



The Medical University of South Carolina
Charleston, South Carolina

Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

A component unit of the State of South Carolina

This Comprehensive Annual Financial Report is also available from the
The Medical University of South Carolina website:

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

Adobe Acrobat reader is required to read the pdf file.

Prepared by:
MUSC Controller's Office
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Cover: Shawn Jenkins Children's Hospital and Pearl Tourville Women's Pavilion



Comprehensive Annual Financial Report

A component unit of the State of South Carolina

For the Year Ended June 30, 2016

Prepared by the Controller's Office

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Introductory Section

PRESIDENT'S LETTER

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



September 30, 2016

Dear Friends:

It is a pleasure to present you with this summary financial report for the past fiscal year at the Medical University of South Carolina. I marked the end of my second year as President with a heightened commitment to enhance our University's ability to educate our students, make new discoveries, and provide exceptional patient care. Every year MUSC serves millions of individuals, families, businesses and communities with one overarching vision...leading health innovation for all the lives we touch. To this end, we will lead by example through education, collaboration and innovation to put our patients and their families at the center of a health care transformation that has an impact across our state...thereby *changing what's possible* nationally and globally.

It has been very gratifying to see the excellence of the Medical University being widely recognized. During the past fiscal year, MUSC recruited a new Dean for the College of Medicine, Ray Dubois, MD, PhD, and a new Vice President for Research, Kathleen Brady, MD, PhD. In addition to filling these two key positions, we celebrated the largest graduating class in the history of MUSC and led South Carolina's adoption of the State Authorization Reciprocity Agreement which allowed easier access to our online education programs and out-of-state clinical rotations for MUSC students.

On the research front, MUSC's extramural research funding exceeded \$250 million, a new record. MUSC achieved a record number of large multidisciplinary-center type grants awarded by NIH, including a record number of Program Project Grants in Hollings Cancer Center.

The clinical enterprise also continued to grow and receive widespread recognition, including a continued decrease in serious safety events and multiple programs were nationally ranked. The *MUSC Health Alliance*, a clinically integrated network, was established to manage population health initiatives and a new Center for Patient and Family-Centered Care was established. Clinical operations saw continued patient demand, with outpatient and inpatient volume at the highest ever recorded in 2016.

As we prepare for the future, the MUSC Shawn Jenkins Children's Hospital and Pearl Tourville Women's Pavilion is scheduled to break ground in fall of 2016. MUSC is committed to addressing the health care provider shortage across our state and country, and to minimize students' time transitioning to gainful employment. We plan to maintain our place as a top research institution both in terms of NIH awards and research expenditures, and also to expand our research portfolio to include more industry partnerships and other sources of research support.

In addition to our three-pronged core mission, we want to change the future for our patients through innovation in scientific discovery and education, partner with others to build healthy communities, and are committed to an institution-wide strategic initiative to foster diversity and inclusion that will impact employees, students, and patients. We face the future with great pride in our accomplishments and look forward to even greater challenges that test our potential.

With best wishes,

A handwritten signature in black ink, appearing to read "David J. Cole, MD, FACS". The signature is fluid and cursive.

David J. Cole, MD, FACS
President

TRANSMITTAL LETTER

Office of the Executive Vice President
Finance and Operations
104 Colcock Hall
179 Ashley Avenue
MSC 003
Charleston, SC 29425

September 30, 2016

President David J. Cole, MD, FACS
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, 2016.

The Comprehensive Annual Financial Report includes the audited financial statements for the year ended June 30, 2016, 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.

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 Uniform Guidance.

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.

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 discretely presented component unit 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 sixteen-member Board of Trustees consisting of the Governor or her designee (ex officio), fourteen members elected by the General Assembly, and two members 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:

- ◆ One blended major fund entity, the 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);
- ◆ One major discretely presented entity, the Medical University Hospital Authority (the Authority), and
- ◆ Two non-major 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.

The South Carolina Department of Administration 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, 2016 are free of material misstatement. Based on the audit, the independent auditor has rendered an unmodified opinion that the Medical University of South Carolina's financial statements for the year ended June 30, 2016 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 5,400 faculty and staff and, when combined with the Medical University Hospital Authority and University Medical Associates, the university system, with more than 13,000 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 2016 enrollment of approximately 3,000 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 remains in recovery from the nationwide recession. State tax and revenue collections continue to rebound from the lows reached in 2010. South Carolina's unemployment rate at the end of June was 5.4 percent, which was .5 percent above the national average of 4.9 percent. A recent study conducted by the Charleston Metro Chamber of Commerce's Center for Business Research found that MUSC has an economic impact of \$3.8 billion in the Charleston metropolitan area and supports nearly 28,000 jobs.

South Carolina's economic conditions improved during fiscal year 2016. The State's actual revenues increased by 4.3% over prior year revenues. The total General Fund revenue collections in fiscal year 2016 were \$7.3 billion. The State completed the fiscal year with a \$303.6 million budgetary General Fund surplus. Despite improved economic conditions, the State has continuing challenges with funding retirement benefit obligations to public employees.

Long-term Financial Planning

As the global economy began to strengthen 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 2016 operating budget:

- The University received \$94 million in student tuition and fees.
- The University's extramural research funding exceeded \$250 million.
- The University ended the fiscal year with \$68 million in private charitable donations.

The University successfully transitioned to a new funding model (Responsibility Centered Management) in fiscal year 2013 to promote transparency and to provide a structure for an integrated and longer-term planning process. As we look to the future, 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 plans to foster partnerships outside of academia and has invested in the Foundation for Research Development and the Center of Innovation and Entrepreneurship. MUSC will continue to recruit SmartState chairs and grow its research profile and national ranking, despite the competitive research funding environment. With respect to the clinical mission, MUSC received the largest increase in fiscal year 2016 in more than 17 years to support the construction of the new MUSC Shawn Jenkins Children's Hospital and Pearl Tourville Women's Pavilion, the development of telemedicine, and a statewide teaching partnership. MUSC will continue to provide the very highest quality of patient care in the midst of health care reform and reductions in Medicaid reimbursements.

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.

Clinical

- High reliability program continues to demonstrate decrease in preventable harm (serious safety events).
- US News and World Report - #1 Hospital in South Carolina; 11 programs nationally ranked (best performance ever for MUSC).
- Established *MUSC Health Alliance*, a clinically integrated network, to manage population health initiatives.
- Care team member engagement for MUSC Health in the top 25% nationwide.
- Shawn Jenkins Children's Hospital and Pearl Tourville Women's Pavilion continues to develop – project to have ground breaking in August 2016 and expected loan closure with HUD in October 2016.
- Continued patient demand – inpatient census highest ever-recorded in 2016; outpatient visit volume and patient visit volume highest ever-recorded in 2016; surgical volume increased by 10% over prior year.
- Nursing Excellence/Magnet status attained by American Nurses Credentialing Center.
- Economic impact study completed showing \$3.8 billion impact to South Carolina economy.
- Established a new Center for Patient and Family-Centered Care.

Education

- Successfully recruited a new Dean for the College of Medicine: Ray DuBois M.D., PhD.
- Successfully recruited a Vice President for Research: Kathleen Brady M.D., PhD.
- Over 609 first-year MUSC students from all six colleges participated in Diversity training.
- Celebrated the largest graduating class in the history of MUSC.
- Created 104 new interprofessional clinical rotation slots for NP, PA, MD, PT, OT, MHA, MPH, and PharmD students.
- Led South Carolina's adoption of the State Authorization Reciprocity Agreement (SARA), easing access to our online education programs and out-of-state clinical rotations for MUSC students.
- Establishment of Medical District MOU approved by Charleston City Council and endorsed by all parties.
- Served as lead site for the largest orthopedics comparative-effectiveness study ever conducted (coordinating 25 sites).

Research

- Achieved a record number of large multidisciplinary-center type grants awarded by NIH (13), including a record number of Program Project Grants in Hollings Cancer Center (8).
- Extramural research funding exceeded \$250 million, a new record.

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, 2015. This was the twenty-third 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.

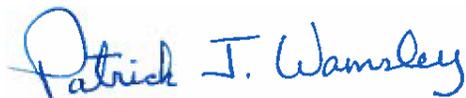
Acknowledgements

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
Executive Vice President for Finance and Operations



Patrick J. Wamsley, CPA
Chief Financial Officer



Susan F. Edwards, CPA
Controller



Sharon S. Williams, CPA, MSA, CGMA
Director, Financial Reporting

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Government Finance Officers Association

**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, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

**BOARD OF TRUSTEES AND
PRINCIPAL UNIVERSITY OFFICIALS**

July 1, 2015 – June 30, 2016

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College of Medicine

Randall Rowen, Pharm. D.
Interim Executive Dean,
South Carolina College of Pharmacy

Philip D. Hall, Pharm. D.
MUSC Campus, SC College of Pharmacy

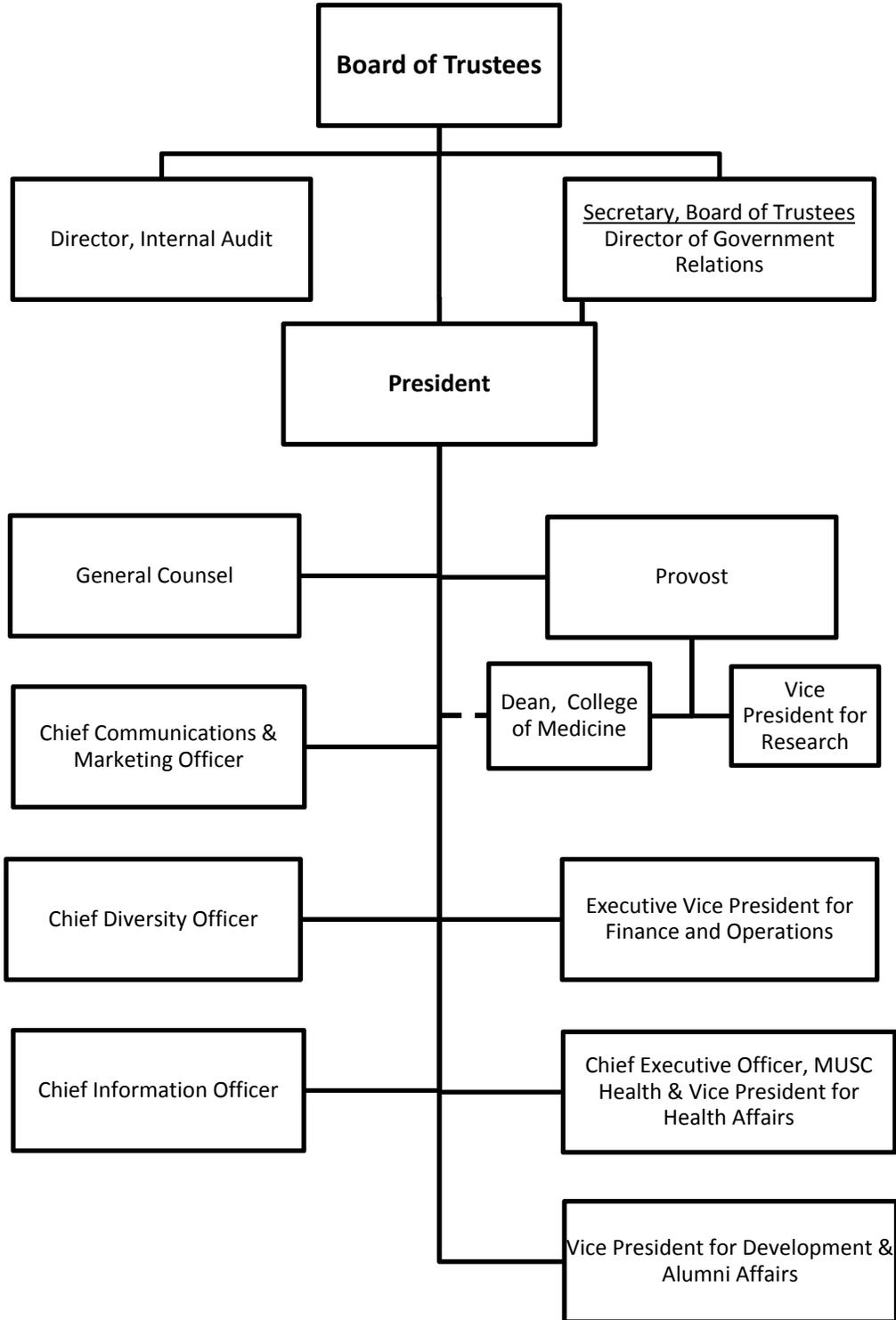
Gail W. Stuart, Ph.D., RN, FAAN, CS
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Paula Traktman, Ph.D.
College of Graduate Studies

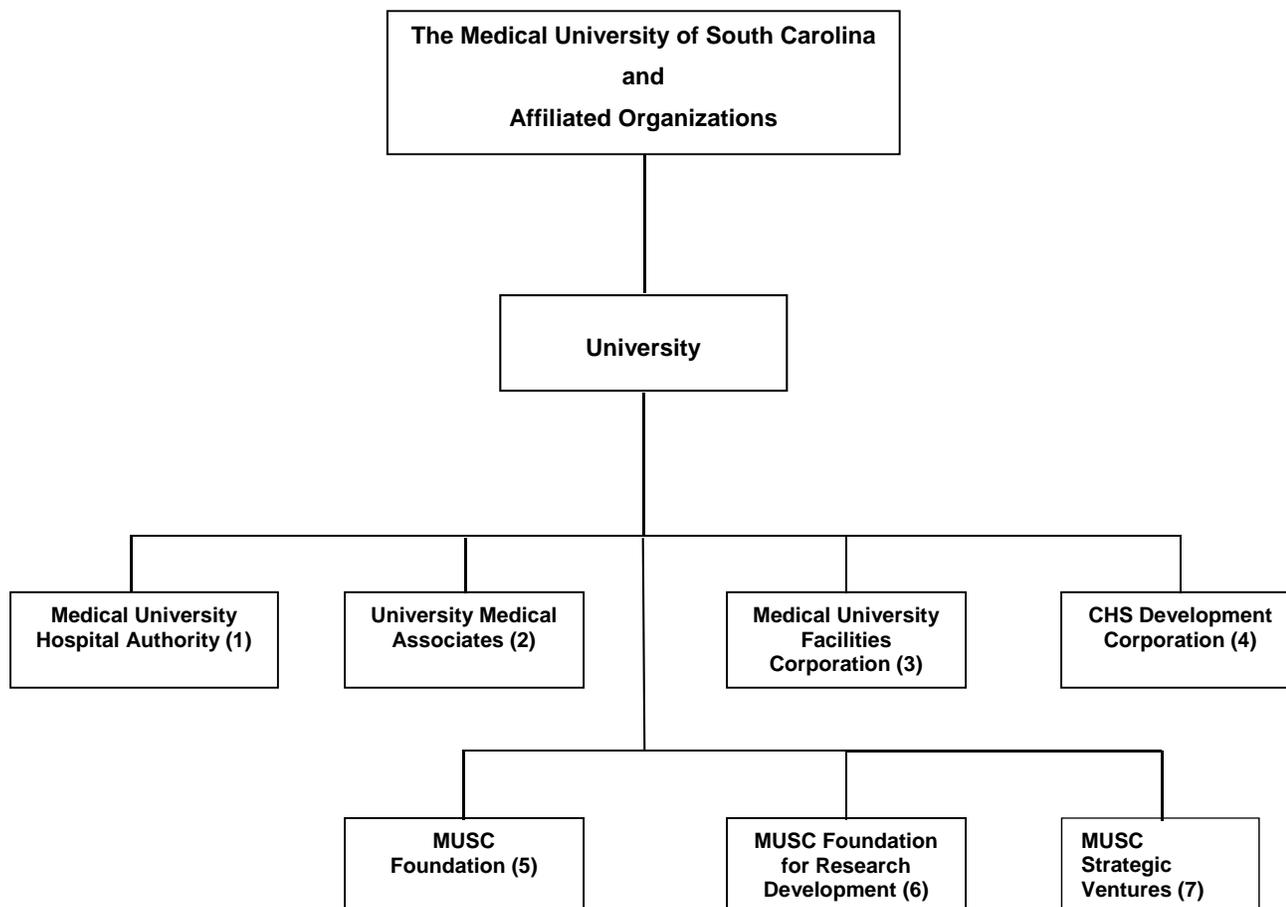
John J. Sanders, D.D.S.
College of Dental Medicine

Lisa S. Saladin, PT, Ph.D.
College of Health Professions

ORGANIZATION CHART



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) 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.
7. MUSC Strategic Ventures (MUSC SV) was formed in September 2015 to support the missions and programs of The Medical University of South Carolina, UMA and MUHA.



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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, the aggregate remaining fund information, and the aggregate discretely presented component units 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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, which collectively represent 34% of total assets and deferred outflows and 4% of total revenues of the University's aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, is based on the reports of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, each major fund, the aggregate remaining fund information, and the aggregate discretely presented component units of the Medical University of South Carolina, as of June 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1 to the basic financial statements, the University adopted, in fiscal year 2016, Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 17 through 25 and Schedule of the University's & Authority's Proportionate Share of the Net Pension Liability to the South Carolina Public Employee Benefit Authority (PEBA), Schedule of University's & Authority's Contributions to PEBA, and Schedule of Funding Progress – Retiree Benefit Plan for Employees of University Medical Associates on pages 80 through 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The combining nonmajor enterprise fund financial statements and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor enterprise fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor enterprise fund financial statements are fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

September 30, 2016

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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, 2016 with selected comparative information for the year ended June 30, 2015. Management's discussion and analysis (MD&A) will focus on the financial position and operations of the primary institution (the University) and the blended component unit that is reported as a major fund, 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, 2016, total assets and deferred outflows reported by the University were \$926.6 million and \$34.2 million respectively and total liabilities and deferred inflows were \$649.6 million and \$0.7 million respectively. Net position, which represents the residual interest in the University's assets after liabilities are deducted, remained at \$310.5 in fiscal years 2016 and 2015. Of the total net position, \$(214.3) million represents unrestricted net position. The University's operating revenues for the fiscal year 2016 increased \$18.8 million, or 4.0 percent, from fiscal year 2015 to \$485.5 million. Operating expenses increased by \$26.6 million, or 4.1 percent, from fiscal year 2015 to \$667.5 million. Net non-operating revenue for fiscal year 2016 was \$80.6 million, as compared to \$109.2 million for fiscal year 2015.

At June 30, 2016, UMA reported total assets and deferred outflows of \$364.9 million and total liabilities and deferred inflows of \$131.2 million. Net position was \$233.7 million, an increase of \$5.6 million, or 2.5 percent, from the previous year's net position of \$228.1 million. Of this amount, \$175.0 million represents unrestricted net position which is available to meet UMA's ongoing obligations. UMA's operating revenues for the fiscal year 2016 increased \$19.1 million, or 5.3 percent, from fiscal year 2015 to \$377.6 million. Operating expenses increased by \$17.2 million, or 6.1 percent, over fiscal year 2015 to \$297.7 million. Net non-operating expenses for fiscal year 2016 were \$1.3 million, as compared to \$0.5 million for fiscal year 2015.

Overview of the Financial Statements

The financial report includes three financial statements:

- ◆ Statement of Net Position
- ◆ Statement of Revenues, Expenses and Changes in Net Position
- ◆ 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 Position

The Statement of Net Position presents the financial position as of the end of the fiscal year and includes all assets, liabilities, deferred outflows, and deferred inflows 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 deferred outflows, and total liabilities and deferred inflows (net position) is one indicator of the current financial condition, while the change in net position 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 Position 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 Position provides a picture of the net position and its availability for expenditure.

Net position is classified into components as follows:

- ◆ Net investment in capital assets represents the investment in property, plant, and equipment less any related debt used to acquire those assets.
- ◆ Restricted nonexpendable net position consist of the University's permanent endowment funds.
- ◆ Restricted expendable net position is 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 position is available for any lawful purpose of the entity.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Summary of Net Position

Amounts in thousands

	The University		University Medical Associates		Nonmajor Enterprise Funds	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 301,983	\$ 282,113	\$ 211,463	\$ 211,942	\$ 3,570	\$ 4,317
Noncurrent assets						
Capital assets, net	491,111	513,994	101,862	102,648	-	-
Other assets & deferred outflows	167,683	164,714	51,615	39,332	13,772	15,631
Total assets & deferred outflows	960,777	960,821	364,940	353,922	17,342	19,948
Liabilities						
Current liabilities	108,049	133,346	41,269	35,904	2,495	2,821
Noncurrent liabilities & deferred inflows	542,265	516,948	89,976	89,937	13,575	15,885
Total liabilities & deferred inflows	650,314	650,294	131,246	125,841	16,070	18,706
Net Position						
Net investment in capital assets	350,909	365,045	58,721	57,837	-	-
Restricted						
Nonexpendable	90,352	87,960	-	-	-	-
Expendable	83,504	93,767	-	-	1,272	1,242
Unrestricted	(214,302)	(236,245)	174,973	170,244	-	-
Total net position	\$ 310,463	\$ 310,527	\$ 233,695	\$ 228,081	\$ 1,272	\$ 1,242

	Interfund Capital Lease Eliminations		Total Primary Government	
	2016	2015	2016	2015
Assets				
Current assets	\$ (1,631)	\$ (2,441)	\$ 515,386	\$ 495,931
Noncurrent assets				
Capital assets, net	-	-	592,973	616,642
Other assets & deferred outflows	(12,214)	(13,845)	220,855	205,832
Total assets & deferred outflows	(13,845)	(16,286)	1,329,214	1,318,405
Liabilities				
Current liabilities	(1,631)	(2,441)	150,183	169,630
Noncurrent liabilities & deferred inflows	(12,214)	(13,845)	633,602	608,925
Total liabilities & deferred inflows	(13,845)	(16,286)	783,785	778,555
Net Position				
Net investment in capital assets	-	-	409,630	422,882
Restricted				
Nonexpendable	-	-	90,352	87,960
Expendable	-	-	84,776	95,009
Unrestricted	-	-	(39,329)	(66,001)
Total net position	\$ -	\$ -	\$ 545,430	\$ 539,850

The University's total assets & deferred outflows decreased \$0.1 million or less than 1 percent. Total liabilities remained consistent from fiscal year 2016 to fiscal year 2015.

UMA's total assets & deferred outflows increased \$11.0 million in fiscal year 2016, primarily due to an increase in other assets. Liabilities also increased \$5.4 million, due to a change in timing of payroll. UMA's unrestricted net position increased \$4.7 million from \$170.2 million at the end of fiscal year 2015 to \$174.9 million at the end of fiscal year 2016.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position 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 position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. 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 Position

Amounts in thousands

	The University		University Medical Associates		Nonmajor Enterprise Funds	
	2016	2015	2016	2015	2016	2015
Operating revenues	\$ 485,464	\$ 466,670	\$ 377,597	\$ 358,538	\$ 778	\$ 944
Operating expenses	(667,549)	(640,958)	(297,651)	(280,407)	(695)	(868)
Operating income (loss)	(182,085)	(174,288)	79,946	78,131	83	76
Nonoperating revenues	107,001	129,801	5,823	4,823	-	-
Nonoperating expenses	(26,442)	(20,589)	(7,138)	(5,306)	-	-
Net nonoperating revenues (expenses)	80,559	109,212	(1,315)	(483)	-	-
Income (loss) before other revenues, expenses, gains, losses, and transfers	(101,526)	(65,076)	78,631	77,648	83	76
Capital appropriations	25,665	1,095	-	-	-	-
Capital grants and gifts	335	421	-	-	-	-
Additions to permanent endowments	2,391	2,935	-	-	-	-
Transfers	73,070	76,152	(73,018)	(76,089)	(52)	(63)
Change in net position	(64)	15,527	5,613	1,559	31	13
Net position at beginning of year	310,527	295,000	228,081	226,522	1,242	1,229
Net position at end of year	<u>\$ 310,464</u>	<u>\$ 310,527</u>	<u>\$ 233,694</u>	<u>\$ 228,081</u>	<u>\$ 1,272</u>	<u>\$ 1,242</u>

	Interfund Capital Lease Eliminations		Total Primary Government	
	2016	2015	2016	2015
Operating revenues	\$ (714)	\$ (1,028)	\$ 863,124	\$ 825,124
Operating expenses	-	-	(965,895)	(922,233)
Operating income (loss)	(714)	(1,028)	(102,771)	(97,109)
Nonoperating revenues	-	-	112,824	134,624
Nonoperating expenses	714	1,028	(32,866)	(24,867)
Net nonoperating revenues (expenses)	714	1,028	79,959	109,757
Income (loss) before other revenues, expenses, gains, losses, and transfers	-	-	(22,812)	12,648
Capital appropriations	-	-	25,665	1,095
Capital grants and gifts	-	-	335	421
Additions to permanent endowments	-	-	2,391	2,935
Transfers	-	-	-	-
Change in net position	-	-	5,580	17,099
Net position at beginning of year	-	-	539,850	522,751
Net position at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545,430</u>	<u>\$ 539,850</u>

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Revenues

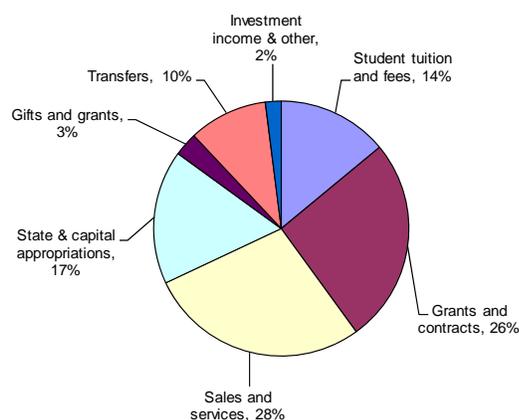
The University's daily operations are funded primarily from grants and contracts, sales and services, and State and capital appropriations. These three sources account for 71 percent of the total fiscal year 2016 revenues of \$693.9 million and 69 percent of the total fiscal year 2015 revenues of \$677.1 million. The following table and chart illustrate the University's revenues by source.

