%	100.00%
2003	133,082	63,714	58,201	50,430	32,320	35,991	124,470	498,208
	26.71%	12.79%	11.68%	10.12%	6.49%	7.22%	24.99%	100.00%
2002	126,767	59,196	56,296	45,928	38,427	37,432	123,664	487,710
	25.99%	12.14%	11.54%	9.42%	7.88%	7.68%	25.35%	100.00%
2001	125,191	57,725	51,406	40,483	34,147	37,095	128,433	474,480
	26.38%	12.17%	10.83%	8.53%	7.20%	7.82%	27.07%	100.00%

Source: University Medical Associates Medical Records System.

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

Source	Fiscal Year Ended June 30, 2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Medicare	32%	32%	30%	30%	29%	29%	28%	27%	28%	27%
Medicaid	19%	19%	18%	20%	21%	22%	20%	21%	21%	21%
Blue Cross/Blue Shield	25%	26%	25%	25%	25%	24%	23%	22%	20%	19%
Commercial insurance	2%	2%	2%	2%	3%	3%	4%	5%	8%	10%
All other (including Managed Care)	22%	21%	25%	23%	22%	22%	25%	25%	23%	23%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: University Medical Associates Medical Records System.

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

THE UNIVERSITY	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Employees										
Permanent Full-time and Part-time Employees										
Full-time classified	1,489	1,582	1,537	1,494	1,522	1,476	1,541	1,594	1,603	1,646
Part-time classified	48	52	52	45	33	42	39	35	37	45
Full-time unclassified	1,146	1,175	1,128	1,084	1,039	1,005	945	909	911	961
Part-time unclassified	242	250	229	233	219	228	225	235	229	209
Total	2,925	3,059	2,946	2,856	2,813	2,751	2,750	2,773	2,780	2,861
Other Categories										
Residents	639	622	592	543	562	565	563	554	557	544
Pre/post doctoral fellows	160	160	197	172	188	203	180	205	198	160
Temporary	1,001	982	1,014	958	947	947	812	778	725	738
Dual employment-other agencies	10	4	14	16	18	20	33	22	17	20
Total	1,810	1,768	1,817	1,689	1,715	1,735	1,588	1,559	1,497	1,462
Total Employees	**4,735**	**4,827**	**4,763**	**4,545**	**4,528**	**4,486**	**4,338**	**4,332**	**4,277**	**4,323**

AUTHORITY	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Employees										
Permanent Full-time and Part-time Employees										
Full-time classified	4,958	3,474	3,360	3,136	2,879	2,827	2,799	2,715	2,376	2,292
Part-time classified	435	1,745	1,579	1,330	1,243	1,063	976	916	806	739
Full-time unclassified	45	45	41	44	41	68	68	66	64	53
Part-time unclassified	1	1	1	-	-	5	3	4	3	4
Total	5,439	5,265	4,981	4,510	4,163	3,963	3,846	3,701	3,249	3,088
Other Categories										
Classified	1	-	3	-	1	1	1	1	2	1
Residents	-	1	1	-	1	-	1	1	-	-
Students	20	8	10	15	23	24	28	33	32	38
Temporary	572	658	694	741	772	765	788	684	582	491
Total	593	667	708	756	797	790	818	719	616	530
Total Employees	**6,032**	**5,932**	**5,689**	**5,266**	**4,960**	**4,753**	**4,664**	**4,420**	**3,865**	**3,618**

Source: Medical University of South Carolina Office of Human Resources Management and Medical University Hospital Authority Human Resources.