Revenues by Source – The University

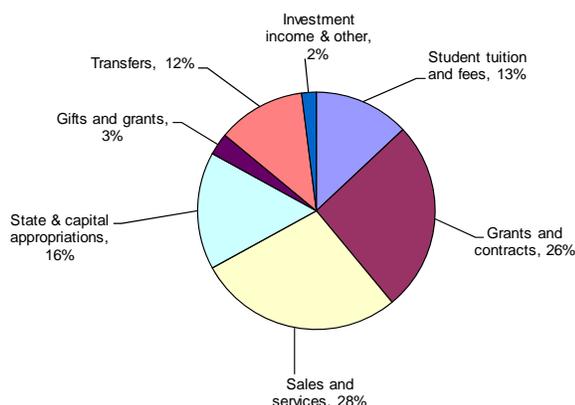
Amounts in thousands

	2016	Percent Of Total	2015	Percent Of Total
Operating revenues				
Student tuition and fees	\$ 93,907	14%	\$ 89,555	13%
Grants and contracts	185,495	26%	174,486	26%
Sales and services	192,805	28%	192,459	28%
Other operating revenues	13,257	2%	10,170	2%
Total operating revenues	<u>485,464</u>	<u>70%</u>	<u>466,670</u>	<u>69%</u>
Nonoperating and other revenues				
State & capital appropriations	117,524	17%	109,268	16%
Gifts and grants	21,272	3%	21,874	3%
Investment income	(3,403)	0%	3,110	0%
Transfers	73,069	10%	76,152	12%
Total nonoperating and other revenues	<u>208,462</u>	<u>30%</u>	<u>210,404</u>	<u>31%</u>
Total revenues	<u>\$ 693,926</u>	<u>100%</u>	<u>\$ 677,074</u>	<u>100%</u>

2016



2015



In fiscal year 2016, the University's total revenues increased by \$16.9 million from the previous fiscal year. Tuition revenues increased \$4.4 million. Grants and contracts increased \$11.0 million due to the net effect of increases in state and federal grant revenues and an increase in nongovernmental grant revenues. Sales and services revenues increased \$0.3 million primarily due to increases in auxiliary and other services revenue.

State and capital appropriations increased \$8.3 million primarily due to an increase in capital appropriations for the Shawn Jenkins Children's Hospital and Pearl Tourville Women's Pavilion, net of a decrease in appropriations for telemedicine designated for the Authority and a decrease in operating appropriations. State appropriations included \$18.6 million in fiscal year 2016 and fiscal year 2015 which was subsequently paid to the Medical University Hospital Authority as part of the Disproportionate Share Program administered by the South Carolina Department of Health and Human Services.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Gifts and grants decreased slightly primarily due to the net effect of decreases in permanent endowment additions and gifts from the Medical University of South Carolina Foundation and a decrease in capital grants. Investment income decreased \$6.5 million primarily due to decreased earnings and realized and unrealized gains (losses) from endowments.

Operating Revenue by Source for the Major Blended Component Unit

Amounts in thousands

	University Medical Associates	
	2016	2015
Net patient service revenue	\$ 362,672	\$ 343,764
Educational agreements	6,562	6,712
Other operating revenue	8,363	8,063
Total operating revenue	\$ 377,597	\$ 358,539

UMA's' net patient service revenue increased \$18.9 million primarily from an increase in patient volume and revenue related to high cost medical supplies. Other operating revenue increased slightly during fiscal year 2016.

Expenses

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

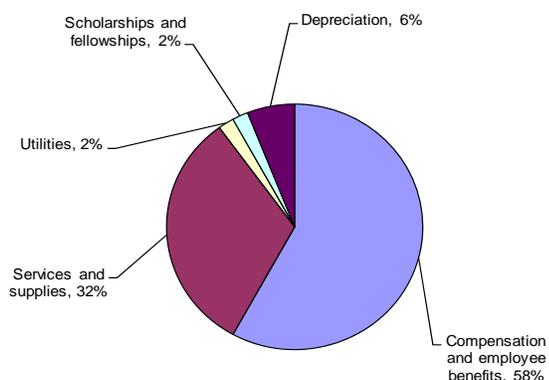
Amounts in thousands

	2016		2015	
	2016	Percent Of Total	2015	Percent Of Total
Compensation, employee and pension benefits	\$ 388,837	58%	\$ 364,065	57%
Services and supplies	212,435	32%	210,265	33%
Utilities	14,542	2%	14,201	2%
Scholarships and fellowships	11,282	2%	12,102	2%
Depreciation	40,453	6%	40,325	6%
Total operating expenses	\$ 667,549	100%	\$ 640,958	100%

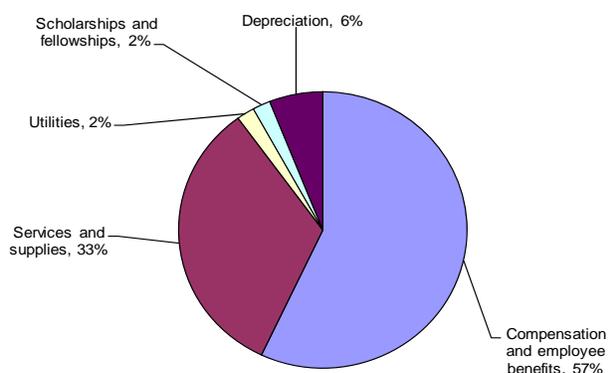
MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

2016



2015



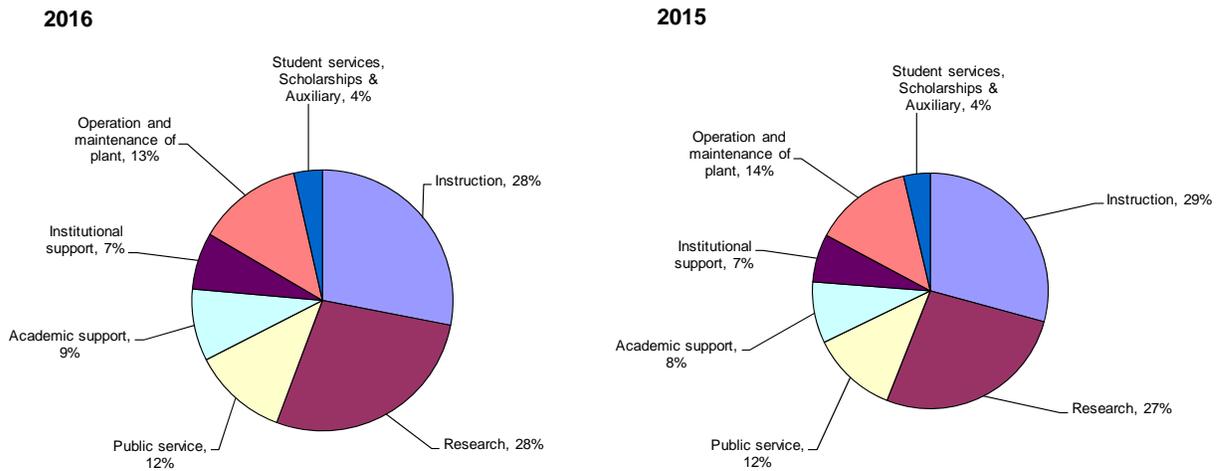
The University's operating expenses were \$667.5 million for the fiscal year ended June 30, 2016, an increase of \$26.6 million from fiscal year 2015. The increase of 4.1 percent resulted primarily from the net impact of increases of \$24.8 million in compensation and employee benefits including pension obligations and a decrease of \$0.8 million in scholarships and fellowships and an increase of \$2.2 million in services and supplies.

Non-operating expenses included in the University's total expenses amounted to \$39.6 million and \$27.6 million in fiscal years 2016 and 2015, respectively. This \$12 million increase was primarily due to an increase in the pass-through state appropriations paid to the Authority and a decrease in investment income in fiscal year 2016.

Operating Expenses by Function – The University

Amounts in thousands

	<u>2016</u>	<u>Percent Of Total</u>	<u>2015</u>	<u>Percent Of Total</u>
Instruction	\$ 187,241	28%	\$ 187,337	29%
Research	184,596	28%	171,551	27%
Public service	78,658	12%	75,818	12%
Academic support	59,531	9%	53,929	8%
Student services	8,793	1%	8,713	1%
Institutional support	47,134	7%	42,307	7%
Operation and maintenance of plant	86,938	13%	86,660	14%
Scholarships and fellowships	3,602	1%	3,948	1%
Auxiliary enterprises	11,056	2%	10,695	2%
Total operating expenses	\$ 667,549	100%	\$ 640,958	100%



UMA's operating expenses increased by \$17.2 million primarily due to an increase in salaries and benefits for new faculty employed during the year. This was offset by a decrease in office rental due to the purchase of Parkshore Centre and a reduction in consulting fees. UMA's nonoperating expenses decreased \$0.8 million primarily due to a decrease in nonmandatory contributions to the University and its Foundation in support of their missions.

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 2016 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, salaries paid to employees and payments to vendors. Since State appropriations and gifts are not considered operating revenues, operating activities of the University produced a net cash outflow of \$115.6 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 \$185.5 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 \$33.1 million.
- ◆ The University's investing activities consisted of \$5.9 million of earnings on investments and \$2.4 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 Position.

Capital Asset and Debt Activities

The following is a summary of capital asset and long-term debt activity for the University and its major blended component unit for fiscal year 2016. 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.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Unaudited

Capital Assets, Net of Depreciation

Amounts in thousands

	The University		University Medical Associates	
	2016	2015	2016	2015
Land	\$ 10,588	\$ 10,612	\$ 18,845	\$ 18,561
Construction in progress	8,930	6,734	417	147
Land improvements	6,263	7,123	-	-
Buildings and improvements	416,090	438,689	70,434	69,305
Machinery and equipment	48,302	50,503	5,721	6,544
Vehicles	938	333	6,445	8,091
	<u>\$ 491,111</u>	<u>\$ 513,994</u>	<u>\$ 101,862</u>	<u>\$ 102,648</u>

The University

Capital additions, net of the change in construction in progress, totaled \$17.9 million in fiscal year 2016 and consisted primarily of costs associated with renovations to administrative and laboratory space, and investments in medical, scientific and laboratory equipment.

The University had outstanding commitments under construction contracts related to these and other projects of approximately \$8.3 million at June 30, 2016. These projects are being funded by bond proceeds, federal grants, state appropriations, restricted gifts, and unrestricted university funds.

University Medical Associates

UMA's investment in capital assets, net of accumulated depreciation as of June 30, 2016 was \$101.9 million. The change in capital assets year over year is primarily due to depreciation recorded during fiscal year 2016.

Bonds, Notes, Capital Lease Obligations, and Interfund Payables

The following table shows the amounts (in thousands) and types of bonds, notes, and capital leases outstanding as of June 30, 2016.

	The University		University Medical Associates	
	2016	2015	2016	2015
State institution bonds, net	\$ 56,930	\$ 36,006	\$ -	\$ -
State bond anticipation notes	-	26,500	-	-
Revenue bonds, net	28,495	29,855	-	-
Notes payable	-	-	9,795	13,586
Variable rate demand bonds	-	-	62,085	62,085
Fixed rate revenue bond	-	-	12,970	14,175
Capital lease obligations	73	349	673	-
Due to component unit	43,069	43,732	-	-
Interfund payables	13,845	16,285	-	-
	<u>\$ 142,412</u>	<u>\$ 152,727</u>	<u>\$ 85,523</u>	<u>\$ 89,846</u>

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.

Unaudited

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". During the fiscal year ended June 30, 2016, the University issued \$30.1 in SIBs to refund a portion of an existing SIB issue and to refund the \$26.5 million State Bond Anticipation Note originally issued to help fund the construction of the School of Dental Medicine Building. At June 30, 2016, the net SIB payable totaled \$56.9 million.

Revenue Bonds

In fiscal year 2007, the University issued a \$38 million revenue bond for the purpose of financing a new parking garage which opened in the Fall of 2008.

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, 2016, the capital lease liability payable to MUFC totaled \$0.3 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, 2016, the capital lease liability payable to CHS was \$13.5 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 (MUSCF), a discretely presented component unit, for a garage and two office buildings. As of June 30, 2016, the capital lease liability payable to MUSCF, which is reflected as Due to Component Unit, totaled \$43.1 million.

In addition, the University has \$0.1 million in capital leases payable at June 30, 2016 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 Buildings, 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 used 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 Bonds.* The State issues these bonds and makes the proceeds available for the University to spend on approved projects. The University used 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.

University Medical Associates

At June 30, 2016, UMA had \$85.5 million in outstanding bonds, notes and capital lease obligations compared to \$89.8 million outstanding in the prior year, a decrease of 4.8 percent.

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>

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2016

	The University	University Medical Associates	Nonmajor Enterprise Funds	Interfund Capital Leases Elimination	Total Primary Government
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 220,591,795	\$ 52,863,793	\$ -	\$ -	\$ 273,455,588
Investments	-	77,114,379	-	-	77,114,379
Receivables, net	33,554,103	41,310,610	7,950	-	74,872,663
Student loans receivable	36,694	-	-	-	36,694
Due from other funds	-	34,985,246	-	-	34,985,246
Due from component units	6,274,725	2,567,929	-	-	8,842,654
Prepaid items	5,441,780	338,226	156,349	-	5,936,355
Restricted assets					
Cash and cash equivalents	23,936,698	-	663,181	-	24,599,879
Investments	-	-	1,111,935	-	1,111,935
Due from component units	10,929,254	-	-	-	10,929,254
Interfund receivables	-	-	1,630,612	(1,630,612)	-
Student loans receivable	1,217,820	-	-	-	1,217,820
Other current assets	-	2,283,034	-	-	2,283,034
Total current assets	<u>301,982,869</u>	<u>211,463,217</u>	<u>3,570,027</u>	<u>(1,630,612)</u>	<u>515,385,501</u>
Noncurrent Assets					
Investments	-	9,390,700	-	-	9,390,700
Student loans receivable	372,938	-	-	-	372,938
Restricted assets					
Cash and cash equivalents	31,901,295	-	-	-	31,901,295
Investments	-	-	213,000	-	213,000
Due from component units	89,623,947	-	-	-	89,623,947
Interfund receivables	-	-	12,214,281	(12,214,281)	-
Student loans receivable	11,582,960	-	-	-	11,582,960
Prepaid items	-	6,914,522	1,020,805	-	7,935,327
Investment in joint ventures	-	2,004,173	-	-	2,004,173
Capital assets, net of accumulated depreciation	491,111,236	101,861,809	-	-	592,973,045
Other noncurrent assets	-	9,252,089	-	-	9,252,089
Total noncurrent assets	<u>624,592,376</u>	<u>129,423,293</u>	<u>13,448,086</u>	<u>(12,214,281)</u>	<u>755,249,474</u>
Total assets	<u>926,575,245</u>	<u>340,886,510</u>	<u>17,018,113</u>	<u>(13,844,893)</u>	<u>1,270,634,975</u>
DEFERRED OUTFLOWS					
Deferred loss on refunding of debt	528,363	14,296,456	323,994	-	15,148,813
Deferred outflows-pension	33,672,989	-	-	-	33,672,989
Accumulated decrease in fair value of hedging derivatives	-	9,757,491	-	-	9,757,491
Total assets and deferred outflows	<u>960,776,597</u>	<u>364,940,457</u>	<u>17,342,107</u>	<u>(13,844,893)</u>	<u>1,329,214,268</u>
LIABILITIES					
Current liabilities					
Payables and accrued liabilities	25,418,207	33,575,908	184,759	-	59,178,874
Due to other funds	34,985,246	-	-	-	34,985,246
Due to component units	716,497	-	-	-	716,497
Unearned revenues	14,249,595	-	-	-	14,249,595
Interfund payables	1,630,612	-	-	(1,630,612)	-
Long-term liabilities	22,665,247	7,693,490	2,310,000	-	32,668,737
Other current liabilities	8,384,222	-	-	-	8,384,222
Total current liabilities	<u>108,049,626</u>	<u>41,269,398</u>	<u>2,494,759</u>	<u>(1,630,612)</u>	<u>150,183,171</u>
Noncurrent liabilities					
Interfund payables	12,214,281	-	-	(12,214,281)	-
Due to component unit	42,352,376	-	-	-	42,352,376
Federal loan program liability	13,468,158	-	-	-	13,468,158
Long-term liabilities	93,735,623	81,562,335	13,575,000	-	188,872,958
Net Pension Liability	379,824,958	-	-	-	379,824,958
Fair value of derivative instruments	-	8,414,090	-	-	8,414,090
Total noncurrent liabilities	<u>541,595,396</u>	<u>89,976,425</u>	<u>13,575,000</u>	<u>(12,214,281)</u>	<u>632,932,540</u>
Total liabilities	<u>649,645,022</u>	<u>131,245,823</u>	<u>16,069,759</u>	<u>(13,844,893)</u>	<u>783,115,711</u>
DEFERRED INFLOWS					
Deferred inflows - pension	668,982	-	-	-	668,982
Total liabilities and deferred inflows	<u>650,314,004</u>	<u>131,245,823</u>	<u>16,069,759</u>	<u>(13,844,893)</u>	<u>783,784,693</u>
NET POSITION					
Net investment in capital assets	350,908,685	58,721,472	-	-	409,630,157
Restricted					
Nonexpendable	90,351,534	-	-	-	90,351,534
Expendable for					
Education	28,088,823	-	-	-	28,088,823
Loans	3,876,319	-	-	-	3,876,319
Capital projects	51,012,394	-	-	-	51,012,394
Debt service	526,989	-	1,272,348	-	1,799,337
Unrestricted	(214,302,151)	174,973,162	-	-	(39,328,989)
Total net position	<u>\$ 310,462,593</u>	<u>\$ 233,694,634</u>	<u>\$ 1,272,348</u>	<u>\$ -</u>	<u>\$ 545,429,575</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2016

	<u>The University</u>	<u>University Medical Associates</u>	<u>Nonmajor Enterprise Funds</u>	<u>Interfund Capital Leases Elimination</u>	<u>Total Primary Government</u>
Operating revenues					
Student tuition and fees (net of scholarship allowances of \$ 4,991,773)	\$ 93,907,317	\$ -	\$ -	\$ -	\$ 93,907,317
Federal operating grants and contracts	138,867,924	-	-	-	138,867,924
State operating grants and contracts	9,343,537	-	-	-	9,343,537
Local government operating grants and contracts	58,575	-	-	-	58,575
Nongovernmental operating grants and contracts	37,224,554	-	-	-	37,224,554
Sales and services provided to Medical University Hospital Authority	111,475,097	-	-	-	111,475,097
Sales and services of educational and other activities	66,662,632	-	-	-	66,662,632
Net patient service revenue	-	362,672,184	-	-	362,672,184
Ambulatory care and Medical University Hospital Authority revenue cycle support	-	6,562,252	-	-	6,562,252
Auxiliary enterprises	14,667,130	-	-	-	14,667,130
Interest income (used as security for revenue bonds and notes)	-	-	743,507	(714,420)	29,087
Other operating revenues	13,256,807	8,362,450	33,998	-	21,653,255
Total operating revenues	485,463,573	377,596,886	777,505	(714,420)	863,123,544
Operating expenses					
Compensation and employee benefits	382,529,869	221,236,381	-	-	603,766,250
Pension Benefits	6,307,686	-	-	-	6,307,686
Services and supplies	212,435,040	68,687,133	6,435	-	281,128,608
Utilities	14,542,306	923,251	-	-	15,465,557
Scholarships and fellowships	11,281,769	-	-	-	11,281,769
Interest expense	-	-	532,021	-	532,021
Depreciation and amortization	40,452,735	6,804,134	156,349	-	47,413,218
Total operating expenses	667,549,405	297,650,899	694,805	-	965,895,109
Operating income (loss)	(182,085,832)	79,945,987	82,700	(714,420)	(102,771,565)
Nonoperating revenues (expenses)					
State appropriations	91,859,109	-	-	-	91,859,109
Gifts and grants	18,545,509	-	-	-	18,545,509
Gifts made	-	(2,826,250)	-	-	(2,826,250)
Investment income	(3,402,660)	768,218	-	-	(2,634,442)
Interest expense	(7,036,231)	(4,312,138)	-	714,420	(10,633,949)
Gain (Loss) on disposition of capital assets	9,730,823	192	-	-	9,731,015
Transfers to other state funds	(415,471)	-	-	-	(415,471)
Other nonoperating revenues (expenses)	(28,721,574)	5,054,717	-	-	(23,666,857)
Net nonoperating revenues (expenses)	80,559,505	(1,315,261)	-	714,420	79,958,664
Income (loss) before other revenues, expenses, gains, losses, and transfers	(101,526,327)	78,630,726	82,700	-	(22,812,901)
Capital appropriations	25,665,452	-	-	-	25,665,452
Capital grants and gifts	335,032	-	-	-	335,032
Additions to permanent endowments	2,391,442	-	-	-	2,391,442
Interfund transfers	73,069,544	(73,017,506)	(52,038)	-	-
Change in net position	(64,857)	5,613,220	30,662	-	5,579,025
Net position at beginning of year	310,527,450	228,081,414	1,241,686	-	539,850,550
Net position at end of year	\$ 310,462,593	\$ 233,694,634	\$ 1,272,348	\$ -	\$ 545,429,575

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF CASH FLOWS
For the year ended June 30, 2016

	The University	University Medical Associates	Nonmajor Enterprise Funds	Interfund Capital Leases Elimination	Total Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES					
Student tuition and fees	\$ 95,095,914	\$ -	\$ -	\$ -	\$ 95,095,914
Grants and contracts	183,973,069	-	-	-	183,973,069
Auxiliary enterprise charges	14,667,130	-	-	-	14,667,130
Receipts for services provided to Medical University Hospital Authority	113,075,985	-	-	-	113,075,985
Receipts for services of educational activities	69,517,496	-	-	-	69,517,496
Receipts from patients and third-party payors	-	364,133,867	-	-	364,133,867
Payments to employees	(382,165,675)	(226,580,725)	-	-	(608,746,400)
Payments to suppliers	(211,853,938)	(65,505,969)	(6,435)	-	(277,366,342)
Payments for scholarships and fellowships	(11,281,769)	-	-	-	(11,281,769)
Loans issued to students	(2,744,742)	-	-	-	(2,744,742)
Collection of loans to students	2,292,001	-	-	-	2,292,001
Student loan program receipts	33,099,207	-	-	-	33,099,207
Student loan program disbursements	(36,180,474)	-	-	-	(36,180,474)
Other receipts	18,575,230	21,781,720	-	-	40,356,950
Other payments	(1,644,300)	(192,924)	-	-	(1,837,224)
Net cash (used) provided by operating activities	<u>(115,574,866)</u>	<u>93,635,969</u>	<u>(6,435)</u>	<u>-</u>	<u>(21,945,332)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
State appropriations	91,859,109	-	-	-	91,859,109
Interfund transfers received	73,069,544	-	-	-	73,069,544
Interfund transfers paid	-	(73,017,506)	(52,038)	-	(73,069,544)
Transfers to other state funds	(520,022)	-	-	-	(520,022)
Gifts made	-	(2,826,250)	-	-	(2,826,250)
Gifts and grants received	21,160,371	-	-	-	21,160,371
Interest on medical resident FICA refund received from Internal Revenue Service	-	-	-	-	-
Interest paid on noncapital debt	(21,670)	-	-	-	(21,670)
Principal paid on bonds and notes payable	-	(1,849,115)	-	-	(1,849,115)
Interest paid on bonds and notes payable	-	(980,370)	-	-	(980,370)
Net cash provided (used) by noncapital financing activities	<u>185,547,332</u>	<u>(78,673,241)</u>	<u>(52,038)</u>	<u>-</u>	<u>106,822,053</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	28,020,600	-	-	-	28,020,600
Capital appropriations	26,160,574	-	-	-	26,160,574
Appropriation paid to Medical University Hospital Authority	(29,000,000)	-	-	-	(29,000,000)
Capital grants and gifts received	48,734	-	-	-	48,734
Proceeds from sale of capital assets	16,949,001	24,738	-	-	16,973,739
Purchases of capital assets	(28,448,604)	(6,695,608)	-	-	(35,144,212)
Principal paid on capital debt and leases	(39,626,957)	(3,241,907)	(2,599,000)	-	(45,467,864)
Interest paid on capital debt and leases	(7,066,101)	(1,699,594)	(497,300)	-	(9,262,995)
Payment of fees and other items	(117,514)	-	-	-	(117,514)
Net cash used by capital and related financing activities	<u>(33,080,267)</u>	<u>(11,612,371)</u>	<u>(3,096,300)</u>	<u>-</u>	<u>(47,788,938)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Collection of interfund receivables	-	-	2,440,567	-	2,440,567
Interest received on interfund receivables	-	-	714,420	-	714,420
Purchases of investments	-	(31,678,437)	(3,165,717)	-	(34,844,154)
Proceeds from sales and maturities of investments	-	33,143,226	3,109,232	-	36,252,458
Net distributions from joint ventures	-	(448,075)	-	-	(448,075)
Deposits of endowment corpus with MUSC Foundation	(2,391,442)	-	-	-	(2,391,442)
Interest on investments	5,946,995	1,530,354	62,747	-	7,540,096
Net cash provided by investing activities	<u>3,555,553</u>	<u>2,547,068</u>	<u>3,161,249</u>	<u>-</u>	<u>9,263,870</u>
Net increase in cash and cash equivalents	40,447,752	5,897,425	6,476	-	46,351,653
Cash and cash equivalents at beginning of year	235,982,036	46,966,368	656,705	-	283,605,109
Cash and cash equivalents at end of year	<u>\$ 276,429,788</u>	<u>\$ 52,863,793</u>	<u>\$ 663,181</u>	<u>\$ -</u>	<u>\$ 329,956,762</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended June 30, 2016

	The University	University Medical Associates	Nonmajor Enterprise Funds	Interfund Capital Leases Elimination	Total Primary Government
Cash and cash equivalents as reported in the following Statement of Net Assets sections					
Current assets	\$ 220,591,795	\$ 52,863,793	\$ -	\$ -	\$ 273,455,588
Current restricted assets	23,936,698	-	663,181	-	24,599,879
Noncurrent restricted assets	31,901,295	-	-	-	31,901,295
Total cash and cash equivalents	<u>\$ 276,429,788</u>	<u>\$ 52,863,793</u>	<u>\$ 663,181</u>	<u>\$ -</u>	<u>\$ 329,956,762</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (182,085,832)	\$ 79,945,987	\$ 82,700	\$ (714,420)	\$ (102,771,565)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	40,452,735	8,218,895	156,349	-	48,827,979
Provision for bad debts	-	31,685,296	-	-	31,685,296
Rental income, net	-	5,231,982	-	-	5,231,982
Other	-	(177,265)	-	-	(177,265)
Interest income	-	-	(777,505)	714,420	(63,085)
Interest expense	-	-	532,021	-	532,021
Changes in assets and liabilities					
Receivables	14,041,536	(31,862,036)	-	-	(17,820,500)
Student loans receivable	(331,780)	-	-	-	(331,780)
Due from other funds	10,499	2,091,576	-	-	2,102,075
Due from component units	1,945,192	(1,869,961)	-	-	75,231
Prepaid items	(399,648)	338,225	-	-	(61,423)
Other assets	-	(4,921,961)	-	-	(4,921,961)
Payables and accrued liabilities	3,459,852	5,302,273	-	-	8,762,125
Accrued compensated absences	1,050,601	107,709	-	-	1,158,310
Unearned revenues	(1,047,529)	-	-	-	(1,047,529)
Due to component units	-	(626,580)	-	-	(626,580)
Due to other funds	(2,091,575)	-	-	-	(2,091,575)
Federal loan program liability	(1,120,847)	-	-	-	(1,120,847)
Pension obligations	6,307,686	-	-	-	6,307,686
Other liabilities	4,234,244	171,829	-	-	4,406,073
Net cash provided (used) by operating activities	<u>\$ (115,574,866)</u>	<u>\$ 93,635,969</u>	<u>\$ (6,435)</u>	<u>\$ -</u>	<u>\$ (21,945,332)</u>
Noncash transactions					
Equipment acquired by capital leases	\$ 8,192	\$ 373,099	\$ -	\$ -	\$ 381,291
Donated equipment included in capital grants and gifts	286,298	-	-	-	286,298
Change in capital asset payables	111,904	393,817	-	-	505,721
Increase (Decrease) in fair value of investments	-	(858,988)	-	-	(858,988)
Pro rata loss from joint ventures	-	(368,519)	-	-	(368,519)
Total noncash transactions	<u>\$ 406,394</u>	<u>\$ (460,591)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (54,197)</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF NET POSITION
MEDICAL UNIVERSITY HOSPITAL AUTHORITY
 Governmental Discretely Presented Component Unit
 June 30, 2016

ASSETS

Current Assets:

Cash and cash equivalents	\$ 107,833,556
Cash restricted for capital projects and major programs	40,151,522
Investments	15,057,095
Patient accounts receivable, net of allowance for uncollectible accounts of \$88,600,000	198,960,936
Due from third-party payors	17,929,078
Other current assets	64,689,279
Total current assets	444,621,466
Investments held by trustees under indenture agreements	52,356,374
Capital assets, net	512,516,286
Total assets	1,009,494,126

DEFERRED OUTFLOWS

Deferred outflows - pensions	65,514,039
Deferred outflows - debt refunding	32,842,575

Total assets and deferred outflows	\$ 1,107,850,740
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LIABILITIES AND NET POSITION

Current Liabilities:

Current installments of long-term debt and capital lease obligations	\$ 21,460,829
Accounts payable	63,742,372
Accrued payroll, withholdings and benefits	69,205,019
Due to related parties	7,037,419
Due to third party payors	5,049,668
Other accrued expenses	5,416,800
Total current liabilities	171,912,107

Long-term debt	359,323,624
Pension liabilities	645,307,236
Total noncurrent liabilities	1,004,630,860
Total liabilities	1,176,542,967

Deferred inflows - pensions	1,153,583
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Total liabilities and deferred inflows	1,177,696,550
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Net Position:

Net investment in capital assets	164,574,408
Restricted under indenture agreements	52,356,374
Restricted for capital projects	25,000,000
Restricted for telemedicine program	30,758,617
Unrestricted	(342,535,209)
Total net position	(69,845,810)
Total liabilities and net position	\$ 1,107,850,740

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MEDICAL UNIVERSITY HOSPITAL AUTHORITY
Governmental Discretely Presented Component Unit
For the Year Ended June 30, 2016

Operating revenues:	
Net patient service revenue, net of provision for bad debts of \$128,683,666	\$ 1,301,323,915
Other revenue	<u>25,333,565</u>
Total operating revenues	<u>1,326,657,480</u>
Operating expenses:	
Compensation and employee benefits	554,624,082
Pension benefits	13,311,228
Services and supplies	679,934,296
Depreciation and amortization	<u>63,840,599</u>
Total operating expenses	<u>1,311,710,205</u>
Operating income	14,947,275
Nonoperating revenue (expense):	
State appropriations	42,000,000
Gifts and grants	549,999
Investment income	4,377,443
Interest expense	(15,388,607)
(Loss) on disposal of capital assets	(7,296,642)
CHWP bond issue costs	(737,899)
Other nonoperating expenses	<u>(1,000,000)</u>
Increase in net position	37,451,569
Net position, beginning	<u>(107,297,379)</u>
Net position, ending	<u>\$ (69,845,810)</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF FINANCIAL POSITION
MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION
Nongovernmental Discretely Presented Component Unit
June 30, 2016

ASSETS

Cash and cash equivalents	\$ 16,350,181
Receivables:	
Accounts and other receivables	758,368
Unconditional promises to give, net	35,366,192
Investments	409,521,850
Funds held in trust by the Foundation	4,573,474
Funds held in trust by others	14,153
Income producing property	95,303,679
Property and equipment, net	397,567
Other assets	19,710
Total assets	<u>\$ 562,305,174</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 1,902,099
Accrued interest payable	10,973,754
Annuities payable	3,727,538
Notes payable to primary government	89,623,947
Notes and bonds payable	56,468,350
Interest rate swap	2,614,087
Deferred rent	6,518,722
Contributions payable to primary government	17,852,400
Total liabilities	<u>189,680,897</u>
Net Assets:	
Unrestricted:	
Undesignated	26,698,683
Designated for primary government programs	25,517,185
Total unrestricted	<u>52,215,868</u>
Temporarily restricted	170,726,148
Permanently restricted	149,682,261
Total net assets	<u>372,624,277</u>
Total liabilities and net assets	<u>\$ 562,305,174</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF ACTIVITIES
MEDICAL UNIVERSITY OF SOUTH CAROLINA FOUNDATION
Nongovernmental Discretely Presented Component Unit
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support				
Contributions, net of gift management fees	\$ 1,166,458	\$ 28,536,938	\$ 6,476,654	\$ 36,180,050
Interest and dividends, net	1,325,615	3,833,115	-	5,158,730
Net unrealized and realized gains (losses)	6,299,842	(12,342,453)	-	(6,042,611)
Unrealized loss on interest rate swap	(1,277,662)	-	-	(1,277,662)
Special events revenue	-	3,409,795	-	3,409,795
Rental income	6,595,994	34,344	26,613	6,656,951
Change in value of split-interest agreements	-	48,223	-	48,223
Gain on disposal of property and equipment	-	6,383	-	6,383
Other income	23,311	122,613	2,810,100	2,956,024
	<u>14,133,558</u>	<u>23,648,958</u>	<u>9,313,367</u>	<u>47,095,883</u>
Net assets released from restrictions:				
Transfers	(132,540)	43,367	89,173	-
Payments of recurring management fees	2,882,551	(2,882,551)	-	-
Program restrictions satisfied	24,269,664	(24,269,664)	-	-
Total revenues, gains, and other support	<u>41,153,233</u>	<u>(3,459,890)</u>	<u>9,402,540</u>	<u>47,095,883</u>
Expenses and losses				
Program expenses	27,570,645	-	-	27,570,645
Supporting services:				
General and administrative	1,622,953	-	-	1,622,953
Fund-raising	2,488,543	-	-	2,488,543
Total expenses	<u>31,682,141</u>	<u>-</u>	<u>-</u>	<u>31,682,141</u>
Changes in net assets	9,471,092	(3,459,890)	9,402,540	15,413,742
Net assets at beginning of year	<u>42,744,776</u>	<u>174,186,038</u>	<u>140,279,721</u>	<u>357,210,535</u>
Net assets at end of year	<u>\$ 52,215,868</u>	<u>\$ 170,726,148</u>	<u>\$ 149,682,261</u>	<u>\$ 372,624,277</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF FINANCIAL POSITION
MUSC FOUNDATION FOR RESEARCH DEVELOPMENT
Nongovernmental Discretely Presented Component Unit
June 30, 2016

ASSETS	
Cash and cash equivalents	\$ 734,023
Interest receivable	2,083
Accounts receivable, net	310,437
Due from primary government	244,905
Accounts receivable - other	37,806
Prepaid expenses	28,090
Investments	343,788
Property and equipment, net	6,963
Total assets	<u>\$ 1,708,095</u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 63,182
Due to primary government	101,885
Due to University Medical Associates	216,388
Capital lease payable	7,270
Unearned revenue and deposits	222,814
Total liabilities	611,539
Net Assets	
Unrestricted	<u>1,096,556</u>
Total liabilities and net assets	<u>\$ 1,708,095</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

STATEMENT OF ACTIVITIES
MUSC FOUNDATION FOR RESEARCH DEVELOPMENT
Nongovernmental Discretely Presented Component Unit
For the Year Ended June 30, 2016

Revenues, gains, and other support	
State grants and contracts	\$ 2,251,707
License fees and royalties	589,778
Other program services	100,501
Interest and dividend income	10,282
Net unrealized and realized loss on investments	(5,341)
Miscellaneous income	13,752
	<hr/>
Total revenues, gains, and other support	2,960,679
Expenses	
Program services	
Technology transfer activity	1,976,093
Other	774,268
	<hr/>
Total program expenses	2,750,361
Supporting services	
Management and general	169,648
	<hr/>
Total expenses	2,920,009
Changes in net assets	40,670
Net assets at beginning of year	1,055,886
	<hr/>
Net assets at end of year	\$ 1,096,556

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 and its component units are presented as a discretely presented component unit in the Comprehensive Annual Financial Report of the State of South Carolina.

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, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, 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*, and further amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, 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 entities referenced below as component units.

The University implemented GASB Statement No. 61, an amendment to GASB Statements No. 14 and No. 34. While this pronouncement did not significantly change the definition of a component unit, it did change the criteria for inclusion as a blended component unit. As applied to the University, the modified criteria for inclusion as a blended component unit require that a blended unit a) have a substantively similar governing board, and either provide a financial benefit or impose a financial burden on the University or be operationally managed by the University; or b) exclusively or almost exclusively benefit the University even though it may not provide services exclusively to the University; or c) rely on University resources to repay the component unit’s debt.

The University determined that none of aforementioned modified criteria apply to the University’s relationship with the the Medical University Hospital Authority (the Authority). In particular, the University does not have operational responsibility for the Authority and does not receive a financial benefit or incur a financial burden from its relationship with the Authority. Therefore, the University determined that the Authority would be considered a discretely presented component unit of the University. Furthermore, due to the significance of its relationship with the University, the Authority is considered a major discretely presented component unit.

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. 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. UMA is reported as a major fund and MUFC and CHS are reported as nonmajor funds.

Major Blended Fund

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. In addition, 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. During fiscal year 2014, UMA established a new taxable corporate subsidiary, Comprehensive Psychiatric Care Specialists (CPS). Since all of 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 Blended 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 it relies on the University's resources to service its debt. 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 it relies on the University's resources to service its debt. CHS does not issue separate financial statements.

Discretely Presented Component Units

Under criteria set forth in GASB Statement No. 61, the University determined that, effective with fiscal year 2013, the Medical University Hospital Authority (the Authority) will be reported as a discretely presented component unit of the University. As described above, based on the criteria in GASB Statement No. 39, the University reports the Medical University of South Carolina Foundation (MUSCF), the MUSC Foundation for Research Development (MFRD) and MUSC Strategic Ventures (MUSC SV) as discretely presented component units in its financial statements.

Major Discretely Presented Component Unit

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. While 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, the Authority's component unit relationship to the University arises principally because the nature and significance of its relationship with the primary government is such that exclusion would cause the University's financial statements to be misleading or incomplete. The Authority is considered a discretely presented unit because, while it does have the same governing board as the University, it does not provide a significant financial benefit to or impose a financial burden on the University. The Authority receives its own state appropriations passed through the University from the South Carolina General Assembly, independent of the appropriations granted and mandates made to the University. It is considered a major discretely presented component unit because of the significance of its relationship with the University. 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.

Nonmajor Discretely Presented Component Units

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 and the Authority.

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 if MUSCF is dissolved, its assets shall be transferred to the University, MUSCF is considered a discretely-presented component unit of the University. 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 sending a request to the following address: MUSC Foundation for Research Development, MSC 828, 19 Hagood Avenue, Suite 909, Charleston, SC 29425.

MUSC Strategic Ventures was incorporated on September 2, 2015 pursuant to the South Carolina Nonprofit Corporation Act exclusively to operate for charitable, scientific, and educational purposes and to support the missions and programs of the University and UMA.

Based on its close relationship with the University and UMA, MUSC Strategic Ventures is deemed to be financially integrated with the University; therefore MUSC Strategic Ventures is reported as a discretely presented component unit for the University. As of June 30, 2016, although MUSC Strategic Ventures was legally formed, it had not yet begun operations. As a result, no separately issued financial statements are available. MUSC Strategic Ventures anticipates beginning operations during fiscal year 2017 and at that time financial statements will be prepared for the entity.

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 Medical University of South Carolina Foundation and MUSC Foundation for Research Development are private nonprofit organizations that report under FASB standards. 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

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. 72, *Fair Value Measurement and Application*. 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, 2016, the University has recorded a net receivable from Medicaid of \$5,070,335.

UMA grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. Bad debt and contractual allowances for loans receivable and various accounts receivable, including patient accounts receivable, for the University and UMA are established based upon losses and adjustments experienced in prior years and evaluations of the current account portfolios.

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. 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 one year, and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. The University and UMA 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 2016 was \$35,319 for UMA. 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 in accordance with GASB Statement No. 16. The liability is recorded as accrued compensated absences in the Statement of Net Position (see Note 11) and the related expense is a component of compensation and employee benefits expense in the Statement of Revenues, Expenses and Changes in Net Position.

Unearned Revenues

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

Derivative Instruments

The University and its blended units account for its derivative instruments in accordance with the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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 Position 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 Position 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. Using regression analysis, UMA found its hedging derivative instruments to be fully effective for the year ended June 30, 2016.

Deferred Loss on Refunding of Debt

In transactions involving refundings of debt, the difference between the reacquisition price (total cost of new debt) and the net carrying value of the old debt is deferred and amortized to interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The unamortized amount of the deferred loss on refunding of debt is reflected as a deferred outflow.

Net Position

The net position of the University and the governmental component units is classified as follows:

Net investment in capital assets - This component of net position 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, it is not included as a component of the net investment in capital assets.

Restricted net position – non-expendable - Nonexpendable restricted net position consists 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 position – expendable - Restricted expendable net position includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net position - Unrestricted net position represents 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.

Transactions deemed by UMA to be related to its clinical services' offerings or to the use of its facilities and personnel for educational purposes are reported as operating revenues and operating expenses. Peripheral or incidental transactions are reported as nonoperating revenues and expenses. The principal operating revenues of 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), 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 Position. 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

UMA has 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, and a provision for uncollectible accounts. 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.

Charity Care

UMA provides 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.

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.

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, CHS, MUSC Strategic Ventures, MUFC, 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 three 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

The University and UMA implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for fiscal year 2016. This pronouncement addresses accounting and financial reporting issues related to fair value measurements, the level of fair value hierarchy and valuation techniques. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and requires use of valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. These techniques should be consistent with one of the following approaches: the market approach, the cost approach, or the income approach. Use of the highest approach based on the following hierarchy of inputs should also be used: level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities, level 2 inputs are inputs- other than quoted prices- included in level 1 that are either directly or indirectly observable for the asset or liability, or level 3 inputs which are unobservable inputs such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. See note 2 for disclosures related to GASB Statement No. 72.

The University implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for fiscal year 2016. This pronouncement identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This statement addresses the use of authoritative and nonauthoritative sources of information in the event the accounting treatment for a transaction is not specific in a GASB pronouncement.

GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, was issued in March 2016 for reporting periods beginning after June 15, 2016. The University has elected to early implement this Statement, effective for fiscal year 2016. This Statement addresses specific pension issues identified during the implementation of Statements No. 67, No. 68 and No. 73 regarding the presentation of reported covered employee payroll.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued in June 2015. This pronouncement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria for employers whose employees are provided with defined contribution OPEB. The provisions of Statement No. 75 will be effective for the University in fiscal year 2018. The University and UMA are in the process of evaluating the impact of GASB No. 75 and the required disclosures.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, was issued in January 2016. This pronouncement clarifies the financial statement presentation requirements of component units organized as not-for-profit corporations. This statement will be effective for the University in fiscal year 2017. The University and UMA are in the process of evaluating the impact of GASB Statement No. 80.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

2. DEPOSITS AND INVESTMENTS

The following schedule reconciles deposits and investments to the Statement of Net Position:

	The University	UMA	---- Nonmajor Enterprise Funds ----	
			MUFC	CHS
Statement of Net Position:				
Current assets				
Cash and cash equivalents	\$ 220,591,795	\$ 52,863,793	\$ -	\$ -
Investments	-	77,114,379	-	-
Restricted assets				
Cash and cash equivalents	23,936,698	-	-	663,181
Investments	-	-	352,284	759,651
Noncurrent assets				
Investments	-	9,390,700	-	-
Restricted assets				
Cash and cash equivalents	31,901,295	-	-	-
Investments	-	-	213,000	-
Total Statement of Net Position	<u>\$ 276,429,788</u>	<u>\$ 139,368,872</u>	<u>\$ 565,284</u>	<u>\$ 1,422,832</u>
Disclosure, Deposits and Investments plus reconciling items:				
Carrying value of deposits				
Held by State Treasurer	\$ 276,357,183	\$ -	\$ -	\$ -
Other	-	26,556,030	-	405,235
Investments, reported amount				
Unrestricted	-	112,768,660	-	-
Restricted	-	-	565,284	1,017,597
Cash on hand	72,605	44,182	-	-
Total Notes plus reconciling items	<u>\$ 276,429,788</u>	<u>\$ 139,368,872</u>	<u>\$ 565,284</u>	<u>\$ 1,422,832</u>

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

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, 2016, the carrying amount of deposits was \$26,556,030. Bank balances before reconciling items were \$28,379,829. Of these unrestricted bank balances, \$1,384,303 was insured by the FDIC and the remainder was uninsured and uncollateralized.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

Investments

As of June 30, 2016, the investment balances were as follows:

<u>Investment</u>	<u>Carrying Value</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Credit Rating</u>
University Medical Associates				
Certificates of deposit	\$ 200,000	06/09/2017	0.30%	N/A
Fixed income securities:				
U.S. Government Agency issues	2,103,435	10/04/2030	6.00% - 9.00%	N/A
U.S. Government Agency CMO's	665,560	04/10/2031	6.00% - 9.50%	N/A
Auction rate debt securities:				
Merrill Lynch Bonds	9,390,700	12/29/2049	1.21%	A3/A-
Commercial paper	24,975,527	08/07/2015 - 01/19/2016	0.65% - 0.80%	A1- P1, A2/P2
Corporate bonds	18,958,277	08/01/2015 - 06/15/2020	1.04 - 5.00%	A-AA
Money market funds:				
Wells Fargo Bank Institutional	850,485	average 39 days	0.10%	N/A
Federated Prime Mortgage Obligations Inst.	437,570	average 39 days	0.35%	N/A
Mutual Funds:				
Bond funds - domestic	14,707,791	N/A	2.08%	N/A
Equity funds - domestic	36,294,537	N/A	1.75%	N/A
Equity funds - foreign	4,184,778	N/A	1.63%	N/A
Total UMA investments	<u>\$ 112,768,660</u>			
<u>Nonmajor Enterprise Funds</u>				
Medical University Facilities Corporation				
Berkshire Hathaway GIC	\$ 352,284	open-ended	5.78%	N/A
Berkshire Hathaway GIC	213,000	open-ended	6.20%	N/A
Total MJFC investments	<u>\$ 565,284</u>			
CHS Development Company				
FNMA	\$ 378,456	12/10/2016	4.52%	Aaa/P1
Federal Home Loan Bank	381,195	12/10/2016	4.53%	Aaa/P1
Money market funds:				
TD Asset Management U.S. Government Institutional	257,946	average 44 days	0.01%	AAA
Total CHS investments	<u>\$ 1,017,597</u>			

UMA's Investment income comprises of the following for the fiscal year ended June 30, 2016:

Net decrease in fair value of investments	\$ (858,987)
Investment income	1,258,686
Income from joint ventures	368,519
Total	<u>\$ 768,218</u>

The University and its component units report investments at fair value and categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy classifies investments using following three levels:

- Level 1- Investments reflect prices quoted in active markets
- Level 2- Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3- Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. There are no investments or derivatives classified in Level 3.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued by independent financial advisors using the zero-coupon method.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

UMA has the following investments and derivative instruments at fair value measurements as of June 30, 2016:

	06/30/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Bond mutual funds	\$ 14,707,791	\$ 14,707,791	\$ -	\$ -
Certificates of deposit	200,000	-	200,000	-
Corporate bonds	18,958,278	-	18,958,277	-
Auction rate securities	9,390,700	-	9,390,700	-
US government agency issues	2,103,435	-	2,103,435	-
US government agency CMOs	665,560	-	665,560	-
Total debt securities	46,025,764	14,707,791	31,317,972	-
Equity securities				
Domestic equity mutual funds	12,583,162	12,583,162	-	-
Foreign equity mutual funds	4,184,778	4,184,778	-	-
Total equity securities	16,767,940	16,767,940	-	-
Total investments by fair value level	\$ 62,793,704	\$ 31,475,731	\$ 31,317,972	\$ -
Investments measured at the net asset value (NAV)				
Equity long/short hedge funds	\$ 8,564,038			
Multi- strategy hedge funds	3,820,903			
Debt securities hedge funds	11,326,434			
Total investments measured at the NAV	23,711,375			
Total investments measured at fair value	\$ 86,505,079			
Hedging derivative instruments				
Interest rate swap	\$ (8,414,090)	\$ -	\$ (8,414,090)	\$ -

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

Investments measured at the NAV

	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity long/short hedge funds (1)	\$ 8,564,038	Quarterly	75 days
Multi- strategy hedge funds (2)	3,820,903	Monthly	60 days
Debt securities hedge funds (3)	11,326,434	Monthly	60 days
Total investments measured at the NAV	\$ 23,711,375		

- Equity long/short hedge fund. This hedge fund is a multiple-manager investment fund that specializes primarily in classic long/short hedged equity strategies. The hedge fund invests globally, with a majority of the exposure in liquid, developed markets, and invests primarily in private investment partnerships or limited liability companies and in separately managed accounts, each of which are managed by independent managers.
- Multi-strategy hedge fund. This hedge fund uses multiple investing strategies in order to diversify risks and reduce volatility. The hedge fund's composite portfolio includes investments in US index funds.
- Debt securities hedge fund. This hedge fund invests in a diversified portfolio of the highest grade debt securities (U.S. Government and agency securities, securities rated in the top rating category by one or more nationally recognized statistical rating organization and unrated securities deemed by the hedge fund Manager to be of similar credit quality), including obligations of the U.S. Government, its agencies and instrumentalities, mortgage-related securities, commercial paper and other short term debt obligations. The hedge fund may also invest in repurchase agreements and futures contracts (and options thereon). The hedge fund may borrow money for purposes of leverage in an amount up to three times the hedge fund's total net assets.

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CHS Development Company has the following investments at fair value measurements as of June 30, 2016:

	Fair Value Measurements Using			
	06/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Federal Home Loan Bank	\$ 381,195	\$ 381,195	\$ -	\$ -
FNMA Discount	378,456	378,456	-	-
Total debt securities	<u>759,651</u>	<u>759,651</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>\$ 759,651</u>	<u>\$ 759,651</u>	<u>\$ -</u>	<u>\$ -</u>

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, 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.

UMA has structured its cash resources in order to ensure preservation of principal and maximize investment returns subject to cash flow requirements and manage credit risk within its portfolio. 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 adopted an investment policy approved by the CHS Board of Directors that allows investments in bonds, notes, bills, futures contracts and pass-through securities and all other marketable debt obligations issued or guaranteed by the US Government or its Agencies, repurchase agreements fully collateralized by US Government securities, bonds and all other marketable debt obligations of US corporations which have a composite average portfolio quality rating of "A" or better as rated by Moody's Investor Services (Moody's), or comparable by Standard and Poor's. Individual issues shall have a minimum investment quality rating of BBB (S&P) or Baa (Moody's).

Concentration of Credit Risk

An increased risk of loss occurs as more investments are acquired from one issuer.

UMA's professionally managed portfolio includes both equity and fixed income investments. As of June 30, 2016, fixed income investments comprise 50%, while equities comprise 50% of the total. Allowable fixed income investments include obligations issued or guaranteed by the US government, mortgage backed securities including GNMA, FNMA and FHLMC, other asset backed securities, corporate debt securities, taxable municipal securities, short-term obligations including commercial paper, and debt of developed foreign sovereign nations as well as closely monitored emerging markets sovereign debt, commercial bonds and senior debt. 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 A/Aa by S&P and Moody's. No more than 10% may be invested in a single issuer except for the U.S. Government and its agencies. This limit may be exceeded with the approval of the Board of Directors of UMA. As of June 30, 2016, UMA has no investments in securities of a single issuer other than the U. S. Government that comprise more than 10% of its total unrestricted portfolio.

The equity portion of UMA's professionally managed investment policy provides for domestic and international equities, real estate funds, and alternative investments, including hedge funds, private equity funds, energy limited partnerships, commodities, and derivative securities, 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 5% and limit investment in a particular market segment to 20% of the total portfolio balance. Alternative investments shall not exceed 25% of the fund's total market value unless approved by the Executive Committee of the Board of Directors of UMA. As of June 30, 2016, UMA has no investment holdings which exceed these thresholds.

CHS investments are in relatively conservative financial instruments. As of June 30, 2016, fixed income securities in government obligations comprise 74.65% while cash and cash equivalents comprise 25.35% of total investments. Fixed income investments include Federal Home Loan Bank Discount notes and FNMA.

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 60 months for any individual security and no longer than 18 months average for the entire portfolio. As June 30, 2016, investments subject to this policy were the certificates of deposit, corporate and 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 Joint Ventures

UMA accounts for investments in joint ventures using the 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 Position.

During the fiscal year ended June 30, 2000, CPCP entered into a joint venture with several physicians and medical practices by purchasing a 35 percent interest in Lowcountry Real Property, LLC (LCRP) which holds title to certain real estate located in Beaufort County, South Carolina. During the fiscal year ended June 30, 2010, there was a reallocation of partnership interests from withdrawing partners bringing CPCP's total interest in the capital of LCRP to 43.35 percent. The operating agreements of 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 joint ventures are accounted for using the equity method of accounting.