EMPLOYEE STATISTICS – UMA
LAST TEN FISCAL YEARS

	Full-Time Equivalent Employees as of June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Departmental										
Full-time	389	366	305	282	231	200	193	234	233	206
Part-time	13	17	38	31	28	24	23	28	28	25
Temporary	8	5	9	12	6	5	5	6	6	5
Total Departmental	410	388	352	325	265	229	221	268	267	236
Corporate										
Full-time	325	312	303	311	297	289	294	218	249	285
Part-time	1	6	3	7	7	7	7	5	6	7
Temporary	3	1	1	2	6	6	6	4	5	6
Total Corporate	329	319	307	320	310	302	307	227	260	298
Ambulatory Care										
Full-time	13	16	17	23	18	15	16	15	385	392
Part-time	-	-	1	1	-	-	-	-	28	28
Temporary	-	-	-	-	1	1	1	1	27	28
Total Ambulatory Care	13	16	18	24	19	16	17	16	440	448
Total Employees	752	723	677	669	594	547	545	511	967	982
Vacant Positions	122	70	125	79	41	31	19	56	27	90
Total Authorized Positions	**874**	**793**	**802**	**748**	**635**	**578**	**564**	**567**	**994**	**1,072**

Notes: 1) Excludes physician members.
2) Effective July 1, 2002, the majority of Ambulatory Care employees were transferred to the Medical University Hospital Authority.

Source: University Medical Associates Human Resources.

SCHEDULE OF CAPITAL ASSET INFORMATION – UNIVERSITY
LAST NINE FISCAL YEARS

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Academic buildings									
Net assignable square feet (in thousands)	2,611	2,215	2,140	2,100	2,405	2,382	2,208	2,187	2,143
Administrative and support buildings									
Net assignable square feet (in thousands)	315	412	386	377	474	487	369	359	382
Laboratories									
Net assignable square feet (in thousands)	620	356	325	313	309	288	244	244	235
Athletic Facilities									
Fitness center	1	1	1	1	1	1	1	1	1
Gymnasium	1	1	1	1	1	1	1	1	1
Pool	1	1	1	1	1	1	1	1	1
Squash courts	1	1	1	2	2	2	2	2	2
Indoor racquetball court	4	4	4	4	4	4	4	4	4
Outdoor racquetball court	3	3	3	3	3	3	3	3	3
Tennis court	4	4	4	4	4	4	4	4	4
Transportation:									
Airplane	1	1	1	1	1	1	1	1	1
Buses	12	12	10	10	10	10	7	5	3
Mobile health units	5	3	3	3	2	2	2	2	2
Other vehicles	82	81	88	86	90	84	78	75	67

Note: Pre-2002 fiscal year data is not available.

Source: Building square footage was obtained from Medical University of South Carolina Planning office.
Facilities and transportation information was obtained from Medical University of South Carolina Property Control office.

DEMOGRAPHIC STATISTICS
STATE OF SOUTH CAROLINA
LAST TEN FISCAL YEARS

	Population as of July 1 (a)	Total Personal Income (1) (b)	Per Capita Income	Average Annual Unemployment Rate (c)
2009	4,561,242	$ 147,501	$ 32,338	11.7%
2008	4,503,280	148,370	32,947	6.9%
2007	4,424,232	142,050	32,107	5.6%
2006	4,339,399	134,197	30,925	6.4%
2005	4,256,199	124,392	29,226	6.8%
2004	4,201,306	117,248	27,908	6.8%
2003	4,146,474	110,660	26,688	6.7%
2002	4,103,934	107,002	26,073	6.0%
2001	4,062,701	104,215	25,652	5.2%
2000	4,023,570	100,913	25,080	3.6%

Note (1): Amounts expressed in millions.

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

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

2009	2001
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Greenville Hospital System	Michelin Tire Corporation
Michelin North America, Inc.	Springs Industries, Inc.
Palmetto Health Alliance, Inc.	United States Department of Defense
United States Department of Defense	United States Postal Service
United States Postal Service	University of South Carolina
University of South Carolina	Wal-Mart Associates, Inc
Wal-Mart Associates, Inc.	Washington Savannah River Company

Notes: 1) Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.
2) The ten largest employers prior to calendar year 2001 are not available.

Source: South Carolina Employment Security Commission.