On February 10, 2004, UMA entered into a joint venture, with 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. On September 1, 2014, UMA purchased an additional 39 percent interest in Georgetown Hospital System to increase its total ownership percentage to 49 percent for the purchase price of \$975,000. GRTC is governed by an executive committee which is comprised of nine directors with UMA appointing four of these directors. This investment is reported on the equity method of accounting and as of June 30, 2016 had a carrying value of \$859,983.

The following schedule reflects the changes in the carrying value of UMA's joint venture investments included in Investments in joint ventures in the accompanying statement of net position:

	LCRP	GRTC	Total
UMA's carrying value at June 30, 2015	\$ 898,383	\$ 289,196	1,187,579
Capital contribution made in fiscal year 2016	-	448,075	448,075
UMA's share of partnership income (loss) for fiscal year 2016	245,807	122,712	368,519
UMA's carrying value at June 30, 2016	<u>\$ 1,144,190</u>	<u>\$ 859,983</u>	<u>\$ 2,004,173</u>

3. RECEIVABLES

Receivables at June 30, 2016, net of applicable allowances, were as follows:

	<u>The University</u>	<u>UMA</u>	<u>Nonmajor Enterprise Funds MUFC</u>
Student accounts	\$ 570,946	\$ -	\$ -
Patient accounts	-	165,167,187	-
Less allowances for:			
Contractual adjustments	-	(95,646,150)	-
Uncollectibles	-	(31,030,262)	-
Federal grants and contracts	14,622,921	-	-
State grants and contracts	72,129	-	-
Nongovernmental grants and contracts	5,000,840	-	-
Interest	1,041,321	-	7,950
Medicaid supplemental reimbursement, net	5,070,335	-	-
State capital appropriation	99,265	-	-
Other	7,076,346	2,819,835	-
Receivables, net	<u>\$ 33,554,103</u>	<u>\$ 41,310,610</u>	<u>\$ 7,950</u>

4. RESTRICTED ASSETS

The purposes and amounts of restricted assets at June 30, 2016 were as follows:

Asset/Restricted for	The University	-- Nonmajor Enterprise Funds --	
		MUFC	CHS
Current:			
Cash and cash equivalents:			
Debt service	\$ 1,370,954	\$ -	\$ 663,181
Research & education	22,565,744	-	-
Total cash and cash equivalents	<u>\$ 23,936,698</u>	<u>\$ -</u>	<u>\$ 663,181</u>
Investments:			
Debt service	<u>\$ -</u>	<u>\$ 352,284</u>	<u>\$ 759,651</u>
Due from component units			
Earnings on endowments	<u>\$ 10,929,254</u>	<u>\$ -</u>	<u>\$ -</u>
Interfund receivables:			
Debt service	<u>\$ -</u>	<u>\$ 317,445</u>	<u>\$ 1,313,167</u>
Student loans receivable:			
Student loan programs	<u>\$ 1,217,820</u>	<u>\$ -</u>	<u>\$ -</u>
Noncurrent:			
Cash and cash equivalents:			
Capital projects	\$ 28,174,925	\$ -	\$ -
Student loan programs	2,957,306	-	-
Endowments	769,064	-	-
Total cash and cash equivalents	<u>\$ 31,901,295</u>	<u>\$ -</u>	<u>\$ -</u>
Investments			
Debt service	<u>\$ -</u>	<u>\$ 213,000</u>	<u>\$ -</u>
Due from component units			
Endowments	<u>\$ 89,623,947</u>	<u>\$ -</u>	<u>\$ -</u>
Interfund receivables:			
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,214,281</u>
Student loans receivable:			
Student loan programs	<u>\$ 11,582,960</u>	<u>\$ -</u>	<u>\$ -</u>

5. CAPITAL ASSETS

University and Blended Component Units

Capital asset activity for the year ended June 30, 2016 for the University and its blended component units was as follows:

	Beginning Balance	Additions	Transfers / Retirements	Ending Balance
<u>The University</u>				
Capital assets not being depreciated				
Land	\$ 10,612,036	\$ -	\$ (24,439)	\$ 10,587,597
Construction in progress	6,734,397	9,973,388	(7,777,920)	8,929,865
Total capital assets not being depreciated	<u>17,346,433</u>	<u>9,973,388</u>	<u>(7,802,359)</u>	<u>19,517,462</u>
Other capital assets				
Depreciable land improvements	14,652,213	-	(222,587)	14,429,626
Buildings and improvements	768,773,299	7,028,519	(47,932)	775,753,886
Machinery and equipment	136,667,445	8,013,541	(6,155,543)	138,525,443
Vehicles	3,405,802	709,570	(238,967)	3,876,405
Total other capital assets at historical cost	<u>923,498,759</u>	<u>15,751,630</u>	<u>(6,665,029)</u>	<u>932,585,360</u>
Less accumulated depreciation for				
Depreciable land improvements	(7,528,969)	(674,822)	37,221	(8,166,570)
Buildings and improvements	(330,084,478)	(29,590,674)	11,783	(359,663,369)
Machinery and equipment	(86,164,445)	(10,050,266)	5,991,491	(90,223,220)
Vehicles	(3,073,115)	(147,961)	282,649	(2,938,427)
Total accumulated depreciation	<u>(426,851,007)</u>	<u>(40,463,723)</u>	<u>6,323,144</u>	<u>(460,991,586)</u>
Other capital assets, net	<u>496,647,752</u>	<u>(24,712,093)</u>	<u>(341,885)</u>	<u>471,593,774</u>
University capital assets, net	<u>513,994,185</u>	<u>(14,738,705)</u>	<u>(8,144,244)</u>	<u>491,111,236</u>
<u>University Medical Associates</u>				
Capital assets not being depreciated				
Land	18,560,798	283,912	-	18,844,710
Construction in progress	146,851	4,122,302	(3,852,455)	416,698
Total capital assets not being depreciated	<u>18,707,649</u>	<u>4,406,214</u>	<u>(3,852,455)</u>	<u>19,261,408</u>
Other capital assets				
Buildings and improvements	110,033,287	5,070,168	-	115,103,455
Machinery and equipment	15,562,470	1,744,015	(87,031)	17,219,454
Intangible assets	13,593,940	89,750	-	13,683,690
Total other capital assets at historical cost	<u>139,189,697</u>	<u>6,903,933</u>	<u>(87,031)</u>	<u>146,006,599</u>
Less accumulated depreciation for				
Buildings and improvements	(40,728,193)	(3,940,819)	-	(44,669,012)
Machinery and equipment	(9,018,497)	(2,542,311)	62,485	(11,498,323)
Intangible assets	(5,503,098)	(1,735,765)	-	(7,238,863)
Total accumulated depreciation	<u>(55,249,788)</u>	<u>(8,218,895)</u>	<u>62,485</u>	<u>(63,406,198)</u>
Other capital assets, net	<u>83,939,909</u>	<u>(1,314,962)</u>	<u>(24,546)</u>	<u>82,600,401</u>
UMA capital assets, net	<u>102,647,558</u>	<u>3,091,252</u>	<u>(3,877,001)</u>	<u>101,861,809</u>
Grand Total	<u>\$ 616,641,743</u>	<u>\$ (11,647,453)</u>	<u>\$ (12,021,245)</u>	<u>\$ 592,973,045</u>

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Major Discretely Presented Component Unit

Capital asset activity for the year ended June 30, 2016 for the Authority was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Medical University Hospital Authority</u>				
Capital assets not being depreciated				
Land	\$ 6,092,725	\$ -	\$ -	\$ 6,092,725
Assets not in service	2,662,311	5,709,689	(6,598,003)	1,773,997
Construction in progress	17,790,404	35,609,827	(30,082,444)	23,317,787
Total capital assets not being depreciated	<u>26,545,440</u>	<u>41,319,516</u>	<u>(36,680,447)</u>	<u>31,184,509</u>
Other capital assets				
Buildings, improvements & fixed equipment	728,441,335	27,596,238	(13,574,158)	742,463,415
Machinery and equipment	243,377,274	39,272,803	(22,039,778)	260,610,299
Software	48,456,453	2,775,617	-	51,232,070
Vehicles	2,049,920	250,151	(176,805)	2,123,266
Total other capital assets at historical cost	<u>1,022,324,982</u>	<u>69,894,809</u>	<u>(35,790,741)</u>	<u>1,056,429,050</u>
Less accumulated depreciation for				
Buildings, improvements & fixed equipment	(346,535,706)	(34,359,766)	7,689,149	(373,206,323)
Machinery and equipment	(175,833,488)	(20,010,323)	20,595,922	(175,247,889)
Software	(15,347,803)	(9,437,875)	-	(24,785,678)
Vehicles	(1,955,000)	(79,188)	176,805	(1,857,383)
Total accumulated depreciation	<u>(539,671,997)</u>	<u>(63,887,152)</u>	<u>28,461,876</u>	<u>(575,097,273)</u>
Other capital assets, net	<u>482,652,985</u>	<u>6,007,657</u>	<u>(7,328,865)</u>	<u>481,331,777</u>
Authority capital assets, net	<u>\$ 509,198,425</u>	<u>\$ 47,327,173</u>	<u>\$ (44,009,312)</u>	<u>\$ 512,516,286</u>

6. PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

• Required employee contribution rates for fiscal year 2015-2016 are as follows:

SCRS

	8.16% of earnable compensation
Employee Class Two	8.16% of earnable compensation
Employee Class Three	

State ORP Employee

8.16% of earnable compensation

PORS

Employee Class Two	8.74% of earnable compensation
Employee Class Three	8.74% of earnable compensation

Required employer contributions¹ rates for fiscal year 2015-2016 are as follows:

SCRS

Employer Class Two	10.91% of earnable compensation
Employer Class Three	10.91% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

State ORP

Employer Contribution	10.91% of earnable compensation ²
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class Two	13.34% of earnable compensation
Employer Class Three	13.34% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

Employer Contributions

The University's proportionate share was calculated on the basis of employer contributions actually remitted to the plan for the fiscal year ended June 30, 2015. Employer contributions recognized by the Systems that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. Examples of employer contributions not representative of future contribution efforts are contributions towards the purchase of employee service and employer contributions paid by employees.

The following table provides the employer contributions used in the determination of employers' proportional shares of collective pension amounts reported.

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		<u>The University</u>	<u>The Authority</u>
Proportionate Share of Contributions for the fiscal year ended June 30, 2015			
	SCRS	\$20,158,543	\$34,516,724
	PORS	\$437,581	\$364,104
Allocation Percentage of Proportionate Shares of Collective Pension Amounts as of June 30, 2015			
	SCRS	1.972448%	3.377349%
	PORS	0.263390%	0.219170%

Net Pension Liability

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2014. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS).

A plan's Net Pension Liability (NPL) is determined by reducing its total pension liability by its fiduciary net position. Total pension liability is defined by the Governmental Accounting Standards Board (GASB) as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GASB No. 67. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. The most significant impact on a plan's fiduciary net position relates to the rate of return on its investments. Consequently, significant fluctuations in the market value of investments substantially affect the fiduciary net position component of the NPL calculation, and as a result, cause a direct change in the NPL.

Investments earned 1.60% during the plan year ended June 30, 2015 and thus the market value of the SCRS and PORS investments increased slightly. However, this resulted in negative cash flows because net investment income plus other plan additions (contributions) were not substantial enough to offset plan deductions (benefit payments and administrative costs). Accordingly, SCRS and PORS experienced an overall decrease in plan fiduciary net position for the fiscal year ended June 30, 2015. This change, coupled with the annual increase in the total pension liability, led to a \$1.75 billion and \$265 million increase in the NPL for SCRS and PORS respectively, for the measurement period ended June 30, 2015.

As previously communicated by PEBA, the financial reporting changes required by GASB No. 68 are likely to result in increased volatility in an employers' reported proportionate share of the NPL from one year to the next. Regardless of the NPL reported on the employer's financial statements, the employer is responsible only for making the contributions required by state law during any given year. Employers cannot pay down or pay off their proportionate share of the NPL because SCRS and PORS are multiple employer, cost-sharing defined benefit plans.

The net pension liability (NPL) is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB No. 67 less that plan's fiduciary net position. The components of the net pension liability of the participating employers of SCRS and PORS at June 30, 2015 are as follows:

	<u>SCRS</u>	<u>PORS</u>
Total Pension Liability	\$44,097,310,230	6,151,321,222
Plan Fiduciary Net Position	\$25,131,828,101	3,971,824,838
Employer's Net Pension Liability	\$18,965,482,129	2,179,496,384

The University's and Authority's respective portions of the net pension liability of the plans are as follows:

		<u>The University</u>	<u>The Authority</u>
Portion of Collective Net Pension Liability			
	SCRS	1.972448%	3.377349%
	PORS	0.263390%	0.219170%
Proportioned Share of Net Pension Liability			
	SCRS	\$374,084,273	\$640,530,521
	PORS	\$5,740,685	\$4,776,715

MEDICAL UNIVERSITY OF SOUTH CAROLINA

For the year ended June 30, 2015, the University recognized pension expense of \$27,858,525 and \$538,951 related to the SCRS and PORS pension plans, respectively. The Authority recognized pension expense of \$50,378,064 and \$423,151 related to the SCRS and PORS pension plans, respectively.

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

The June 30, 2015 total pension liability, net pension liability, and sensitivity information were determined by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Includes inflation at	2.75%	2.75%
Projected salary increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Includes inflation at	2.75%	2.75%
Benefit adjustments	lessor of 1% or \$500 annually	lessor of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

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The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2015. The long-term expected rate of return is produced by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.9	0.04
Short Duration	3.0%	2.0	0.06
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.7	0.19
Mixed Credit	6.0%	3.8	0.23
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.8	0.08
Emerging Markets Debt	6.0%	5.1	0.31
Global Public Equity	31.0%	7.1	2.20
Global Tactical Asset Allocation	10.0%	4.9	0.49
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.3	0.34
Private Debt	7.0%	9.9	0.69
Private Equity	9.0%	9.9	0.89
Real Estate (Broad Market)	5.0%	6.0	0.30
Commodities	3.0%	5.9	0.18
Total Expected Real Return	<u>100.0%</u>		<u>6.00</u>
Inflation for Actuarial Purposes			<u>2.75</u>
Total Expected Nominal Return			<u>8.75</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following section discusses the sensitivity of the net pension liability to changes in the discount rate.

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate of 1.00 percent lower (6.50 percent) or a 1.00 percent higher (8.50 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$23,910,053,704	\$18,965,482,129	\$1,821,302,520
PORS	2,968,982,818	2,179,496,384	1,473,738,169

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The following tables present the sensitivity of the University's and the Authority's net pension liability calculated using the discount rate of 7.50 percent, as well as what the University's and the Authority's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.5 percent) or 1.00 percent higher (8.50 percent) than the current rate.

	<u>The University</u>	<u>The Authority</u>
SCRS		
1.00% Decrease (6.5%)	\$471,613,376	\$807,525,960
Current Discount Rate (7.5%)	\$374,084,273	\$640,530,521
1.00% Increase (8.5%)	\$292,342,485	\$500,567,112
PORS		
1.00% Decrease (6.5%)	\$7,820,152	\$6,507,001
Current Discount Rate (7.5%)	\$5,740,685	\$4,776,715
1.00% Increase (8.5%)	\$3,881,753	\$3,229,933

Deferred Outflows and Deferred Inflows of Resources Related to Pensions

Deferred outflows of resources were related to differences between expected and actual experience and contributions made after the measurement date. The difference between expected and actual experience with regard to economic and demographic factors is amortized over the average of the expected remaining service life of active and inactive members which is approximately 5 years. The first year of amortization is recognized as pension expense with the remaining years shown as a deferred outflow of resources. See the following table for deferred outflow of resources for the University and Authority:

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	<u>The University</u>	<u>The Authority</u>
Deferred Outflows of Resources		
SCRS		
Net Difference Between Expected and Actual Experience in Total Pension Liability (TPL)	\$ 6,646,201	\$ 11,380,042
Net Difference Between Projected and Actual Earnings on Pension Plan Investments (Investment Experience)	2,503,932	4,287,390
Changes in Proportion and Difference Between Contributions and Proportionate Share of Contributions	2,167,561	12,181,311
Contributions for fiscal year end 06/30/2016 - SCRS	21,618,625	37,143,234
PORS		
Net Difference Between Expected and Actual Experience in Total Pension Liability (TPL)	\$ 113,781	\$ 94,675
Net Difference Between Projected and Actual Earnings on Pension Plan Investments (Investment Experience)	62,813	52,266
Changes in Proportion and Difference Between Contributions and Proportionate Share of Contributions	105,670	-
Contributions for fiscal year end 06/30/2016 - SCRS	454,407	375,121
Total	<u>\$ 33,672,990</u>	<u>\$ 65,514,039</u>

The difference between the actual earnings on plan investments compared to the plan's expected rate of return is amortized over 5 years. See the following table for deferred inflows of resources for the University and Authority:

	<u>The University</u>	<u>The Authority</u>
Deferred Inflows of Resources		
SCRS		
Net Difference Between Expected and Actual Experience in Total Pension Liability (TPL)	\$ 668,982	\$ 1,145,472
PORS		
Changes in Proportion and Difference Between Contributions and Proportionate Share of Contributions	\$ -	\$ 8,111
Total	<u>\$ 668,982</u>	<u>\$ 1,153,583</u>

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The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years ended June 30, and thereafter is as follows:

	<u>The University</u>	<u>The Authority</u>
SCRS		
	2016	2,286,602
	2017	2,286,602
	2018	3,738
	2019	6,071,770
	Thereafter	-
	<u>10,648,712</u>	<u>26,703,270</u>
Net Balance of Deferred Outflows/(Inflows) of Resources		
PORS		
	2016	45,690
	2017	45,690
	2018	40,665
	2019	150,219
	Thereafter	-
	<u>282,264</u>	<u>138,829</u>
Net Balance of Deferred Outflows/(Inflows) of Resources		

University Medical Associates

University Medical Associates maintains several defined contribution pension plans established under the authority of Internal Revenue Code Section 401A. The plan titled "the UMA Retirement Plan" covering all UMA employees 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 \$244,000. Effective January 1, 2015 all new participants to the plan will receive contributions based on the following three-tier percentages determined by the participant's compensation: (a) five percent of compensation up to \$40,000, (b) eight percent of compensation up to \$80,000, and (c) fifteen percent of compensation up to \$250,000. The maximum annual contribution for FY 2016 per participant is \$51,000 for existing participants and \$30,700 for participants hired on or after January 1, 2015. Participants become fully vested in their accounts after five years of credited service. Total contributions to this plan for fiscal year 2016 were \$31,594,086, net of forfeitures of \$1,459,146.

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, 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 \$27,855,814 for the year ended June 30, 2016 for these insurance benefits for active employees.

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare and long-term disability plans administered by the Insurance Benefits Division (IB) of the South Carolina Public Employee Benefit Authority (PEBA).

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.33%, 5.00% and 4.92% of annual covered payroll for fiscal years 2016, 2015 and 2014, respectively. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$13,851,000, \$12,406,000, and \$11,756,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2016, 2015, and 2014, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2016, 2015, and 2014. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$161,000, \$155,000, and \$152,000 for the years ended June 30, 2016, 2015, and 2014, respectively.

Effective May 1, 2008 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 SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

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, 2016 was \$1,098,044. This amount is included in "Payables and accrued liabilities" on the Statement of Net Position.

UMA sponsors the Retiree Benefit Plan for Employees of University Medical Associates, a single-employer defined benefit healthcare plan. The plan provides 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. The plan was amended in January 2015 to limit eligibility to only employees hired before January 1, 2002 and age 62 or older with 15 years of service and employees hired after January 1, 2002 and those reaching age 62 with 20 years of service as of January 1, 2015. This amendment effectively freezes the plan for only those currently eligible for benefits as of January 1, 2015. 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, 2015. This report may be obtained by sending a request to the Controller, University Medical Associates, 1180 Sam Rittenberg Blvd., Suite 335, Charleston, SC 29407.

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 the Retiree Benefit Plan 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 is being amortized to expense over a 30 year period, and will fund the remaining actuarial accrued liability based upon the annual required contribution using an annual charge of \$271 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.

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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, 2016
Annual required contribution (ARC)	\$ 452,193
Interest on net OPEB asset	(44,189)
Adjustment to ARC	31,290
OPEB expense	439,294
Net OPEB contributions made during the year	(452,193)
Increase in OPEB asset	(12,899)
Net (Prepaid) OPEB asset at beginning of year	(589,190)
Net (Prepaid) OPEB asset at end of year	\$ (602,089)

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

UMA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net prepaid OPEB asset as of June 30, 2008 (the first year of implementation) through June 30, 2016 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Prepaid OPEB Asset
June 30, 2016	\$ 439,294	102.94%	\$ 602,089
June 30, 2015	\$ 469,150	101.80%	\$ 589,190
June 30, 2014	\$ 356,805	102.03%	\$ 580,743

The most recent actuarial valuation was dated July 1, 2015. As of the valuation date, the actuarial accrued liability (AAL) was \$5,709,035 and the actuarial value of plan assets was \$3,949,432 resulting in an unfunded actuarial accrued liability (UAAL) of \$1,759,603 representing a funding ratio of 69.18%. Current year contributions to the trust totaled \$452,193. The UAAL represents approximately 3.21% of covered payroll (annual payroll of active employees covered by the plan) of approximately \$54.8 million for the year ended June 30, 2016.

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. The schedule of funding progress, presented as required supplementary information following these notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

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, 2015 actuarial valuation, the *projected unit credit actuarial cost method* was used to determine plan liabilities. The actuarial assumptions included a 7.5% investment rate of return and a general inflation rate of 3.0% per year. The annual healthcare cost trend rate for pre-age 65 retirees is assumed to be 8.0% for 2016, decreasing gradually to 4.5% by 2030 and thereafter. The healthcare cost trend rate for post-age 65 retirees is assumed to be 5.5% for 2016, decreasing to 4.5% in 2021 and thereafter. The UAAL is being amortized as a level cost per active employee over a thirty year open amortization period. The next actuarial valuation for this plan will be prepared as of July 1, 2017.

8. DEFERRED COMPENSATION PLANS

Several voluntary 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 as specified by the applicable plan. 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 through a financial provider approved by the University. The University believes it is compliant with Internal Revenue Service regulations that went into effect January 1, 2009. The plan is administered by various unrelated financial institutions.

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 \$23,000 of compensation annually. The employer makes safe-harbor contributions for all employees of three percent of compensation up to \$265,000. 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, 2016 were \$969,260.

9. COMMITMENTS, CONTINGENCIES AND LITIGATION

The various federal programs administered by the University for fiscal year 2016 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 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 and faculty contracts. 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 \$8,255,124 at June 30, 2016. 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.

10. PAYABLES AND ACCRUED LIABILITIES

The following table reflects the payables and accrued liabilities as of June 30, 2016:

	The University	UMA	-- Nonmajor Enterprise Funds --	
			MUFC	CHS
Accounts payable	\$ 13,280,650	\$ 5,559,313	\$ -	\$ -
Retainages	248,827	-	-	-
Accrued payroll & related liabilities	10,544,593	25,432,669	-	-
Accrued interest	1,343,748	219,603	15,278	169,481
Other	389	2,364,323	-	-
	<u>\$ 25,418,207</u>	<u>\$ 33,575,908</u>	<u>\$ 15,278</u>	<u>\$ 169,481</u>

11. LONG TERM LIABILITIES

University and Blended Component Units

Long term liability activity for the year ended June 30, 2016 for the University and its blended component units was as follows:

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	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<u>The University</u>					
State institution bonds payable	\$ 35,070,000	\$ 30,095,000	\$ (12,180,000)	\$ 52,985,000	\$ 4,935,000
State bond anticipation notes	26,500,000		(26,500,000)	-	-
Revenue bond payable	29,855,000	-	(1,360,000)	28,495,000	1,415,000
Capital leases payable	348,632	8,192	(283,577)	73,247	37,589
Compensated absences payable	29,852,250	16,742,784	(15,692,182)	30,902,852	15,692,182
Premium on state institution bond	935,971	3,358,587	(349,787)	3,944,771	585,476
Total University long-term liabilities	122,561,853	50,204,563	(56,365,546)	116,400,870	22,665,247
Interfund payables	16,285,460	-	(2,440,567)	13,844,893	1,630,612
Due to component unit	43,732,054	-	(663,181)	43,068,873	716,497
Federal loan program liability	14,550,640	-	(1,082,482)	13,468,158	-
Pension Liability	341,810,996	58,622,036	(20,608,074)	379,824,958	-
Total University long term liabilities	538,941,003	108,826,599	(81,159,850)	566,607,752	25,012,356
<u>University Medical Associates</u>					
Variable rate demand bonds	62,085,000	-	-	62,085,000	-
Term loan payable	13,586,209	-	(3,791,500)	9,794,709	3,791,501
Fixed rate revenue bond	14,175,000		(1,205,000)	12,970,000	1,280,000
Capital leases payable	-	767,535	(94,522)	673,013	382,127
Compensated absences payable	3,625,394	6,244,604	(6,136,895)	3,733,103	2,239,862
Total UMA long-term liabilities	93,471,603	7,012,139	(11,227,917)	89,255,825	7,693,490
Fair value of derivative instruments	3,637,333	4,776,757		8,414,090	-
Total UMA long term liabilities	97,108,936	11,788,896	(11,227,917)	97,669,915	7,693,490
<u>Nonmajor Enterprise Funds</u>					
Medical University Facilities Corporation					
Revenue bonds payable	1,969,000	-	(1,149,000)	820,000	820,000
Total MUFC long term liabilities	1,969,000	-	(1,149,000)	820,000	820,000
CHS Development Company					
Notes payable	16,515,000	-	(1,450,000)	15,065,000	1,490,000
Total CHS long term liabilities	16,515,000	-	(1,450,000)	15,065,000	1,490,000
Grand total	\$ 654,533,939	\$ 120,615,495	\$ (94,986,767)	\$ 680,162,667	\$ 35,015,846

Major Discretely Presented Component Unit

Long term liability activity for the year ended June 30, 2016 for the Authority was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<u>Medical University Hospital Authority</u>					
GNMA mortgage backed securities (Series 2012)	328,085,255	-	(14,037,467)	314,047,788	14,455,775
GNMA mortgage backed securities (Series 2013)	44,710,625	-	(2,019,568)	42,691,057	2,098,708
Wells Fargo note payable	11,046,929	-	(1,268,280)	9,778,649	1,312,884
Capital leases payable	2,562,298	13,482,256	(1,777,595)	14,266,959	3,593,462
Total Authority long-term liabilities	386,405,107	13,482,256	(19,102,910)	380,784,453	21,460,829
Pension Liability	570,493,064	109,745,737	(34,931,565)	645,307,236	-
Total Authority long term liabilities	\$ 956,898,171	\$ 123,227,993	\$ (54,034,475)	\$ 1,026,091,689	\$ 21,460,829

12. BONDS AND NOTES PAYABLE

Bonds Payable - University and Blended Component Units

The University's bonds payable at June 30, 2016 consisted of the following:

	Interest Rates	Maturity Dates	Balance June 30, 2016
State Institution Bonds:			
2011D series dated 03/01/2011	3.00 - 5.00%	03/01/2031	15,240,000
2012B refunding dated 05/01/2012	2.50 - 4.515	04/01/2024	7,650,000
2016D refunding dated 03/01/2016	3.00 - 4.233%	04/01/2036	<u>30,095,000</u>
Total state institution bonds			52,985,000
Higher Education Facilities Revenue Bond:			
2006 series dated 11/01/2006	4.00 - 4.30%	04/01/2031	<u>28,495,000</u>
			<u><u>\$ 81,480,000</u></u>

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt service requirement for the payment of principal and interest on State Institution Bonds. SC Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition fees designated for debt service for the preceding year were \$8,187,463 which resulted in a legal debt margin at June 30, 2016, of \$7,368,717.

On March 1, 2016, the University issued \$30,095,000 of refunding SIBs (2016D refunding) at a premium (net of the underwriter's discount) of \$3,391,775. The net proceeds were used to advance refund the \$7,820,000 principal balance of SIB 2005A and refund the \$26,500,000 State Bond Anticipation Note issued in fiscal year 2015. The net proceeds (after payment of closing costs of \$113,097) were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the aforementioned SIB issue Note to the extent of the principal refunded is considered to be defeased and the liability for this bond and the State Bond Anticipation Note have been removed from the Statement of Net Position. Interest payments related to the State Bond Anticipation Note during fiscal year 2015 are anticipated to total \$107,899.

As a result of the refunding, the University reduced its total debt service payments over the next twelve years by approximately \$480,000 and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$471,000.

The premium related to the 2016D refunding SIB is being amortized over the twenty year life of the issue using the effective interest method.

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

Year Ending June 30,	State Institution Bonds		
	Principal	Interest	Total
2017	\$ 4,935,000	\$ 2,433,717	\$ 7,368,717
2018	4,620,000	2,096,313	6,716,313
2019	4,090,000	1,881,213	5,971,213
2020	4,245,000	1,676,713	5,921,713
2021	2,485,000	1,464,463	3,949,463
2022 - 2026	12,460,000	5,472,413	17,932,413
2027 - 2031	12,620,000	2,735,419	15,355,419
2032 - 2036	7,530,000	690,900	8,220,900
	<u>\$ 52,985,000</u>	<u>\$ 18,451,151</u>	<u>\$ 71,436,151</u>

MEDICAL UNIVERSITY OF SOUTH CAROLINA

For the year ended June 30, 2016, the University made principal payments of \$4,360,000 and interest payments of \$1,547,630 related to the State Institution Bonds.

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

Year Ending June 30,	Higher Education Revenue Bond		
	Principal	Interest	Total
2017	\$ 1,415,000	\$ 1,188,038	\$ 2,603,038
2018	1,470,000	1,131,438	2,601,438
2019	1,530,000	1,072,638	2,602,638
2020	1,590,000	1,011,438	2,601,438
2021	1,655,000	947,838	2,602,838
2022 - 2026	9,345,000	3,664,525	13,009,525
2027 - 2031	11,490,000	1,516,793	13,006,793
	<u>\$ 28,495,000</u>	<u>\$ 10,532,708</u>	<u>\$ 39,027,708</u>

For the year ended June 30, 2016, the University made principal payments of \$1,360,000 and interest payments of \$1,242,438 related to the Higher Education Facilities Revenue Bond.

On December 18, 2008, UMA issued Series 2008 South Carolina Jobs-Economic Development Authority Variable Rate Demand Bonds (Series 2008 Bonds) in the amount of \$62,085,000 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 \$1,700,000 to \$3,900,000 beginning on July 1, 2019 with final maturity on July 1, 2037.

Payments relative to the Series 2008 Bonds were originally secured by, among other things, an irrevocable, direct-pay letter of credit (Credit Facility) issued by Wells Fargo Bank, NA (successor by merger to Wachovia Bank, NA) pursuant to a Reimbursement and Security Agreement between UMA and Wells Fargo dated December 1, 2008. The original Credit Facility was due to expire on December 18, 2011. Due to the upcoming initial expiration date of the Credit Facility, UMA requested that the South Carolina Jobs Economic Development Authority and the Bond trustee execute a mandatory tender for purchase of the Series 2008 Bonds and amend and restate the Master Trust Indenture to provide for the Index Rate Mode relative to the interest due on the Bonds. The transaction was executed on June 23, 2011. Following the amendment of the original Master Trust Indenture, the Bonds were reissued and purchased at par in the Index Rate Mode by Wells Fargo Bank, NA (Wells Fargo) pursuant to a Continuing Covenant Agreement dated June 23, 2011 between UMA and Wells Fargo. The original Credit Facility and the related Reimbursement and Security Agreement were terminated as of the closing of Wells Fargo's direct purchase of the reissued Bonds (Reissued Bonds).

Under the Index Rate Mode during the initial period, interest accruing to Wells Fargo is computed at 75% of the one-month LIBOR plus 0.88%. The initial term was set at sixty-six months ending on December 31, 2016 at which time the Reissued Bonds will be subject to a mandatory tender to the borrower. If not successfully remarketed on that date, all amounts outstanding will be converted to a bank loan subject to repayment in sixty consecutive monthly installments of \$1,034,750 beginning 180 days after the mandatory tender date (July 1, 2017) with interest computed at the greater of (1) Wells Fargo's Prime Rate plus 2%, (2) the Federal Funds Rate plus 3%, or (3) 8%.

As of June 30, 2016, the annual effective variable interest rate incurred on the Reissued Bonds was 1.2225%, determined in accordance with the Index Rate Mode formula described above. However, UMA has synthetically converted the overall interest cost to a variable rate that, because of the structure of the payer-side arrangement, is a near fixed rate proxy using derivative financial instruments as described below.

As security for repayment of the Reissued Bonds and other obligations issued under the Bond Indenture and Master Trust Indenture (as amended and restated on June 23, 2011), 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 Trust Indenture. Pledged Assets consist of the UMA Receipts of each Member of the Obligated Group (as defined, which currently consists solely of UMA). "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 Trust 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 Trust Indenture are secured *pari passu* by the security interest in the Pledged Assets created by the Master Trust Indenture including a Leasehold Mortgage and Security Agreement under which, among other things, UMA grants to the Master Trust a leasehold mortgage and security interest in its rights under and in respect of the Rutledge Tower lease and subleases as well as a first mortgage on the Parkshore Center property acquired in 2015. The Members of the Obligated Group are also subject to certain covenants under the Master Trust 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 Reissued 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. These Bonds are subject to compliance with the arbitrage regulations of the Internal Revenue Code.

The original proceeds of the Series 2008 Bonds and the Wells Fargo Term Loan (described in the Notes Payable section) were used in fiscal 2009 to advance refund outstanding SAVRS direct note obligations, terminate previous swap agreements and pay issue costs. The refunding transaction resulted in a loss of \$26,736,722 which was amortized over the shorter life of the refunded debt that is the period ending on May 15, 2027, using the effective interest method.

The mandatory tender of the Series 2008 Bonds and the direct purchase of the Reissued Bonds executed on June 23, 2011, as described above, were accounted for as a refunding transaction under GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities*. The proceeds of \$62,085,000 from the direct purchase of the Reissued Bonds by Wells Fargo were used, along with \$314,542 of UMA's cash, to advance refund outstanding Series 2008 South Carolina Jobs Economic Development Authority Variable Rate Revenue Bonds of \$62,085,000, to pay accrued interest of \$1,462 and issue costs of \$313,080. This refunding resulted in an economic loss of \$7,341,936 and an increase in cash flows of \$9,807,716 due to increased interest costs. The deferred loss on refunding resulting from the most recent refunding, together with the unamortized difference from the previous refunding described in the preceding paragraph, in the total amount of \$22,346,892, are being amortized over the original amortization period remaining from the previous refunding, i.e. the period ending on May 15, 2027, using the effective interest method.

UMA has entered into an interest rate swap agreement with Wells Fargo to modify interest rates on both of the Bonds (represented first by the Series 2008 Bonds and then by the Reissued Bonds). The swap related to the Reissued Bonds limits the impact of fluctuations in the LIBOR by converting the variable interest rate paid on the Bonds into a rate equal to 2.8528% plus 8% of the one-month LIBOR. The Bonds swap agreement was entered into 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, 2016 was \$62,085,000 which equals the principal outstanding. Under the Reissued Bonds swap agreement, UMA pays Wells Fargo a fixed interest payment of 2.1028% and receives a variable payment equal to 67% of the one-month LIBOR. The variable rate in effect at June 30, 2016 was 0.3039%.

The Reissued Bonds swap agreement is considered a hedging derivative instrument under GASB Statement No. 53 as of June 30, 2016. The previously established hedging relationship between the original Series 2008 Bonds and the related interest rate swap was discontinued in connection with the refunding transaction executed on June 23, 2011. At that time, the deferred inflows associated with the hedging derivative instrument of \$1,696,000 were included in the calculation of the loss on the refunding transaction in accordance with GASB Statement No. 23. Following the refunding, the existing swap, which was not terminated in connection with the refunding, was associated with the Reissued Bonds and proven to constitute an effective hedging derivative instrument under GASB Statement No. 53. Accordingly, changes in the swap's fair value since the time it was associated with the Reissued Bonds are being reported as deferred inflows/outflows. The fair value of the swap at the time of the refunding is being amortized as an adjustment of deferred inflows/outflows and interest expense on a straight-line basis over the remaining life of the swap.

As of June 30, 2016, the fair value of the Reissued Bonds swap agreement was a negative (\$8,152,997). 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 Reissued Bonds swap agreement has been recorded on the Statement of Net Position 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 Series 2008 Bonds' cash flow hedge swap during fiscal year 2016 of \$4,935,674 is not recognized in these financial statements.

UMA is exposed to counterparty credit risk in the amount of the derivative's fair value. Wells Fargo Bank, counterparty to this swap, is rated Aa2 by Moody's Investor Services, and AA by Standard & Poor's as of June 30, 2016. 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 will be required to post collateral with the swap counterparty in the form of cash or negotiable debt securities of the U.S. Treasury Department pursuant to amendments to the ISDFA and Credit Support Annex dated June 9, 2015. As of June 30, 2016, UMA has posted collateral totaling \$8,650,000 under this requirement.

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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 Reissued Bonds as of June 30, 2016 as the indexed variable rate is 67% of the one month LIBOR and the actual market-determined borrowing rate is 75% of the one-month LIBOR plus 0.88%.

The Reissued Bonds swap derivative contract incorporates 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 generally 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 generally receive a payment from the counterparty.

Using rates as of June 30, 2016, debt service requirements of UMA's Reissued 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,	Reissued SC JEDA Variable Rate Demand Bonds			
	Principal	Interest	Swap Payment, Net	Total Debt Service
2017	\$ -	\$ 758,983	\$ 1,116,853	\$ 1,875,836
2018	1,700,000	738,201	1,086,272	3,524,473
2019	3,500,000	695,413	1,023,310	5,218,723
2020	2,925,000	659,656	970,692	4,555,348
2021	2,525,000	628,788	925,269	4,079,057
2022 - 2026	13,730,000	2,650,663	3,900,487	20,281,150
2027 - 2031	15,715,000	1,739,359	2,559,489	20,013,848
2032 - 2036	18,065,000	693,457	1,020,432	19,778,889
2037 - 2038	3,925,000	-	-	3,925,000
Totals	\$ 62,085,000	\$ 8,564,520	\$ 12,602,804	\$ 83,252,324

On June 9, 2015, UMA issued Series 2015 South Carolina Jobs-Economic Development Authority Fixed Rate Revenue Bonds (Series 2015 Bonds) in the amount of \$14,175,000 to finance a portion of the \$28.4 million purchase of the Parkshore Center office building which will house the Revenue Cycle, Information Systems, and certain Authority personnel. The Series 2015 Bonds are secured by the same Master Trust Indenture as the Reissued Bonds and the assignment of all lease payments due from the Authority under a related lease agreement. The Series 2015 Bonds mature in various monthly installments ranging from \$70,000 to \$135,000 beginning on July 1, 2015 with final maturity on June 2, 2025 and bear interest at 2.76% per annum.

Fiscal Year Ending June 30,	Reissued SC JEDA Fixed Rate Revenue Bonds		
	Principal	Interest	Total Debt Service
2017	\$ 1,280,000	\$ 341,943	\$ 1,621,943
2018	1,315,000	306,114	1,621,114
2019	1,355,000	270,848	1,625,848
2020	1,390,000	230,151	1,620,151
2021	1,435,000	192,560	1,627,560
2022 - 2026	6,195,000	355,518	6,550,518
Totals	\$ 12,970,000	\$ 1,697,134	\$ 14,667,134

On September 20, 1995, the Medical University Facilities Corporation (MUFC) issued lease revenue bonds series 1995A in the amount of \$12,729,000 and series 1995B in the amount of \$472,000. 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 14. 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. During the year ended June 30, 2015, MUFC paid \$1,149,000 in principal and \$125,712 in interest related to these bonds.

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

Fiscal Year Ending June 30,	Lease Revenue Bonds		
	Principal	Interest	Total
2017	820,000	30,553	850,553
Total	\$ 820,000	\$ 30,553	\$ 850,553

Mortgage Backed Securities - Major Discretely Presented Component Unit

On December 19, 2012, the Authority refinanced its 2004 Series A and B bonds with Government National Mortgage Agency (GNMA) mortgage backed securities (MBS) (Series 2012). The annual interest rate associated with the GNMA MBS (Series 2012) is a fixed 2.94%. The scheduled maturities of the Authority's GNMA MBS (Series 2012) are as follows:

Fiscal Year Ending June 30,	GNMA MBS (Series 2012)		
	Principal	Interest	Total
2017	14,455,775	9,039,246	23,495,021
2018	14,886,549	8,608,472	23,495,021
2019	15,330,159	8,164,862	23,495,021
2020	15,786,989	7,708,032	23,495,021
2021	16,257,432	7,237,589	23,495,021
2022-2026	88,849,354	28,625,751	117,475,105
2027-2031	102,900,501	14,574,606	117,475,107
2032-2033	45,581,029	1,409,008	46,990,037
Total	\$ 314,047,788	\$ 85,367,566	\$ 399,415,354

On December 30, 2013, the Authority refinanced its 2004 Central Energy Plant Economic Development Revenue Bonds (CEP Series 2004 bonds) with Government National Mortgage Agency (GNMA) mortgage backed securities (MBS) (Series 2013). The annual interest rate associated with the GNMA MBS (Series 2013) is a fixed 3.85%. The scheduled maturities of the Authority's GNMA MBS (Series 2013) are as follows:

Fiscal Year Ending June 30,	GNMA MBS (Series 2013)		
	Principal	Interest	Total
2017	2,098,708	1,606,829	3,705,537
2018	2,180,949	1,524,588	3,705,537
2019	2,266,413	1,439,124	3,705,537
2020	2,355,226	1,350,311	3,705,537
2021	2,447,520	1,258,017	3,705,537
2022-2026	13,753,665	4,774,020	18,527,685
2027-2031	16,668,106	1,859,578	18,527,684
2032	920,469	5,912	926,381
Total	\$ 42,691,056	\$ 13,818,379	\$ 56,509,435

Notes Payable - University and Blended Component Units

On December 18, 2008, UMA borrowed \$37,915,000 via a taxable term loan payable to Wells Fargo Bank, NA (the Term Loan) 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 was originally conditional on the successful renewal or replacement of the above-referenced Credit Facility (see Bonds Payable section). In connection with the above described direct purchase of the Reissued Bonds by Wells Fargo on June 23, 2011, the term of the Term Loan was extended to match the initial term of the Interest Rate Mode of the Reissued Bonds held by Wells Fargo.

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UMA pays interest on the Term Loan at the rate equal to the one-month LIBOR plus 1.00% pursuant to Amendment Seven of the Restate Loan Agreement effective June 23, 2016. As of June 30, 2016, the annual effective variable interest rate incurred on the Term Loan was 1.7567%. However, UMA has synthetically converted the overall interest cost to a fixed rate using derivative financial instruments as described below.

The Term Loan is governed by a conventional loan agreement and additional security documents entered into by UMA in favor of Wells Fargo Bank as well as the various security documents under the Master Trust Indenture.

UMA has entered into an interest rate swap agreement with Wells Fargo to hedge changes in cash flows on the Term Loan in an effort to convert its variable rate to a synthetic fixed rate of 3.569% after the Seventh Amendment to the Restated Loan Agreement dated June 23, 2016. The swap agreement related to the Term Loan was entered into on December 5, 2008 with an effective date of December 18, 2008 and matures January 2, 2019. The notional amount as of June 30, 2016 was \$13,586,209 which equaled the principal outstanding. Under the swap agreement, UMA pays Wells Fargo a fixed interest payment of 3.869% on the Term Loan. UMA receives a variable payment equal to the one-month LIBOR plus 1.30% on the swap associated with the Term Loan. The variable rate for the Wells Fargo term loan in effect at June 30, 2016 was 1.7567%.

As of June 30, 2016, the fair value of the Term Loan swap was a negative (\$261,093). 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 swap agreement has been recorded on the Statement of Net Position 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 term loan cash flow hedge swap during fiscal year 2016 of \$158,917 is not recognized in these financial statements.

As of June 30, 2016, UMA is exposed to counterparty credit risk in the amount of the swap agreement's fair value. Wells Fargo, the counterparty to this swap, is rated Aa2 by Moody's Investor Services, and AA by Standard & Poor's as of June 30, 2016. Should the estimated termination value of the Term Loan swap or the Reissued 2008 Bonds swap, which is discussed in the Bonds Payable section of this note, (assuming their early termination) become negative to UMA, UMA will be required to post collateral with the swap counterparty in the form of cash or negotiable debt securities of the U.S. Treasury Department, pursuant to amendments to the ISDFA and Credit Support Annex dated June 9, 2015. As of the June 30, 2016, UMA has posted collateral totaling \$8,650,000 under this requirement.

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 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% and the borrowing rate on the debt are determined based on the one-month LIBOR plus a spread of 1.00%.

The Term Loan swap derivative contract incorporates 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 generally 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 generally receive a payment from the counterparty.

Using rates as of June 30, 2016, debt service requirements of UMA's Wells Fargo 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,	Wells Fargo term loan			
	Principal	Interest	Swap Payment, Net	Total Debt Service
2017	\$ 3,791,501	\$ 138,757	\$ 169,057	\$ 4,099,315
2018	3,791,501	72,154	87,910	3,951,565
2019	2,211,707	19,426	23,667	2,254,800
Totals	<u>\$ 9,794,709</u>	<u>\$ 230,337</u>	<u>\$ 280,634</u>	<u>\$ 10,305,680</u>

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UMA has a line of credit with 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 plus .75% and is secured by all unrestricted accounts receivable. During fiscal year 2016, there were no advances under this line of credit, and there was no outstanding balance as of June 30, 2016. In June 2016, this line of credit expired and was renewed with basically the same terms through June 22, 2017.

On November 1, 2003, the South Carolina Jobs-Economic Development Authority issued Economic Development Revenue Bonds (CHS Development Company Project) Series 2003 (CHS Series 2003 Bonds) 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.

On December 21, 2012, the South Carolina Jobs-Economic Development Authority issued Economic Development Refunding Revenue Bonds (CHS Development Company Project) Series 2012 (CHS Series 2012 Bonds) in the amount of \$19,290,000. After deducting the related closing costs of \$312,747.35, the net proceeds of the CHS Series 2012 Bonds of \$18,977,252.65 along with \$6,080,447.35 of cash held by the trustee of the CHS Series 2003 Bonds was deposited in escrow for the purpose of redeeming all of the outstanding principal and accrued interest of the CHS Series 2003 Bonds. Subsequently, on January 1, 2013, the CHS Series 2003 Bonds were fully redeemed. This refunding resulted in an accounting loss of \$610,399 which has been deferred and will be amortized over the pre-refunding remaining life of the refinanced obligation using the effective interest method. As a result of this refunding, CHS reduced its total debt service payments over the next twelve years by approximately \$3,468,000 and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$2,081,000.

Effective August 1, 2014, the CHS Series 2012 Bonds were converted to tax-exempt status. The sole impact of this tax-exempt conversion was to lower the annual interest rate (effective August 1, 2014 forward) on all then-outstanding bonds to 2.25%.

The scheduled maturities of the CHS Series 2012 bonds (including the impact of the lowered interest rate) are as follows:

Fiscal Year Ending June 30,	SC JEDA Refunding Revenue Bonds - CHS Series 2012		
	Principal	Interest	Total
2017	1,490,000	338,963	\$ 1,828,963
2018	1,535,000	305,437	1,840,437
2019	1,580,000	270,900	1,850,900
2020	1,620,000	235,350	1,855,350
2021	1,670,000	198,900	1,868,900
2022-2025	7,170,000	408,937	7,578,937
Total	<u>\$ 15,065,000</u>	<u>\$ 1,758,487</u>	<u>\$ 16,823,487</u>

During the year ended June 30, 2016, CHS paid \$1,450,000 in principal and \$355,275 in interest related to these bonds.

Notes Payable - Major Discretely Presented Component Unit

In April 2013, the Authority entered into a \$13.8 million equipment lease/purchase agreement with Wells Fargo Bank, NA for the purpose of obtaining energy conservation equipment for the Authority's central energy plant. This 10-year note bears an annual interest rate of 3.5%.

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Fiscal Year Ending June 30,	Wells Fargo note		
	Principal	Interest	Total
2017	1,312,884	\$ 325,146	\$ 1,638,030
2018	1,359,441	278,589	1,638,030
2019	1,407,650	230,380	1,638,030
2020	1,457,568	180,462	1,638,030
2021	1,509,257	128,773	1,638,030
2022 - 2023	2,731,849	95,429	2,827,278
Total	<u>\$ 9,778,649</u>	<u>\$ 1,238,779</u>	<u>\$ 11,017,428</u>

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, 2016, are as follows.

On the Statement of Net Position, the University's 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.

Fiscal Year Ending June 30,	Capital Leases with			Operating Leases with			Total Operating Leases
	Blended Component Units	Discretely Presented Component Unit	External Entities	Blended Component Unit	Discretely Presented Component Units	External Entities	
2017	\$ 2,199,984	\$ 4,058,863	\$ 42,589	\$ 2,189,227	\$ 1,756,925	\$ 1,686,619	\$ 5,632,771
2018	1,877,316	4,058,863	26,475	2,150,138	54,704	1,162,510	3,367,352
2019	1,877,316	4,058,863	12,517	1,145,803	-	1,018,862	2,164,665
2020	1,877,316	4,058,853	-	-	-	995,006	995,006
2021	1,877,316	4,058,863	-	-	-	848,700	848,700
2022 - 2026	6,883,494	20,294,316	-	-	-	69,600	69,600
2027 - 2031	-	20,294,316	-	-	-	-	-
2032 - 2036	-	20,294,316	-	-	-	-	-
2037 - 2041	-	11,161,885	-	-	-	-	-
Total minimum lease payments	16,592,742	92,339,138	81,581	<u>\$ 5,485,168</u>	<u>\$ 1,811,629</u>	<u>\$ 5,781,297</u>	<u>\$ 13,078,094</u>
Less interest	(2,747,849)	(49,270,265)	(8,334)				
Present value of minimum lease payments	<u>\$ 13,844,893</u>	<u>\$ 43,068,873</u>	<u>\$ 73,247</u>				

Operating Leases

The University'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 2016 for the University was \$5,670,147. Included in this amount and pursuant to an operating lease agreement with the Authority that covers space each entity uses in real property owned by the other entity, the University paid the Authority \$1,248,661.

As discussed in Note 16 and Note 17, for the year ended June 30, 2016, the University 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 \$4,236,943 in fiscal year 2016.

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
2017	\$ 3,902,214
2018	3,164,559
2019	2,281,705
2020	1,705,172
2021	1,525,181
2022 - 2026	1,604,320
Total	<u>\$ 14,183,151</u>

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UMA subleases various properties to the University, the Authority, and external parties. Under these lease agreements for the fiscal year ended June 30, 2016, UMA received rent of \$6,857,018, composed of \$2,069,628 from the University, \$3,707,810 from the Authority, and \$1,079,580 from external parties.

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			Total Operating Leases
	University	Discreted-Presented Component Unit	External Entities	
2017	\$ 2,185,258	\$ 3,709,405	\$ 559,356	\$ 6,454,019
2018	2,169,296	3,371,923	218,551	5,759,770
2019	2,063,926	3,153,395	179,522	5,396,843
2020	1,573,926	3,153,395	167,510	4,894,831
2021	1,573,926	3,153,395	140,940	4,868,261
2021 - 2025	3,803,655	9,866,537		13,670,192
Totals	<u>\$ 13,369,987</u>	<u>\$ 26,408,050</u>	<u>\$ 1,265,879</u>	<u>\$ 41,043,916</u>

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 the capital lease with MUFC related to the Strom Thurmond Biomedical Research Center. The payment amounts are based on the amount necessary to fund the payments associated with the lease revenue bonds (see Note 13). The annual 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 2016, the University made principal payments of \$663,181 and interest payments of \$3,395,682 related to these capital lease agreements with MUSCF.

The column in the University capital and operating lease schedule 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 associated with capital leases at June 30, 2016:

	Capital Leases with		
	Blended Component Units	Discretely Presented Component Unit	External Entities
Equipment	\$ -	\$ -	\$ 331,836
Buildings	80,234,871	47,200,000	-
Total cost	80,234,871	47,200,000	331,836
Less accumulated depreciation	(43,928,069)	(11,275,556)	(263,712)
Carrying value	<u>\$ 36,306,802</u>	<u>\$ 35,924,444</u>	<u>\$ 68,124</u>

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 originally expired on June 30, 2027, but was extended to July 1, 2037 in connection with the fiscal year 2009 refunding of certain acquisition 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

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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 39.5 years for the prepaid land rent and building. Rent expense of \$338,226 and depreciation expense of \$474,224 was recorded for the year ending June 30, 2016.

The following schedule reflects the remaining basis of assets acquired under this capital lease as of June 30, 2016.

Description	Capitalized Cost	Accumulated Depreciation	Carrying Value
Prepaid rent - MUSCF	\$ 19,052,400	\$ (11,799,652)	\$ 7,252,748
Building under capital lease	13,989,600	(10,195,813)	3,793,787
Equipment under capital lease	2,958,000	(2,958,000)	-
Totals	<u>\$ 36,000,000</u>	<u>\$ (24,953,465)</u>	<u>\$ 11,046,535</u>

14. STATE APPROPRIATIONS

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

The original appropriation is the University's base budget amount presented in the General Funds column of Sections 23 and 24 of Part IA of the 2015-2016 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, 2016.

Non-capital appropriations

Current year appropriations:

Original appropriation per Annual Appropriations Act:

Designated for the University	\$ 67,424,768
Designated for telemedicine program	4,000,000

State Budget and Control Board Allocations:

For employer share of health and dental insurance	497,352
For Payplan Allocation	845,486
For Office of Workforce and Analysis Planning	200,000

Interagency transfers:

From Commission on Higher Education:

Academic Endowment	37,796
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Appropriation Transfers from the Department of Health and Human Services:

Disproportionate Share	18,628,621
Maxillofacial	<u>225,086</u>

Total non-capital appropriations recorded as current year revenue \$ 91,859,109

Capital appropriations

Deferred maintenance appropriation	\$ 372,904
Children's Hospital appropriation	25,000,000
Research Infrastructure bond proceeds	<u>292,548</u>
Total capital appropriations recorded as current year revenue	<u>\$ 25,665,452</u>

Capital Improvement and Research Infrastructure bonds are issued by the State to fund improvements and expansion of various State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenses have been incurred. In fiscal year 2016, the University received research infrastructure bond proceeds of \$292,548. As of June 30, 2016, the University has \$1,533,290 of authorized research infrastructure bond funds.

The telemedicine program, rural hospital transformation, disproportionate share, and maxillofacial appropriations were designated for

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the Authority. The University paid the amounts received for these items to the Authority during fiscal year 2016.

15. INCOME TAXES

The University, as a political subdivision of the State of South Carolina, is exempt from federal and state income taxes. The income of the University is exempt under Section 115(1) of the Internal Revenue Code, as amended. However, in certain cases, revenue may be generated from activities that are not related to the University's tax-exempt purpose. These activities could result in unrelated business income and, if so, would be subject to tax and filing requirements according to Internal Revenue Code Section 511(a)(2)(B). The University timely filed its report of unrelated business activity (Form 990-T) with the Internal Revenue Service for the year ending June 30, 2015. No tax liability from unrelated business activities was reported in fiscal year 2015. The University does not believe it will incur any income tax liability for fiscal year 2016 from its unrelated business activities; therefore, no tax provision has been recorded for fiscal year 2016.

UMA is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code as an organization described in 501(c)(3). As such, UMA is generally not subject to federal or state income taxes. However, UMA remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. The blended component units of UMA have cumulative unused net operating losses totaling \$12,186,736 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: \$7,132,570 in 2019, \$1,022,511 in 2020, \$3,626 in 2021, \$1,369,632 in 2022, \$606,307 in 2023, \$2,052,090 in 2036. Current year income tax expense resulted from the exhaustion of all loss carryforwards for CPCP and CHMS and income taxes on unrelated business income for transactions between UMA and its taxable subsidiaries. No associated deferred tax assets been recognized in these financial statements due to the uncertainty regarding future taxable income of the taxable component units.

16. BLENDED COMPONENT UNITS

The following is a summary of the receivables and payables between and among the University and the blended component units at June 30, 2016.

	Due From	Due To
The University		
University Medical Associates - Due to other funds - current		\$ 34,985,246
Medical University Facilities Corporation - Interfund payables - current		\$ 317,445
CHS Development Company - Interfund payables - current		1,313,167
		\$ 1,630,612
Medical University Facilities Corporation -Interfund payable - noncurrent		\$ -
CHS Development Company - Interfund payable - noncurrent		12,214,281
		\$ 12,214,281
University Medical Associates		
The University - Due from other funds - current	\$ 34,985,246	
Nonmajor Enterprise Funds		
Medical University Facilities Corporation		
The University - Interfund receivables - current	\$ 317,445	
The University - Interfund receivables - noncurrent	\$ -	
CHS Development Company		
The University - Interfund receivables - current	\$ 1,313,167	
The University - Interfund receivables - noncurrent	\$ 12,214,281	

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 \$73,017,506 for the year ended June 30, 2016. This support is reported as interfund transfers.

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, 2016, the University reported revenue of \$45,186,158 from SC DHHS and an expense to UMA of \$45,186,158. 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 amounts due from the University as of June 30, 2016, were as follows:

Description	Amount
Agency fund amount in excess of prepaid	\$ 26,522
Rental income	19,296
Supplemental Medicaid payments	32,558,307
Salary reimbursements	1,446,998
Other receivables	934,123
Net due (to) from the University	\$ 34,985,246

The above amount is reflected on the Statement of Net Position as Due from other funds.

The physicians of UMA practice medicine at the Authority facilities and perform various services under several cooperative agreements which resulted in the net payment from the Authority to UMA of \$58,529,883 during the fiscal year ended June 30, 2016. This amount includes various salary reimbursement arrangements as well as the ambulatory patient care and clinical education and other agreements discussed below.

UMA and the Authority 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 University residents and students. UMA will also be reimbursed for applicable shared costs of their joint revenue cycle operations. In addition, 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. The following reflects the activity reported under this agreement for the fiscal year ended June 30, 2016:

Revenues:	
Ambulatory Care and Authority revenue cycle support	\$ 6,562,252
Operating Expenses:	
Ambulatory Care and Authority revenue cycle support	(5,045,220)
Interest expense allocated to Agreement	(1,517,032)
Change in net position	\$ -

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, 2016, of total managed care costs of \$443,615, the Authority and CHMS shared expenses of \$221,807 and \$44,361, respectively.

UMA also 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 \$49,329,540 in fiscal year 2016. During fiscal year 2016, the amounts collected and remitted by UMA to the Authority with respect to these billings amounted to approximately \$9,735,950, net of administrative fees of \$869,186.

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UMA amounts due to the Authority as of June 30, 2016, were as follows:

Description	Amount
Ambulatory care and Authority revenue cycle support	\$ 147,174
Psychiatry clinical enterprise agreement	(446,381)
Patient receivables	(1,085,961)
Salary reimbursements	1,484,527
Managed care contract	29,530
Rental expenses	(7,240)
Other receivables	2,731,369
Other payables	(647,903)
Net amount due to the Authority	<u>\$ 2,205,115</u>

The above amount is reflected on the Statement of Net Position as Due to component unit.

Medical University Facilities Corporation

During fiscal year 2016, MUFC recognized interest income of \$94,308 associated with its capital leases with the University.

No excess funds were transferred by MUFC to the University during the year ended June 30, 2016.

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, 2016. 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 2016, CHS recognized interest income of \$620,112 associated with its capital lease with the University.

During fiscal year 2016, CHS transferred \$52,038 to the University as reimbursement for costs incurred in financing the CHS project.

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

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 Hospital Authority

Effective June 16, 2000, the University and the Authority entered into an affiliation agreement which outlines the availability of facilities, use of house staff, and insurance coverage. The affiliation agreement has been renewed several times since June 2000. The most recent renewal is effective from July 1, 2013 through June 30, 2018.

The University billed the Authority \$111,475,097 during the fiscal year ended June 30, 2016 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. The University incurred expenses to the Authority of approximately \$3,242,000 during the fiscal year ended June 30, 2016 for rent, various administrative and support services.

At June 30, 2016, the net amount due the University from the Authority was \$5,446,669.

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, 2016, the University reported State appropriations revenue of \$18,628,621 and an operating expense to the Authority of \$18,628,621. Since this payment relates directly or indirectly to patient care, the Authority has included this amount in net patient service revenue.

During fiscal year 2016, the University received \$4,000,000 in State appropriations designated for the Authority to be used for telemedicine programs and rural hospital transformation. This amount, which was paid by the University to the Authority during fiscal year 2016, is included in the University's State appropriation revenues and in the University's non-operating expenditures.

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 departmental expenses totaling \$17,896,917 in fiscal year 2016. The University recorded this revenue as gifts. In addition, the University received from MUSCF in fiscal year 2016, \$50,654 in donated capitalized equipment and \$262,223 in equipment and services expensed by the University. The amount due the University for gifts from MUSCF at June 30, 2016 was \$828,055.

During fiscal year 2016, 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 SmartState Centers of Economic Excellence program. 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, 2016 is \$100,553,201 which includes accrued interest and realized and unrealized net gains and losses of \$10,929,254.

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 has entered into an annual contract with the University to provide management services for research and intellectual property activities. The agreement incorporates the contractual obligations for the intellectual property activities and addresses insurance, indemnity and other basic contractual obligations. Additionally, the agreement requires an annual accounting of the state property, personnel and resources used directly by MFRD, as well as reimbursement or demonstration that adequate in-kind reimbursement through provision of funds or services to the University has been made. The agreement provides for automatic annual renewal unless either party notifies the other six months prior to the renewal date. MFRD recognized support of \$1,400,000 related to this agreement during the fiscal year ended June 30, 2016.

The University has assigned the rights to certain 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.

As of June 30, 2016, the net amount due MFRD from the University was \$143,020.

MUSC Strategic Ventures

MUSC SV was incorporated on September 2, 2015 to operate for charitable, scientific, and educational purposes and to support the missions and programs of the University and UMA. As of June 30, 2016, although MUSC Strategic Ventures was legally formed, it had not yet begun operations. As a result, no separately issued financial statements are available. MUSC Strategic Ventures anticipates beginning operations during fiscal year 2017 and at that time financial statements will be prepared for the entity.

18. 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 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 a second layer of professional liability insurance for certain practitioners practicing outside the State of South Carolina. The University also has policies which cover cyber risk.

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 (MUSC), 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 Position. Changes in the incurred

MEDICAL UNIVERSITY OF SOUTH CAROLINA

but not reported claims liability for fiscal years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Liability balance - beginning	\$ 864,208	\$ 700,000
Current year claims and changes in estimates	10,254,901	9,986,898
Claims payments	(10,021,065)	(9,822,690)
Liability balance - ending	<u>\$ 1,098,044</u>	<u>\$ 864,208</u>

19. OPERATING EXPENSES BY FUNCTION

Operating expenses of the University by functional classification for the year ended June 30, 2016 are as follows:

	Compensation and Employee Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 102,523,060	\$ 83,227,390	\$ 8,525	\$ 1,481,808	-	\$ 187,240,783
Research	119,230,885	60,942,675	60,206	4,362,684	-	184,596,450
Public service	69,248,489	9,340,608	69	69,318	-	78,658,484
Academic support	31,952,673	21,683,699	4,189,449	1,705,120	-	59,530,941
Student services	6,852,972	1,880,328	-	59,500	-	8,792,800
Institutional support	35,485,095	11,464,726	183,735	-	-	47,133,556
Operation and maintenance of plant	19,765,922	17,145,643	9,573,600	250	40,452,735	86,938,150
Scholarships and fellowships	-	-	-	3,602,422	-	3,602,422
Auxiliary enterprises	3,778,459	6,749,971	526,722	667	-	11,055,819
	<u>\$ 388,837,555</u>	<u>\$ 212,435,040</u>	<u>\$ 14,542,306</u>	<u>\$ 11,281,769</u>	<u>\$ 40,452,735</u>	<u>\$ 667,549,405</u>

20. 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 \$10,929,254 at June 30, 2016.

In fiscal year 2016, the University received endowment funding totaling \$1,748,942 from the South Carolina Commission on Higher Education for the SmartState Centers of Economic Excellence (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 2016, \$642,500 for other endowed purposes.

21. SUBSEQUENT EVENTS

The MUSC Shawn Jenkins Children's Hospital and Pearl Tourville Women's Pavilion will consist of a seven-story, 225-bed patient tower atop a four-story Diagnostic and Treatment podium. The \$385 million, 649,485 square foot design will include labor and delivery rooms, pediatric medical, neonatal intensive care, and ambulatory care clinics. The State appropriated \$35.75 million in fiscal years 2016 and 2017 towards the construction of the facility. The majority of the financing is through the Department of Housing and Urban Development's FHA Section 241 Mortgage Insurance Program with a construction start date in the fall of 2016.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of University's & Authority's Proportionate Share of the Net Pension Liability to PEBA (Unaudited)

This schedule presents historical trend information about the University's & Authority's proportionate share of the net Pension liability for its employees who participate in the PEBA plans. GASB Statement No. 68 was implemented in 2015. Information related to previous years is not available, therefore, trend information will be accumulated going forward to display a ten year presentation.

	<u>The University</u>	<u>The Authority</u>
As of June 30, 2014 Measurement Date		
South Carolina Retirement System (SCRS) Pension Plan		
Proportion (percentage) of the collective net pension liability	1.956775%	3.289184%
Proportionate share (amount) of the collective net pension liability	\$ 336,891,856	\$566,288,522
Covered-employee payroll	\$ 112,132,600	\$259,311,350
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll	300.44%	218.38%
Pension plan's fiduciary net position as a percentage of the total pension liability	59.90%	59.90%

Police Officers Retirement System (PORS) Pension Plan

Proportion (percentage) of the collective net pension liability	0.256950%	0.219620%
Proportionate share (amount) of the collective net pension liability	\$ 4,919,140	\$ 4,204,542
Covered-employee payroll	\$ 3,068,668	\$ 2,589,067
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll	160.30%	162.40%
Pension plan's fiduciary net position as a percentage of the total pension liability	67.50%	67.50%

As of June 30, 2015 Measurement Date

South Carolina Retirement System (SCRS) Pension Plan

Proportion (percentage) of the collective net pension liability	1.972448%	3.377349%
Proportionate share (amount) of the collective net pension liability	\$ 374,084,273	\$640,530,521
Covered-employee payroll	\$ 114,377,211	\$268,970,820
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll	327.06%	238.14%
Pension plan's fiduciary net position as a percentage of the total pension liability	57.00%	57.00%

Police Officers Retirement System (PORS) Pension Plan

Proportion (percentage) of the collective net pension liability	0.263390%	0.219170%
Proportionate share (amount) of the collective net pension liability	\$ 5,740,685	\$ 4,776,715
Covered-employee payroll	\$ 3,172,719	\$ 2,692,311
Proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll	180.94%	177.42%
Pension plan's fiduciary net position as a percentage of the total pension liability	64.60%	64.60%

See accompanying notes to required supplementary schedules and accompanying independent auditors' report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**Schedule of the University's & Authority's Contributions to PEBA
(Unaudited)**

This schedule presents historical trend information about the University's & Authority's contributions for its employees who participate in the PEBA plan.

GASB Statement No. 68 was implemented in 2015. Information related to previous years is not available, therefore, trend information will be accumulated going forward to display a ten year presentation.

The University's schedule of employer contributions for SCRS as of June 30 is:

Year Ended June 30	Employer Contributions	Statutorily or Contractually Required Employer Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll
2013	\$12,037,758	\$11,867,413	(\$170,345)	\$113,563,756
2014	\$11,886,056	\$11,717,857	(\$168,199)	\$112,132,600
2015	\$12,467,116	\$12,295,550	(\$171,566)	\$114,377,211
2016	\$13,430,295	\$13,248,148	(\$182,147)	\$121,431,238

The University's schedule of employer contributions for PORS as of June 30 is:

Year Ended June 30	Employer Contributions	Statutorily or Contractually Required Employer Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll
2013	\$366,488	\$366,488	\$0	\$2,979,578
2014	\$396,816	\$394,017	(\$2,799)	\$3,068,668
2015	\$425,462	\$425,144	(\$318)	\$3,172,719
2016	\$454,407	\$454,407	(\$0)	\$3,307,181

The Authority's schedule of employer contributions for SCRS as of June 30 is:

Year Ended June 30	Employer Contributions	Statutorily or Contractually Required Employer Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll
2013	\$27,997,059	\$27,997,059	\$0	\$264,123,194
2014	\$27,487,003	\$27,487,003	\$0	\$259,311,350
2015	\$29,317,819	\$29,317,819	\$0	\$268,970,820
2016	\$31,128,678	\$31,128,678	\$0	\$281,452,784

The Authority's schedule of employer contributions for PORS as of June 30 is:

Year Ended June 30	Employer Contributions	Statutorily or Contractually Required Employer Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll
2013	\$349,962	\$349,962	\$0	\$2,845,220
2014	\$332,436	\$332,436	\$0	\$2,589,067
2015	\$361,039	\$361,039	\$0	\$2,692,311
2016	\$375,121	\$375,121	\$0	\$2,730,140

See accompanying notes to required supplementary schedules and accompanying independent auditors' report.

**Notes to Required Supplementary Information
(Unaudited)**

Required Supplementary Information for the University & Authority as Participating Employers in SCRS & PORS

Schedule of the University's & Authority's Proportionate Share of the Net Pension Liability to SCRS and PORS

This schedule presents historical trend information about the University's and Authority's proportionate share of the net pension liability for its employees who participate in the SCRS and PORS plans. GASB Statement No. 68 was implemented in 2015. Information related to previous years is not available, therefore, trend information will be accumulated going to display a ten year presentation.

Schedule of the University's & Authority's Contributions to SCRS and PORS

This schedule presents historical trend information about the University's and Authority's contributions for its employees who participate in the SCRS and PORS plans. GASB Statement No. 68 was implemented in 2015. Information related to previous years is not available, there, trend information will be accumulated going forward to display a ten year presentation.

SCRS

Valuation date: Actuarially calculated contribution rates are calculated as of July 1, 2012.

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal
Amortization method: Level % of Pay
Amortization period: 29 years, open

Asset valuation method: The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.

Inflation: 2.75%

Investment Rate of Return: 7.50%

Salary Increases: 3.50% plus step-rate increases for members with less than 25 years of service.

Mortality: RP-2000 Mortality Table (White Collar Adjustment for Educators), projected at Scale AA from Year 2000. Male rates multiplied by 100% for non-educators and 110% for educators. Female rates multiplied by 90% for non-educators and 95% for educators.

Other Comments: As a result of enactment of Act 278, the member and employer contribution rates for SCRS are determined in accordance with Sections 9-1-1085 of the South Carolina Code. Contribution rates determined by an actuarial valuation are effective for the fiscal year beginning 24 months after the valuation date.

PORS

Valuation date: Actuarially calculated contribution rates are calculated as of July 1, 2012.

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal
Amortization method: Level % of Pay
Amortization period: 30 years, open

Asset valuation method: The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.

Inflation: 2.75%

Investment Rate of Return: 7.50%

Salary Increases: 4.00% plus step-rate increases for members with less than 12 years of service.

Mortality: RP-2000 Mortality Table with Blue Collar Adjustment, projected at Scale AA from Year 2000. Male and female rates are multiplied at 115%

Other Comments: As a result of enactment of Act 278, the member and employer contribution rates for SCRS are determined in accordance with Sections 9-11-225 of the South Carolina Code. Contribution rates determined by an actuarial valuation are effective for the fiscal year beginning 24 months after the valuation date.

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Funding Progress
(Unaudited)**

Retiree Benefit Plan for Employees of University Medical Associates

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/2015	\$ 3,949,432	\$ 5,709,035	\$ 1,759,603	69.18%	\$ 54,840,240	3.21%
07/01/2013	\$ 2,582,959	\$ 5,347,174	\$ 2,764,215	48.31%	\$ 52,962,599	5.22%
07/01/2011	\$ 1,668,710	\$ 3,993,163	\$ 2,324,453	41.79%	\$ 42,340,902	5.49%
07/01/2009	\$ 775,979	\$ 2,598,958	\$ 1,822,979	29.86%	\$ 38,251,491	4.77%
07/01/2006	\$ -	\$ 630,000	\$ 630,000	0.00%	\$ 35,407,746	1.78%

This data, except for covered payroll, was provided by UMA's actuary. The actuarial value of assets recognizes a portion of the difference between the fair value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return.

See accompanying independent auditors' report.

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MEDICAL UNIVERSITY OF SOUTH CAROLINA

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2016**

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables, net	7,950	-	7,950
Prepaid items	-	156,349	156,349
Restricted assets			
Cash and cash equivalents	-	663,181	663,181
Investments	352,284	759,651	1,111,935
Interfund receivables	317,445	1,313,167	1,630,612
Total current assets	677,679	2,892,348	3,570,027
Noncurrent Assets			
Restricted assets			
Investments	213,000	-	213,000
Interfund receivables	-	12,214,281	12,214,281
Prepaid items	-	1,020,805	1,020,805
Total noncurrent assets	213,000	13,235,086	13,448,086
Total assets	890,679	16,127,434	17,018,113
DEFERRED OUTFLOWS			
Deferred loss on debt refinancing	-	323,994	323,994
Total assets & deferred outflows	890,679	16,451,428	17,342,107
LIABILITIES			
Current liabilities			
Payables and accrued liabilities	15,278	169,481	184,759
Long-term liabilities	820,000	1,490,000	2,310,000
Total current liabilities	835,278	1,659,481	2,494,759
Noncurrent liabilities			
Long-term liabilities	-	13,575,000	13,575,000
Total noncurrent liabilities	-	13,575,000	13,575,000
Total liabilities	835,278	15,234,481	16,069,759
NET POSITION			
Restricted			
Expendable for:			
Debt service	55,401	1,216,947	1,272,348
Total net position	\$ 55,401	\$ 1,216,947	\$ 1,272,348

See accompanying independent auditors' report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
Operating revenues			
Interest income (used as security for revenue bonds and notes)	\$ 94,308	\$ 649,199	\$ 743,507
Other operating revenues	33,998	-	33,998
Total operating revenues	128,306	649,199	777,505
Operating expenses			
Services and supplies	-	6,435	6,435
Interest expense	104,307	427,714	532,021
Amortization	-	156,349	156,349
Total operating expenses	104,307	590,498	694,805
Operating income (loss)	23,999	58,701	82,700
Income (loss) before other revenues, expenses gains, losses, and transfers	23,999	58,701	82,700
Interfund transfers	-	(52,038)	(52,038)
Change in net position	23,999	6,663	30,662
Net position at beginning of year	31,402	1,210,284	1,241,686
Net position at end of year	\$ 55,401	\$ 1,216,947	\$ 1,272,348

See accompanying independent auditors' report.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Medical University Facilities Corporation	CHS Development Company	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers	\$ -	\$ (6,435)	\$ (6,435)
Net cash (used) by operating activities	-	(6,435)	(6,435)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund transfers paid	-	(52,038)	(52,038)
Net cash (used) by noncapital financing activities	-	(52,038)	(52,038)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on capital debt and leases	(1,149,000)	(1,450,000)	(2,599,000)
Interest paid on capital debt and leases	(125,712)	(371,588)	(497,300)
Net cash (used) by capital and related financing activities	(1,274,712)	(1,821,588)	(3,096,300)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of interfund receivables	1,183,362	1,257,205	2,440,567
Interest received on interfund receivables	94,308	620,112	714,420
Purchases of investments	(1,331,907)	(1,833,810)	(3,165,717)
Proceeds from sales and maturities of investments	1,295,791	1,813,441	3,109,232
Interest on investments	33,158	29,589	62,747
Net cash provided by investing activities	1,274,712	1,886,537	3,161,249
Net increase (decrease) in cash and cash equivalents	-	6,476	6,476
Cash and cash equivalents at beginning of year	-	656,705	656,705
Cash and cash equivalents at end of year	\$ -	\$ 663,181	\$ 663,181
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 23,999	\$ 58,701	\$ 82,700
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Amortization	-	156,349	156,349
Interest income	(128,306)	(649,199)	(777,505)
Interest expense	104,307	427,714	532,021
Net cash (used) by operating activities	\$ -	\$ (6,435)	\$ (6,435)

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.

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

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Financial Trends

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

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Debt Capacity

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

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Demographic and Economic Information

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

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ACCREDITATION STATEMENT

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

Revenues	For the Year Ended June 30,									
	<i>(amounts expressed in thousands \$)</i>									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
The University										
Student tuition and fees (net of scholarship allowances)	\$ 93,907	\$ 89,555	\$ 86,674	\$ 82,352	\$ 76,850	\$ 69,197	\$ 62,545	\$ 55,377	\$ 49,199	\$ 46,341
Federal grants and contracts	138,868	132,669	133,549	142,467	146,790	154,409	138,760	119,783	117,734	116,302
State grants and contracts	9,343	8,896	6,788	14,596	5,920	4,761	2,936	5,278	6,158	5,368
Local grants and contracts	59	78	15	16	14	11	89	206	65	67
Nongovernmental grants and contracts	37,225	32,843	32,130	30,047	25,499	21,432	22,902	25,852	29,988	20,876
Sales and services provided to Medical University Hospital Authority	111,475	108,837	102,448	102,101	87,912	83,646	68,423	83,025	83,161	70,960
Sales and services of educational and other activities	66,663	69,632	57,779	61,325	62,046	66,506	56,953	53,429	37,850	36,256
Auxiliary enterprises	14,667	13,990	12,826	11,958	11,749	11,038	6,686	9,782	7,470	6,898
Other operating revenues	13,257	10,170	10,222	9,938	11,964	9,672	10,634	10,534	9,901	10,110
Operating revenues	485,464	466,670	442,431	454,800	428,744	420,672	369,928	363,266	341,526	313,178
State appropriations	91,859	108,173	92,865	82,325	79,017	81,659	108,647	116,418	138,157	136,510
Gifts and grants	18,546	18,518	18,109	13,886	13,183	27,449	26,498	13,951	10,985	8,363
Investment income (losses)	(3,403)	3,110	11,366	8,449	(536)	9,843	6,256	(3,112)	2,472	5,548
Other nonoperating revenues	-	-	-	-	5,989	1,806	7,445	-	158	-
Nonoperating revenues	107,002	129,801	122,340	104,660	97,653	120,757	148,846	127,257	151,772	150,421
Total Revenues -- The University	\$ 592,466	\$ 596,471	\$ 564,771	\$ 559,460	\$ 526,397	\$ 541,429	\$ 518,774	\$ 490,523	\$ 493,298	\$ 463,599
University Medical Associates										
Net patient service revenue	\$ 362,672	\$ 343,764	\$ 323,760	\$ 312,252	\$ 302,262	\$ 308,747	\$ 293,848	\$ 276,251	\$ 234,901	\$ 217,320
Ambulatory care and primary care agreements	6,562	6,712	5,988	6,077	4,955	4,982	5,409	7,277	8,354	8,409
Other operating revenues	8,363	8,063	9,466	7,659	13,256	8,406	12,491	13,442	11,513	10,280
Operating revenues	377,597	358,539	339,214	325,988	320,473	322,135	311,748	296,970	254,768	236,009
Investment income (losses)	768	1,631	5,282	6,644	(131)	9,255	5,229	(4,699)	862	5,540
Other nonoperating revenues	5,055	3,192	3,141	3,458	3,776	3,921	3,910	3,839	4,060	3,993
Nonoperating revenues	5,823	4,823	8,423	10,102	3,645	13,176	9,139	(860)	4,922	9,533
Total Revenues -- University Medical Associates	\$ 383,420	\$ 363,362	\$ 347,637	\$ 336,090	\$ 324,118	\$ 335,311	\$ 320,887	\$ 296,110	\$ 259,690	\$ 245,542
Nonmajor Enterprise Funds										
Interest income	\$ 744	\$ 911	\$ 1,057	\$ 1,299	\$ 1,578	\$ 1,757	\$ 1,896	\$ 2,052	\$ 2,273	\$ 2,280
Other operating revenues	34	33	33	32	33	33	33	39	84	100
Operating revenues	778	944	1,090	1,331	1,611	1,790	1,929	2,091	2,357	2,380
Other nonoperating revenues	-	-	-	-	-	-	-	-	-	-
Nonoperating revenues	-	-	-	-	-	-	-	-	-	-
Total Revenues -- Nonmajor Enterprise Funds	\$ 778	\$ 944	\$ 1,090	\$ 1,331	\$ 1,611	\$ 1,790	\$ 1,929	\$ 2,091	\$ 2,357	\$ 2,380
Interfund Capital Leases Elimination	\$ (714)	\$ (877)	\$ (1,028)	\$ (1,220)	\$ (1,421)	\$ (1,586)	\$ (1,739)	\$ (1,883)	\$ (2,017)	\$ (2,143)
Total Revenues -- Primary Government	\$ 975,950	\$ 959,900	\$ 912,470	\$ 895,661	\$ 850,705	\$ 876,944	\$ 839,851	\$ 786,841	\$ 753,328	\$ 709,378

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

Revenues	For the Year Ended June 30,									
	<i>(percent of total revenues)</i>									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
The University										
Student tuition and fees (net of scholarship allowances)	9.6%	9.3%	9.5%	9.2%	9.0%	7.9%	7.4%	7.0%	6.6%	6.5%
Federal grants and contracts	14.2%	13.8%	14.7%	15.9%	17.3%	17.6%	16.5%	15.2%	15.6%	16.4%
State grants and contracts	0.9%	1.0%	0.8%	1.6%	0.7%	0.5%	0.4%	0.7%	0.8%	0.8%
Local grants and contracts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nongovernmental grants and contracts	3.8%	3.4%	3.5%	3.4%	3.1%	2.4%	2.7%	3.3%	4.0%	3.0%
Sales and services provided to Medical University Hospital Authority	11.4%	11.3%	11.2%	11.4%	10.3%	9.5%	8.2%	10.6%	11.1%	10.0%
Sales and services of educational and other activities	6.8%	7.3%	6.3%	6.8%	7.3%	7.6%	6.8%	6.8%	5.0%	5.1%
Auxiliary enterprises	1.5%	1.5%	1.4%	1.3%	1.4%	1.3%	0.8%	1.2%	1.0%	1.0%
Other operating revenues	1.4%	1.1%	1.1%	1.1%	1.4%	1.1%	1.3%	1.3%	1.3%	1.4%
Operating revenues	49.6%	48.7%	48.5%	50.7%	50.5%	47.9%	44.1%	46.1%	45.4%	44.2%
State appropriations	9.4%	11.3%	10.2%	9.2%	9.3%	9.3%	12.9%	14.8%	18.3%	19.2%
Gifts and grants	1.9%	1.9%	2.0%	1.6%	1.5%	3.2%	3.2%	1.8%	1.5%	1.2%
Investment income (losses)	-0.3%	0.3%	1.2%	0.9%	-0.1%	1.1%	0.7%	-0.4%	0.3%	0.8%
Other nonoperating revenues	0.0%	0.0%	0.0%	0.0%	0.7%	0.2%	0.9%	0.0%	0.0%	0.0%
Non-operating revenues	11.0%	13.5%	13.4%	11.7%	11.4%	13.8%	17.7%	16.2%	20.1%	21.2%
Total Revenues -- The University	60.6%	62.2%	61.9%	62.4%	61.9%	61.7%	61.8%	62.3%	65.5%	65.4%
University Medical Associates										
Net patient service revenue	37.2%	35.8%	35.5%	34.9%	35.5%	35.2%	35.0%	35.1%	31.2%	30.6%
AmDulatory care and primary care agreements	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.9%	1.1%	1.2%
Other operating revenues	0.9%	0.8%	1.0%	0.9%	1.6%	1.0%	1.5%	1.7%	1.5%	1.4%
Operating revenues	38.8%	37.3%	37.2%	36.5%	37.7%	36.8%	37.1%	37.7%	33.8%	33.2%
Investment income (losses)	0.1%	0.2%	0.6%	0.7%	0.0%	1.1%	0.6%	-0.6%	0.1%	0.8%
Other nonoperating revenues	0.5%	0.3%	0.3%	0.4%	0.4%	0.4%	0.5%	0.5%	0.6%	0.6%
Non-operating revenues	0.6%	0.5%	0.9%	1.1%	0.4%	1.5%	1.1%	-0.1%	0.7%	1.4%
Total Revenues -- University Medical Associates	39.4%	37.8%	38.1%	37.6%	38.1%	38.3%	38.2%	37.6%	34.5%	34.6%
Nonmajor Enterprise Funds										
Interest income	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%
Other operating revenues	0.0%	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%	0.1%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%
Other nonoperating revenues	0.0%	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%	0.0%
Total Revenues -- Nonmajor Enterprise Funds	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%
Interfund Capital Leases Elimination	-0.1%	-0.1%	-0.1%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%	-0.3%	-0.3%
Total Revenues -- Primary Government	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

Expenses	For the Year Ended June 30, (amounts expressed in thousands \$)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
The University										
Compensation and employee benefits	\$ 382,530	\$ 360,615	\$ 344,183	\$ 341,377	\$ 328,526	\$ 315,643	\$ 288,819	\$ 302,542	\$ 289,327	\$ 263,954
Pension Benefits	6,308	3,450	-	-	-	-	-	-	-	-
Services and supplies	212,435	210,265	191,427	201,935	198,467	203,730	204,134	184,695	179,097	165,251
Utilities	14,542	14,201	13,488	13,332	13,123	11,868	11,145	10,962	9,358	9,360
Scholarships and fellowships	11,282	12,102	13,517	10,880	9,653	9,252	8,614	8,795	9,104	8,897
Depreciation	40,453	40,325	39,610	41,088	40,318	34,687	30,947	27,223	23,287	21,613
Operating expenses	667,549	640,958	602,225	608,612	590,087	575,180	543,659	534,217	510,173	469,075
Refunds to grantors	-	-	-	-	-	319	406	137	240	314
Interest expense	7,036	7,007	7,586	8,071	7,934	9,070	8,677	5,217	4,551	3,675
(Gain) Loss on disposal of capital assets	(9,731)	(6,971)	7,125	1,087	1,490	748	959	712	984	286
Transfers to other state funds	415	520	462	182	121	185	198	250	257	810
Other nonoperating expenses	28,722	20,033	10,900	3,152	-	-	-	36	-	241
Nonoperating expenses	26,442	20,589	26,073	12,492	9,545	10,322	10,240	6,352	6,032	5,326
Total Expenses -- The University	\$ 693,992	\$ 661,547	\$ 628,298	\$ 621,104	\$ 599,632	\$ 585,502	\$ 553,899	\$ 540,569	\$ 516,205	\$ 474,401
University Medical Associates										
Compensation and employee benefits	\$ 221,236	\$ 202,105	\$ 191,561	\$ 193,633	\$ 184,872	\$ 178,441	\$ 174,552	\$ 169,440	\$ 153,815	\$ 132,499
Services and supplies	68,687	71,409	64,703	61,359	59,706	58,494	58,037	55,121	50,070	48,364
Utilities	923	621	588	588	526	547	447	389	317	-
Depreciation	6,804	6,271	5,562	5,540	3,097	3,065	3,135	3,314	2,679	1,611
Operating expenses	297,651	280,406	262,414	261,120	248,201	240,547	236,171	228,264	206,881	182,474
Gifts made	2,826	1,164	4,723	3,178	7,372	9,461	9,914	5,525	6,924	3,162
Interest expense	4,312	4,136	4,156	4,401	4,168	4,126	4,373	6,363	5,679	5,799
(Gain) Loss on disposal of capital assets	-	6	3	72	66	-	6	221	(245)	2
Nonoperating expenses	7,138	5,306	8,882	7,651	11,606	13,587	14,293	12,109	12,358	8,963
Total Expenses -- University Medical Associates	\$ 304,789	\$ 285,712	\$ 271,296	\$ 268,771	\$ 259,807	\$ 254,134	\$ 250,464	\$ 240,373	\$ 219,239	\$ 191,437
Nonmajor Enterprise Funds										
Services and supplies	\$ 7	\$ 45	\$ 7	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest expense	532	667	908	1,305	1,694	1,866	2,031	2,173	2,294	2,415
Amortization	156	156	156	237	281	281	281	281	281	281
Operating expenses	695	868	1,071	1,543	1,975	2,147	2,312	2,454	2,575	2,696
Nonoperating expenses	-	-	-	-	-	-	-	-	-	-
Total Expenses -- Nonmajor Enterprise Funds	\$ 695	\$ 868	\$ 1,071	\$ 1,543	\$ 1,975	\$ 2,147	\$ 2,312	\$ 2,454	\$ 2,575	\$ 2,696
Interfund Capital Leases Elimination	\$ (714)	\$ (877)	\$ (1,028)	\$ (1,220)	\$ (1,421)	\$ (1,586)	\$ (1,739)	\$ (1,883)	\$ (2,017)	\$ (2,143)
Total Expenses -- Primary Government	\$ 998,762	\$ 947,250	\$ 899,637	\$ 890,198	\$ 859,993	\$ 840,197	\$ 804,936	\$ 781,513	\$ 736,002	\$ 666,391

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. Because the GASB 65 impact was relatively minimal, this schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65.

The University implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, for fiscal year 2015 which now reflects current year amortization of pension expense.

This will be presented for fiscal 2015 forward.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

Expenses	For the Year Ended June 30, (percent of total expenses)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
The University										
Compensation and employee benefits	38.2%	38.1%	38.2%	38.4%	38.2%	37.6%	35.9%	38.7%	39.3%	39.6%
Pension benefits	0.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Services and supplies	21.3%	22.2%	21.3%	22.7%	23.1%	24.2%	25.4%	23.7%	24.3%	24.8%
Utilities	1.5%	1.5%	1.5%	1.5%	1.5%	1.4%	1.4%	1.4%	1.3%	1.4%
Scholarships and fellowships	1.1%	1.3%	1.5%	1.2%	1.1%	1.1%	1.0%	1.1%	1.2%	1.3%
Depreciation	4.1%	4.3%	4.4%	4.6%	4.7%	4.1%	3.8%	3.5%	3.2%	3.3%
Operating expenses	66.8%	67.7%	66.9%	68.4%	68.6%	68.4%	67.5%	68.4%	69.3%	70.4%
Refunds to grantors	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Interest expense	0.7%	0.7%	0.8%	0.9%	0.8%	1.1%	1.1%	0.7%	0.6%	0.6%
(Gain) Loss on disposal of capital assets	-1.0%	-0.7%	0.8%	0.1%	0.3%	0.2%	0.1%	0.1%	0.2%	0.0%
Transfers to other state funds	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Other nonoperating expenses	2.9%	2.1%	1.2%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Nonoperating expenses	2.6%	2.2%	2.9%	1.4%	1.1%	1.3%	1.3%	0.8%	0.8%	0.7%
Total Expenses -- The University	69.4%	69.9%	69.8%	69.8%	69.7%	69.7%	68.8%	69.2%	70.1%	71.1%
University Medical Associates										
Compensation and employee benefits	22.2%	21.3%	21.3%	21.7%	21.5%	21.2%	21.7%	21.7%	20.9%	19.9%
Services and supplies	6.9%	7.5%	7.2%	6.9%	6.9%	7.0%	7.2%	7.1%	6.8%	7.3%
Utilities	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Depreciation	0.7%	0.7%	0.6%	0.6%	0.4%	0.4%	0.4%	0.4%	0.4%	0.2%
Operating expenses	29.9%	29.6%	29.2%	29.3%	28.9%	28.7%	29.4%	29.2%	28.1%	27.4%
Gifts made	0.3%	0.1%	0.5%	0.4%	0.9%	1.1%	1.2%	0.7%	0.9%	0.5%
Interest expense	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.8%	0.8%	0.9%
(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%	0.0%
Nonoperating expenses	0.7%	0.5%	1.0%	0.9%	1.4%	1.6%	1.7%	1.5%	1.7%	1.4%
Total Expenses -- University Medical Associates	30.6%	30.1%	30.2%	30.2%	30.3%	30.3%	31.1%	30.7%	29.8%	28.8%
Nonmajor Enterprise Funds										
Services and supplies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expense	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%	0.4%
Amortization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Operating expenses	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.4%	0.4%
Nonoperating expenses	0.0%	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%	0.1%	0.2%	0.2%	0.3%	0.3%	0.4%	0.4%
Interfund Capital Leases Elimination	-0.1%	-0.1%	-0.1%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%	-0.3%	-0.3%
Total Expenses -- Primary Government	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. Because the GASB 65 impact was relatively minimal, this schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65.

The University implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, for fiscal year 2015 which now reflects current year amortization of pension expense. This will be presented for fiscal 2015 forward.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY
LAST TEN FISCAL YEARS**

	For the Year Ended June 30, (amounts expressed in thousands \$)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses by function:										
Instruction	\$ 187,241	\$ 187,337	\$ 172,648	\$ 195,119	\$ 191,499	\$ 195,634	\$ 187,876	\$ 192,271	\$ 180,898	\$ 164,547
Research	184,596	171,551	170,663	178,477	169,997	169,227	148,542	140,638	130,597	126,864
Public service	78,658	75,818	73,866	45,580	45,137	45,523	43,018	40,452	37,434	33,089
Academic support	59,531	53,929	46,243	45,032	36,898	33,035	36,590	38,332	35,235	32,210
Student services	8,793	8,713	8,140	8,388	8,258	8,596	10,321	9,881	9,605	9,028
Institutional support	47,134	42,307	33,449	38,686	36,400	36,793	37,015	34,203	40,052	36,669
Operation and maintenance of plant	86,938	86,660	83,325	83,346	86,833	72,371	69,385	67,919	66,775	59,770
Scholarships and fellowships	3,602	3,948	3,673	3,321	3,068	3,385	3,176	3,653	3,747	2,022
Auxiliary enterprises	11,056	10,695	10,218	10,663	11,997	10,616	7,736	6,868	5,830	4,876
Refunds to grantors	-	-	-	-	-	319	406	137	240	314
Interest expense	7,036	7,007	7,586	8,071	7,934	9,070	8,677	5,217	4,551	3,675
(Gain) loss on disposal of capital assets	(9,731)	(6,971)	7,125	1,087	1,490	748	959	712	984	286
Transfers to other State funds	415	520	462	182	121	185	198	250	257	810
Other non-operating expenses	28,722	20,033	10,900	3,152	-	-	-	36	-	241
Total expenses by function	\$ 693,991	\$ 661,547	\$ 628,298	\$ 621,104	\$ 599,632	\$ 585,502	\$ 553,899	\$ 540,569	\$ 516,205	\$ 474,401

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. Because the GASB 65 impact was relatively minimal, this schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

SCHEDULE OF EXPENSES BY FUNCTION – UNIVERSITY
LAST TEN FISCAL YEARS

	For the Year Ended June 30, (percent of total expenses)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Instruction	27.0%	28.3%	27.5%	31.4%	31.9%	33.4%	33.9%	35.6%	35.0%	34.7%
Research	26.6%	25.9%	27.2%	28.7%	28.4%	28.9%	26.8%	26.0%	25.3%	26.7%
Public services	11.3%	11.5%	11.7%	7.4%	7.5%	7.8%	7.8%	7.5%	7.3%	7.0%
Academic support	8.6%	8.2%	7.4%	7.3%	6.2%	5.6%	6.6%	7.1%	6.8%	6.8%
Student services	1.3%	1.3%	1.3%	1.4%	1.4%	1.5%	1.9%	1.8%	1.9%	1.9%
Institutional support	6.8%	6.4%	5.3%	6.2%	6.1%	6.3%	6.7%	6.3%	7.8%	7.7%
Operation and maintenance of plant	12.5%	13.1%	13.3%	13.4%	14.5%	12.4%	12.5%	12.6%	12.9%	12.6%
Scholarships and fellowships	0.5%	0.6%	0.6%	0.5%	0.5%	0.6%	0.6%	0.7%	0.7%	0.4%
Auxiliary enterprises	1.6%	1.6%	1.6%	1.7%	2.0%	1.8%	1.4%	1.3%	1.1%	1.0%
Refunds to grantors	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%
Interest expense	1.0%	1.1%	1.2%	1.3%	1.3%	1.5%	1.6%	1.0%	0.9%	0.8%
(Gain) loss on disposal of capital assets	-1.4%	-1.1%	1.1%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%
Transfers to other State funds	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
Other non-operating expenses	4.1%	3.0%	1.7%	0.5%	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%	100.0%

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. Because the GASB 65 impact was relatively minimal, this schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF NET POSITION
LAST TEN FISCAL YEARS**

	For the Year Ended June 30, (amounts expressed in thousands \$)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
The University										
Net investment in capital assets	\$ 350,909	\$ 365,045	\$ 376,357	\$ 388,791	\$ 397,994	\$ 399,743	\$ 365,977	\$ 327,486	\$ 320,983	\$ 288,316
Restricted - nonexpendable	90,352	87,960	85,025	79,072	76,514	66,754	52,446	42,430	31,712	23,609
Restricted - expendable	83,504	93,767	94,912	74,979	52,742	43,905	31,102	26,075	37,191	40,734
Unrestricted	(214,302)	(236,245)	75,769	75,867	71,901	71,796	68,914	58,595	50,242	44,896
Net position -- The University	<u>310,463</u>	<u>310,527</u>	<u>632,063</u>	<u>618,709</u>	<u>599,151</u>	<u>582,198</u>	<u>518,439</u>	<u>454,586</u>	<u>440,128</u>	<u>397,555</u>
University Medical Associates										
Net investment in capital assets	58,721	57,837	45,657	45,325	46,071	17,452	11,681	10,563	2,290	2,952
Restricted - expendable	-	-	-	-	-	-	-	-	24,256	22,448
Unrestricted	174,973	170,244	180,865	170,106	161,834	180,712	151,466	124,368	98,406	89,851
Net position -- University Medical Associates	<u>233,695</u>	<u>228,081</u>	<u>226,522</u>	<u>215,431</u>	<u>207,905</u>	<u>198,164</u>	<u>163,147</u>	<u>134,931</u>	<u>124,952</u>	<u>115,251</u>
Nonmajor Enterprise Funds										
Restricted - expendable	1,272	1,242	1,229	1,277	2,359	2,070	1,766	1,496	1,344	1,345
Unrestricted	-	-	-	-	-	-	-	-	(69)	-
Net position -- Nonmajor Enterprise Funds	<u>1,272</u>	<u>1,242</u>	<u>1,229</u>	<u>1,277</u>	<u>2,359</u>	<u>2,070</u>	<u>1,766</u>	<u>1,496</u>	<u>1,275</u>	<u>1,345</u>
Net position - Primary Government	<u>\$ 545,430</u>	<u>\$ 539,850</u>	<u>\$ 859,814</u>	<u>\$ 835,417</u>	<u>\$ 809,415</u>	<u>\$ 782,432</u>	<u>\$ 683,352</u>	<u>\$ 591,013</u>	<u>\$ 566,355</u>	<u>\$ 514,151</u>
Total Primary Government										
Net investment in capital assets	\$ 409,630	\$ 422,882	\$ 422,014	\$ 434,116	\$ 444,065	\$ 417,195	\$ 377,658	\$ 338,049	\$ 323,273	\$ 291,268
Restricted - nonexpendable	90,352	87,960	85,025	79,072	76,514	66,754	52,446	42,430	31,712	23,609
Restricted - expendable	84,776	95,009	96,141	76,256	55,101	45,975	32,868	27,571	62,791	64,527
Unrestricted	(39,329)	(66,001)	256,634	245,973	233,735	252,508	220,380	182,963	148,579	134,747
Net position - Primary Government	<u>\$ 545,430</u>	<u>\$ 539,850</u>	<u>\$ 859,814</u>	<u>\$ 835,417</u>	<u>\$ 809,415</u>	<u>\$ 782,432</u>	<u>\$ 683,352</u>	<u>\$ 591,013</u>	<u>\$ 566,355</u>	<u>\$ 514,151</u>

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. Because the GASB 65 impact was relatively minimal, this schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65. The University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for fiscal year 2015. This schedule reflects comparative data pre 2015 as it was originally recorded prior to the implementation of GASB 68 as this information is not available for any fiscal year prior to 2015.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

	<i>(amounts expressed in thousands \$)</i>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
The University										
Income (loss) before other revenues, expenses, gains or losses	\$ (101,526)	\$ (65,076)	\$ (63,527)	\$ (61,644)	\$ (73,235)	\$ (44,073)	\$ (35,125)	\$ (50,046)	\$ (22,907)	\$ (10,802)
State capital appropriations	25,665	1,095	4,623	13,280	21,160	23,638	22,005	2,523	11,382	6,808
Capital grants and gifts	335	421	2,583	4,710	5,362	24,402	25,669	6,357	14,863	11,350
Additions to permanent endowments	2,391	2,935	5,953	2,549	9,749	14,293	9,998	10,698	8,080	3,418
Interfund transfers	73,070	76,152	64,459	60,663	53,917	45,499	41,306	44,926	31,155	27,989
Changes in net position -- The University	<u>(64)</u>	<u>15,527</u>	<u>14,091</u>	<u>19,558</u>	<u>16,953</u>	<u>63,759</u>	<u>63,853</u>	<u>14,458</u>	<u>42,573</u>	<u>38,763</u>
University Medical Associates										
Income before other revenues, expenses, gains or losses	78,631	77,648	76,341	67,319	64,311	81,177	70,423	55,737	40,451	54,105
Interfund transfers	(73,018)	(76,089)	(64,759)	(59,793)	(54,570)	(46,160)	(42,207)	(45,758)	(30,750)	(26,393)
Special item - disposition of primary care practice	-	-	-	-	-	-	-	-	-	(105)
Changes in net position -- University Medical Associates	<u>5,613</u>	<u>1,559</u>	<u>11,582</u>	<u>7,526</u>	<u>9,741</u>	<u>35,017</u>	<u>28,216</u>	<u>9,979</u>	<u>9,701</u>	<u>27,607</u>
Nonmajor Enterprise Funds										
Income (loss) before other revenues, expenses, gains or losses	83	76	19	(212)	(364)	(357)	(383)	(363)	(218)	(316)
Interfund transfers	(52)	(63)	300	(870)	653	661	653	584	148	614
Liquidation gain	-	-	-	-	-	-	-	-	-	-
Changes in net position -- Nonmajor Enterprise Funds	<u>31</u>	<u>13</u>	<u>319</u>	<u>(1,082)</u>	<u>289</u>	<u>304</u>	<u>270</u>	<u>221</u>	<u>(70)</u>	<u>298</u>
Primary Government										
Total changes in net position	5,580	17,099	25,992	26,002	26,983	99,080	92,339	24,658	52,204	66,668
Net position beginning (as restated for FY 2015 & 2014)	539,850	522,751	833,822	809,415	782,432	683,352	591,013	566,355	514,151	447,483
Net position ending	<u>\$ 545,430</u>	<u>\$ 539,850</u>	<u>\$ 859,814</u>	<u>\$ 835,417</u>	<u>\$ 809,415</u>	<u>\$ 782,432</u>	<u>\$ 683,352</u>	<u>\$ 591,013</u>	<u>\$ 566,355</u>	<u>\$ 514,151</u>

Note: The University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014. While the net position at the beginning of fiscal year 2014 was adjusted for the GASB 65 impact, the above schedule reflects comparative data for pre-2014 years as it was originally reported prior to the implementation of GASB 65. The University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for fiscal year 2015. This schedule reflects comparative data pre 2015 as it was originally recorded prior to the implementation of GASB 68 as this information is not available for any fiscal year prior to 2015.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF RATIOS OF OUTSTANDING DEBT – PRIMARY GOVERNMENT
LAST TEN FISCAL YEARS**

	For the Year Ended June 30,									
	<i>(dollars expressed in thousands except for debt per capita)</i>									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
The University										
General obligation bonds payable	\$ 52,985	\$ 35,070	\$ 39,280	\$ 43,505	\$ 47,660	\$ 52,745	\$ 37,300	\$ 40,690	\$ 43,960	\$ 47,095
State bond anticipation notes	-	26,500	28,000	28,000	28,000	30,000	30,000	30,000	30,000	-
Revenue bonds	28,495	29,855	31,160	32,415	33,625	34,785	35,900	36,975	38,000	38,000
Energy note payable	-	-	-	3,215	6,043	7,882	14,374	15,387	-	-
Capital lease obligations	73	349	577	835	1,213	1,555	1,899	3,354	4,569	5,061
Premium on general obligation bond	3,945	936	1,237	1,571	1,920	-	-	-	-	-
Due to component unit	43,069	43,732	44,346	44,914	45,440	45,927	46,378	46,736	-	-
Interfund payables	13,845	16,285	18,563	20,690	25,787	29,006	32,045	34,920	37,641	40,218
Total debt -- The University	\$ 142,412	\$ 152,727	\$ 163,163	\$ 175,145	\$ 189,688	\$ 201,900	\$ 197,896	\$ 208,062	\$ 154,170	\$ 130,374
University Medical Associates										
Variable rate debt	\$ 62,085	\$ 62,085	\$ 62,085	\$ 62,085	\$ 62,085	\$ 62,085	\$ 62,085	\$ 62,085	\$ 85,100	\$ 87,750
Notes payable	22,765	27,761	17,378	21,169	24,961	28,801	32,663	36,335	-	-
Capital lease obligations	673	-	-	-	-	-	28	90	151	156
Total debt -- University Medical Associates	\$ 85,523	\$ 89,846	\$ 79,463	\$ 83,254	\$ 87,046	\$ 90,886	\$ 94,776	\$ 98,510	\$ 85,251	\$ 87,906
Nonmajor Funds										
Revenue bonds payable	\$ 820	\$ 1,969	\$ 3,039	\$ 4,031	\$ 4,954	\$ 5,812	\$ 6,609	\$ 7,350	\$ 8,039	\$ 8,679
Notes payable	15,065	16,515	17,920	19,290	27,600	30,325	32,925	35,405	37,800	40,110
Premium on notes payable	-	-	-	-	61	67	72	77	83	88
Total debt -- Nonmajor Funds	\$ 15,885	\$ 18,484	\$ 20,959	\$ 23,321	\$ 32,615	\$ 36,204	\$ 39,606	\$ 42,832	\$ 45,922	\$ 48,877
Interfund Capital Leases Elimination	\$ (13,845)	\$ (16,285)	\$ (18,563)	\$ (20,690)	\$ (25,787)	\$ (29,006)	\$ (32,045)	\$ (34,920)	\$ (37,641)	\$ (40,218)
Total debt -- Primary Government	\$ 229,975	\$ 244,772	\$ 245,022	\$ 261,030	\$ 283,562	\$ 299,984	\$ 300,233	\$ 314,484	\$ 247,702	\$ 226,939
Total debt as percentage of personal income	0.12%	0.13%	0.14%	0.16%	0.18%	0.20%	0.20%	0.21%	0.17%	0.17%
Total debt per capita	\$ 48	\$ 51	\$ 51	\$ 55	\$ 61	\$ 65	\$ 66	\$ 70	\$ 56	\$ 52

Source: Medical University of South Carolina Comprehensive Annual Financial Reports

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF BOND COVERAGE – UNIVERSITY
LAST TEN FISCAL YEARS**

(amounts expressed in thousands except for coverage ratio)

State Institution Bonds (Note 1)

Year ending June 30,	Tuition	Total Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
			Principal	Interest	Total	
2016	\$ 8,187	8,187	\$ 4,360	\$ 1,525	5,885	1.39
2015	8,466	8,466	4,210	1,698	5,908	1.43
2014	9,861	9,861	4,225	1,867	6,092	1.62
2013	6,924	6,924	4,155	1,988	6,143	1.13
2012	8,502	8,502	4,060	2,211	6,271	1.36
2011	10,656	10,656	3,505	1,568	5,073	2.10
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

Note 1: Bonds secured by tuition revenue.

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF RATIOS OF OUTSTANDING DEBT – UNIVERSITY
LAST TEN FISCAL YEARS**

	For the Year Ended June 30,									
	<i>(dollars expressed in thousands except for outstanding debt per student)</i>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General obligation bonds payable, net	\$ 52,985	\$ 35,070	\$ 39,280	\$ 45,076	\$ 49,580	\$ 52,745	\$ 37,300	\$ 40,690	\$ 43,960	\$ 48,119
State bond anticipation notes	-	26,500	28,000	28,000	28,000	30,000	30,000	30,000	30,000	-
Revenue bonds, net	28,495	29,855	31,160	32,415	33,625	34,785	35,900	36,975	38,000	38,000
Energy note payable	-	-	-	3,215	6,043	7,882	14,374	15,387	-	-
Capital lease obligations	73	349	577	835	1,213	1,555	1,899	3,354	4,569	5,061
Premium on general obligation bond	3,945	936	1,237	1,571	1,920	-	-	-	-	-
Due to component unit	43,069	43,732	44,346	44,914	45,440	45,927	46,378	46,736	-	-
Interfund payables	13,845	16,285	18,563	20,690	25,787	29,006	32,045	34,920	37,641	40,218
Total outstanding debt	\$ 142,412	\$ 152,727	\$ 163,163	\$ 176,716	\$ 191,608	\$ 201,900	\$ 197,896	\$ 208,062	\$ 154,170	\$ 131,398
Full-time equivalent students	3,307	3,230	3,133	3,101	3,015	2,871	2,776	2,755	2,816	2,777
Outstanding debt per student	\$ 43,064	\$ 47,284	\$ 52,079	\$ 56,987	\$ 63,552	\$ 70,324	\$ 71,288	\$ 75,522	\$ 54,748	\$ 47,317

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 Reports and Office of Enrollment Services.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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			Coverage
				Principal	Interest	Total	
2016	\$ 362,672,184	\$ 292,605,679	70,066,505	\$ 4,996,500	\$ 2,696,225	7,692,725	9.11
2015	343,763,825	275,333,798	68,430,027	4,996,501	2,484,940	7,481,441	9.15
2014	323,759,830	258,273,378	65,486,452	3,791,500	2,615,843	6,407,343	10.22
2013	312,252,374	256,750,184	55,502,190	3,791,500	2,765,778	6,557,278	8.46
2012	302,262,422	244,593,803	57,668,619	3,791,500	2,897,984	6,689,484	8.62
2011	308,747,008	236,573,700	72,173,308	3,791,500	4,110,334	7,901,834	9.13
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

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

University Medical Associates Comprehensive Annual Financial Reports.

Source:

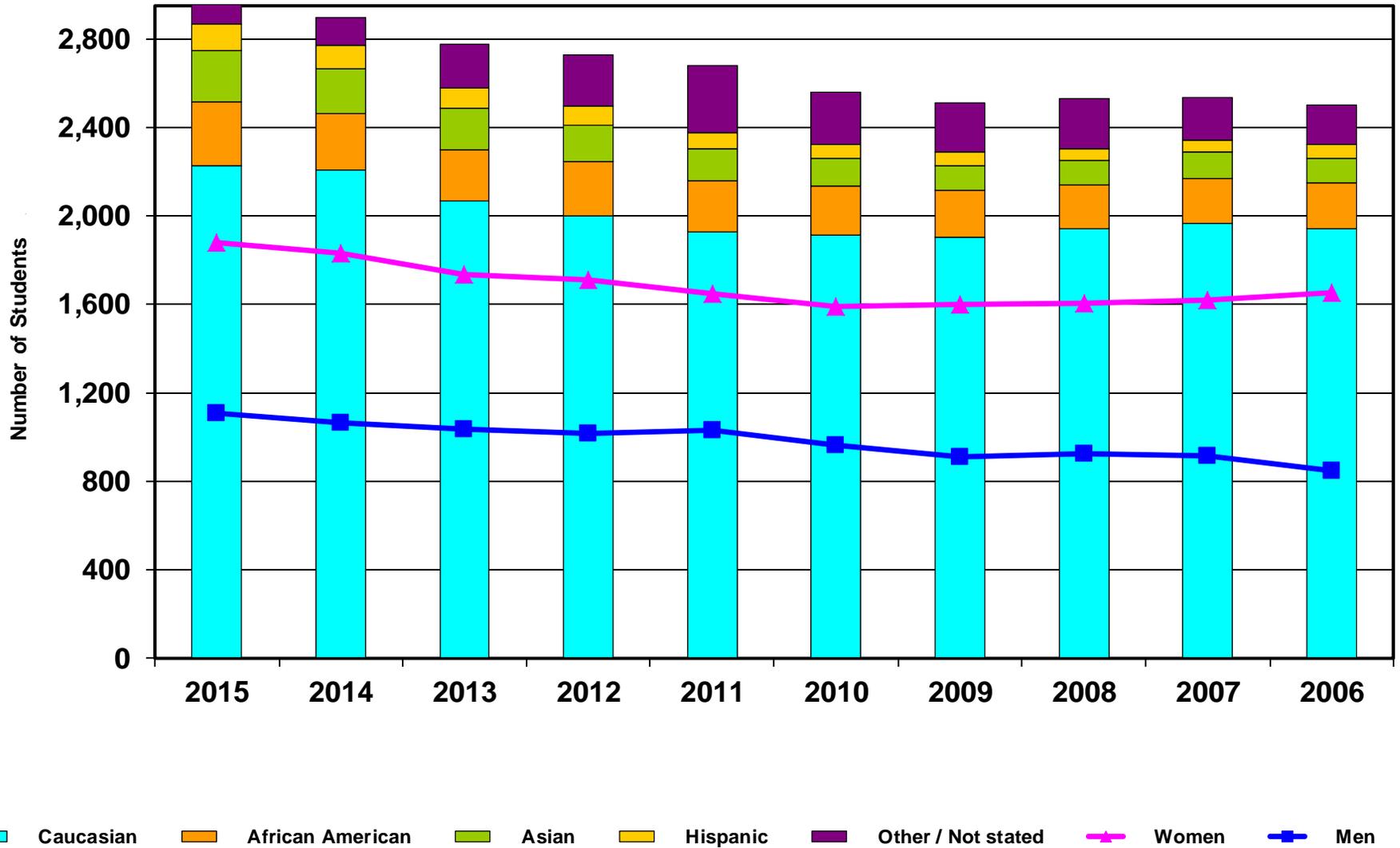
MEDICAL UNIVERSITY OF SOUTH CAROLINA

**ENROLLMENT STATISTICS – UNIVERSITY
LAST TEN ACADEMIC YEARS
FALL ENROLLMENTS**

ENROLLMENT	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
LEVEL										
Undergraduate	324	293	205	204	200	237	267	319	272	289
Graduate	1,319	1,267	1,243	1,233	1,211	1,051	1,027	1,032	1,105	1,061
First Professional	1,352	1,340	1,329	1,294	1,268	1,272	1,220	1,181	1,161	1,152
STATUS										
Full-Time	2,790	2,689	2,593	2,568	2,518	2,360	2,287	2,261	2,206	2,234
Part-Time	205	211	184	163	161	200	227	271	332	268
ORIGIN										
In State	2,113	2,075	1,988	1,954	1,987	1,939	1,908	1,941	1,934	1,943
Out of State	828	779	748	704	571	580	567	547	565	522
Foreign	54	46	41	73	121	41	39	44	39	37
RACE/ETHNICITY										
Caucasian	2,230	2,208	2,069	2,001	1,931	1,917	1,904	1,942	1,968	1,942
African American	286	254	232	245	231	221	212	198	202	208
Asian	233	207	185	166	141	122	114	110	119	112
Hispanic	118	103	93	87	76	66	60	56	54	64
Other / Not stated	128	128	198	232	300	234	224	226	195	176
GENDER										
Women	1,883	1,832	1,739	1,711	1,648	1,593	1,601	1,607	1,619	1,653
Men	1,112	1,068	1,038	1,020	1,031	967	913	925	919	849
COLLEGES										
Medicine	758	725	719	706	695	697	670	642	620	609
Pharmacy	321	323	322	318	316	320	315	314	319	319
Nursing	570	563	458	439	410	374	351	343	330	339
Graduate Studies	222	204	190	220	240	152	159	182	200	210
Dental Medicine	317	314	309	292	279	255	235	225	222	224
Health Professions	782	764	770	750	723	737	760	802	822	781
Non-Degree Seeking	25	7	9	6	16	25	24	24	25	20
Total enrollment	2,995	2,900	2,777	2,731	2,679	2,560	2,514	2,532	2,538	2,502

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

University Enrollment by Race/Ethnicity and Gender



MEDICAL UNIVERSITY OF SOUTH CAROLINA

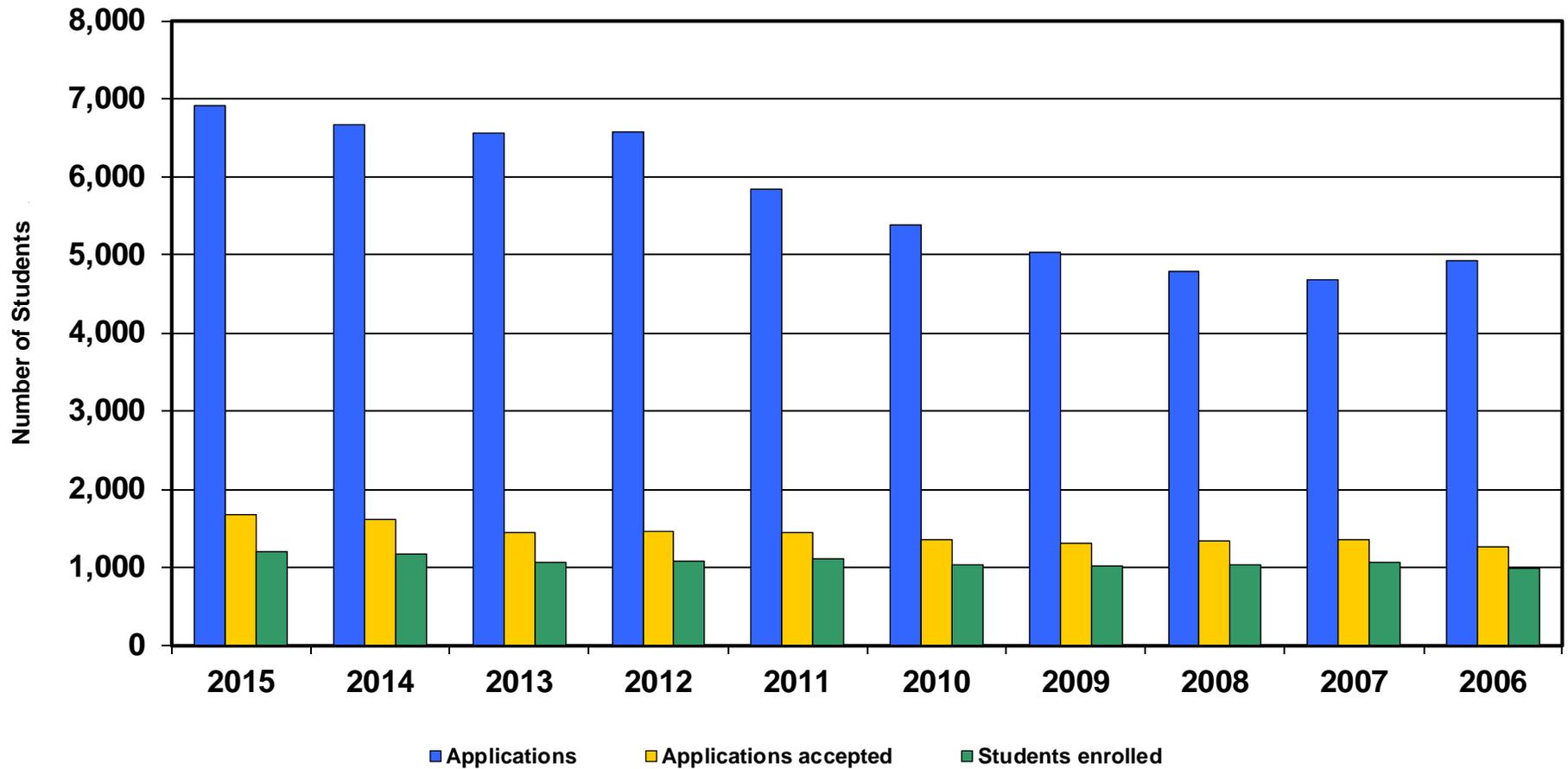
**ADMISSIONS AND DEGREE STATISTICS – UNIVERSITY
LAST TEN ACADEMIC YEARS
FALL ENROLLMENTS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>ADMISSIONS</u>										
Applications	6,911	6,659	6,558	6,580	5,844	5,379	5,028	4,786	4,673	4,919
Applications accepted	1,667	1,618	1,441	1,457	1,445	1,358	1,307	1,337	1,354	1,256
Percentage of applications accepted	24.1%	24.3%	22.0%	22.1%	24.7%	25.2%	26.0%	27.9%	29.0%	25.5%
Students enrolled	1,205	1,171	1,059	1,071	1,110	1,034	1,020	1,036	1,065	982
Enrolled as a percentage of accepted	72.3%	72.4%	73.5%	73.5%	76.8%	76.1%	78.0%	77.5%	78.7%	78.2%
<u>DEGREES GRANTED</u>										
Bachelor	210	125	135	118	146	173	194	172	193	190
Master	280	301	298	300	251	277	292	293	346	306
First Professional	320	320	296	268	293	267	270	276	261	266
Doctoral	164	173	154	159	106	85	114	152	57	29
Total	974	919	883	845	796	802	870	893	857	791

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



MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

<u>RESIDENT</u>										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Undergraduate										
Health Professions	\$ 22,752	\$ 22,371	\$ 21,717	\$ 21,501	\$ 21,051	\$ 20,250	\$ 19,374	\$ 17,361	\$ 16,533	\$ 15,747
Nursing	22,761	22,314	21,876	21,447	21,027	20,316	18,987	17,418	15,837	15,084
Graduate										
Dental Medicine	46,450	45,062	43,749	42,474	40,452	38,162	36,345	31,064	26,551	22,500
Graduate Studies	19,941	19,549	19,166	18,253	18,072	17,049	15,498	14,483	13,166	12,861
Health Professions	23,729	23,274	23,201	23,061	21,243	20,899	21,289	18,338	17,058	16,245
Medicine	33,388	33,388	33,388	33,388	33,388	31,204	29,438	25,598	23,270	21,688
Nursing	24,348	24,348	23,871	23,175	23,175	22,065	21,015	18,765	17,058	16,245
Pharmacy	24,554	23,863	23,120	22,446	21,794	20,757	19,411	17,647	15,330	14,460
<u>NON-RESIDENT</u>										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Undergraduate										
Health Professions	\$ 34,773	\$ 34,191	\$ 33,195	\$ 32,865	\$ 32,415	\$ 30,870	\$ 35,726	\$ 46,767	\$ 44,538	\$ 42,417
Nursing	33,000	33,000	33,000	36,450	35,736	33,399	33,399	30,264	\$ 43,377	41,310
Graduate										
Dental Medicine	81,625	79,142	76,837	74,598	71,045	67,023	63,831	81,455	74,050	62,754
Graduate Studies	29,257	28,684	28,122	26,782	26,517	25,017	22,741	18,192	16,536	16,195
Health Professions	33,021	32,395	33,644	32,985	29,513	27,622	34,329	30,943	34,011	32,391
Medicine	59,852	59,852	59,852	59,852	59,852	55,936	52,770	72,380	65,800	61,344
Nursing	28,659	28,659	28,659	28,659	28,659	36,543	34,803	30,264	27,513	26,202
Pharmacy	36,669	35,637	34,534	33,527	32,550	31,000	29,000	35,294	36,400	34,333

- Notes: 1) Except for Medicine, the tuition calculation includes three semesters (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.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**OUTPATIENT VISITS BY SPECIALTY – UMA
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	Specialty							Total
	Medicine	Family Medicine	Obstetrics/ Gynecology	Pediatrics	Ophthalmology	Surgery	All Others	
2016	198,858 15.40%	26,252 2.03%	78,924 6.11%	117,072 9.07%	42,295 3.28%	42,582 3.30%	785,398 60.82%	1,291,381 100.01%
2015	194,823 15.96%	25,001 2.05%	74,721 6.12%	101,421 8.31%	42,702 3.50%	43,985 3.60%	737,924 60.46%	1,220,577 100.00%
2014	367,597 33.02%	47,628 4.28%	90,729 8.15%	131,759 11.83%	39,276 3.53%	75,724 6.80%	360,655 32.39%	1,113,368 100.00%
2013	352,813 31.42%	59,031 5.26%	102,941 9.17%	117,390 10.45%	37,420 3.33%	73,014 6.50%	380,357 33.87%	1,122,966 100.00%
2012	369,079 32.01%	57,454 4.98%	108,943 9.45%	105,986 9.19%	42,624 3.70%	72,351 6.27%	396,644 34.40%	1,153,081 100.00%
2011	380,642 32.87%	84,686 7.31%	112,231 9.69%	106,711 9.22%	45,027 3.89%	74,519 6.44%	354,160 30.58%	1,157,976 100.00%
2010	416,066 36.21%	104,881 9.13%	106,773 9.29%	113,969 9.92%	45,280 3.94%	73,177 6.37%	288,975 25.14%	1,149,121 100.00%
2009	360,190 33.79%	89,541 8.40%	104,763 9.83%	114,216 10.71%	53,049 4.98%	68,354 6.41%	275,993 25.88%	1,066,106 100.00%
2008	282,534 29.67%	77,622 8.15%	106,775 11.21%	111,654 11.72%	53,382 5.61%	63,857 6.71%	256,527 26.93%	952,351 100.00%
2007	258,963 29.12%	77,758 8.74%	99,467 11.18%	107,382 12.07%	52,425 5.89%	61,920 6.96%	231,513 26.04%	889,428 100.00%

Source: University Medical Associates Medical Records System.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

<u>Source</u>	Fiscal Year Ended June 30,									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Medicare	36%	35%	35%	34%	32%	32%	32%	32%	30%	30%
Medicaid	22%	22%	24%	23%	21%	20%	19%	19%	18%	20%
Blue Cross/Blue Shield	23%	23%	23%	23%	25%	25%	25%	26%	25%	25%
Commercial insurance	1%	1%	1%	1%	1%	1%	2%	2%	2%	2%
All other (including Managed Care)	18%	19%	17%	19%	21%	22%	22%	21%	25%	23%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: University Medical Associates Medical Records System.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Employees										
Permanent Full-time and Part-time Employees										
Full-time classified	1,654	1,595	1,572	1,575	1,553	1,527	1,489	1,582	1,537	1,494
Part-time classified	40	42	39	37	49	49	48	52	52	45
Full-time unclassified	1,285	1,244	1,242	1,235	1,214	1,174	1,146	1,175	1,128	1,084
Part-time unclassified	310	297	295	266	262	250	242	250	229	233
Total	<u>3,289</u>	<u>3,178</u>	<u>3,148</u>	<u>3,113</u>	<u>3,078</u>	<u>3,000</u>	<u>2,925</u>	<u>3,059</u>	<u>2,946</u>	<u>2,856</u>
Other Categories										
Residents	726	713	716	694	664	642	639	622	592	543
Pre/post doctoral fellows	149	134	133	138	161	143	160	160	197	172
Temporary	1,249	1,173	1,150	1,083	1,092	1,117	1,001	982	1,014	958
Dual employment-other agencies	15	-	12	10	10	4	10	4	14	16
Total	<u>2,139</u>	<u>2,020</u>	<u>2,011</u>	<u>1,925</u>	<u>1,927</u>	<u>1,906</u>	<u>1,810</u>	<u>1,768</u>	<u>1,817</u>	<u>1,689</u>
Total Employees	<u>5,428</u>	<u>5,198</u>	<u>5,159</u>	<u>5,038</u>	<u>5,005</u>	<u>4,906</u>	<u>4,735</u>	<u>4,827</u>	<u>4,763</u>	<u>4,545</u>

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

MEDICAL UNIVERSITY OF SOUTH CAROLINA

EMPLOYEE STATISTICS – UMA
LAST TEN FISCAL YEARS

	Full-Time Equivalent Employees as of June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Departmental										
Full-time	444	421	414	447	420	419	389	366	305	282
Part-time	44	38	35	33	13	17	13	17	38	31
Temporary	30	61	37	23	10	8	8	5	9	12
Total Departmental	518	520	486	503	443	444	410	388	352	325
Corporate										
Full-time	332	329	330	336	333	327	325	312	303	311
Part-time	3	7	8	9	1	1	1	6	3	7
Temporary	-	3	1	1	55	2	3	1	1	2
Total Corporate	335	339	339	346	389	330	329	319	307	320
Ambulatory Care										
Full-time	16	22	22	8	12	15	13	16	17	23
Part-time	-	-	-	-	-	-	-	-	1	1
Temporary	-	-	-	-	-	-	-	-	-	-
Total Ambulatory Care	16	22	22	8	12	15	13	16	18	24
Total Employees	869	881	847	857	844	789	752	723	677	669
Vacant Positions	183	167	180	130	177	95	122	70	125	79
Total Authorized Positions	1,052	1,048	1,027	987	1,021	884	874	793	802	748

Notes: Excludes physician members.

Source: University Medical Associates Human Resources.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

**SCHEDULE OF CAPITAL ASSET INFORMATION – UNIVERSITY
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Academic buildings										
Net assignable square feet (in thousands)	2,825	2,830	2,863	2,779	2,999	2,722	2,611	2,215	2,140	2,100
Administrative and support buildings										
Net assignable square feet (in thousands)	427	429	432	395	421	371	315	412	386	377
Laboratories										
Net assignable square feet (in thousands)	409	417	402	385	402	359	620	356	325	313
Athletic Facilities										
Fitness center	1	1	1	1	1	1	1	1	1	1
Gymnasium	1	1	1	1	1	1	1	1	1	1
Pool	1	1	1	1	1	1	1	1	1	1
Squash courts	2	2	2	2	2	2	1	1	1	2
Indoor racquetball court	4	4	4	4	4	4	4	4	4	4
Outdoor racquetball court	3	3	3	3	3	3	3	3	3	3
Tennis court	4	4	4	4	4	4	4	4	4	4
Transportation:										
Airplane	-	-	-	-	-	-	1	1	1	1
Buses	16	12	12	12	12	12	12	12	10	10
Mobile health units	5	5	5	5	5	5	5	3	3	3
Other vehicles	65	75	57	82	79	73	82	81	88	86

Source: Medical University of South Carolina Planning office & Medical University of South Carolina Property Control office.

MEDICAL UNIVERSITY OF SOUTH CAROLINA

DEMOGRAPHIC STATISTICS
STATE OF SOUTH CAROLINA
LAST TEN FISCAL YEARS

	<u>Population as of July 1 (a)</u>	<u>Total Personal Income (1) (b)</u>	<u>Per Capita Income</u>	<u>Average Annual Unemployment Rate (c)</u>
2015	4,893,991	\$ 186,286	\$ 38,041	5.9%
2014	4,832,482	178,485	36,934	6.4%
2013	4,774,839	171,088	35,831	7.8%
2012	4,723,723	165,595	35,056	9.4%
2011	4,673,348	159,745	34,182	10.3%
2010	4,635,835	151,536	32,688	11.2%
2009	4,561,242	148,601	32,579	11.7%
2008	4,503,280	150,167	33,346	6.9%
2007	4,424,232	143,769	32,496	5.6%
2006	4,339,399	135,675	31,266	6.4%

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, Bureau of Labor Statistics

MEDICAL UNIVERSITY OF SOUTH CAROLINA

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

2015

Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina
Greenville County School District
Greenville Health System
Michelin North America, Inc.
Palmetto Health Alliance, Inc.
U.S. Department of Defense
U.S. Postal Service
University of South Carolina
Wal-Mart Associates, Inc.

2006

Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina
Greenville County School District
Michelin Tire Corporation
Palmetto Health Alliance, Inc.
U.S. Department of Defense
U.S. Postal Service
University of South Carolina
Wal-Mart Associates, Inc.
Washington Savannah River Company

Note: 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.

Source: South Carolina Employment Security Commission.