

THE UNIVERSITY OF TEXAS SYSTEM  
*Office of the Controller*

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**THE UNIVERSITY OF TEXAS SYSTEM**  
**BOARD OF REGENTS**  
**As of August 31, 2003**

**Officers**

Charles Miller, Chairman  
Rita C. Clements, Vice-Chairman  
Woody L. Hunt, Vice-Chairman  
A. W. "Dub" Riter, Jr., Vice-Chairman  
Francie A. Frederick, Counsel and Secretary

**Members**

*Term Expires When Successor is Named*

A. W. "Dub" Riter, Jr.

Tyler

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*Terms Expire February 1, 2005*

Robert A. Estrada  
Woody L. Hunt  
Charles Miller

Dallas  
El Paso  
Houston

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*Terms Expire February 1, 2007*

Rita C. Clements  
Judith L. Craven, M.D.  
Cyndi Taylor Krier

Dallas  
Houston  
San Antonio

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*Terms Expire February 1, 2009*

H. Scott Caven, Jr.  
James Richard Huffines

Houston  
Austin

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**THE UNIVERSITY OF TEXAS SYSTEM**  
**SENIOR ADMINISTRATIVE OFFICIALS**  
As of August 31, 2003

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Mark G. Yudof, Chancellor

James C. Guckian, M.D., Acting Executive Vice Chancellor for Health Affairs

Kerry L. Kennedy, Executive Vice Chancellor for Business Affairs

Teresa A. Sullivan, Executive Vice Chancellor for Academic Affairs

Cullen M. Godfrey, Vice Chancellor and General Counsel

E. Ashley Smith, Vice Chancellor for Governmental Relations and Policy

Shirley Bird Perry, Vice Chancellor for Development and External Relations

William H. Shute, Vice Chancellor for Federal Relations

John De La Garza, Jr., Vice Chancellor for Community Relations

Tonya Moten Brown, Vice Chancellor for Administration

Michael D. McKinney, Vice Chancellor for Health Affairs

Edwin R. Sharpe, Vice Chancellor for Educational System Alignment

Bob Boldt, President, Chief Executive Officer and Chief Investment Officer – UTIMCO

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THE UNIVERSITY OF TEXAS SYSTEM  
**Management's Discussion and Analysis (Unaudited)**  
For the Year Ended August 31, 2003

**INTRODUCTION**

The University of Texas System (the System) was established by the Texas Constitution of 1876. In 1881, Austin was designated the site of the main academic campus and Galveston as the location of the medical branch. The University of Texas at Austin opened in 1883, and eight years later, the John Sealy

improvement from the 2002 net investment loss of \$16.2 million. In addition, the net increase in fair value of investments for 2003 was \$1.2 billion, as compared to a net decrease of \$479.8 million in 2002. The improvements in the financial markets were the largest contributor to the increase in net assets of \$1.5 billion during 2003.

- Investments in capital asset additions were approximately \$1.4 billion in 2003, including construction in progress that was completed during the year.

## **CONDENSED FINANCIAL INFORMATION**

### **The Balance Sheet**

### Current Assets and Current Liabilities

Current assets consist primarily of cash and cash equivalents, securities lending collateral, various student, patient and gift receivables and student notes receivable. Current liabilities consist primarily of accounts payable and accrued liabilities, securities lending obligations, deferred revenues, commercial paper notes and the current portion of bonds payable. The System's current ratio (current assets to current liabilities) of 1.2 times reflects adequate liquidity and sufficient short-term ability to meet its upcoming obligations.

### Noncurrent Investments

Noncurrent investments include permanent endowments, funds functioning as endowments, life income funds and other investments. These assets experienced a \$1.4 billion increase in 2003 due to increases in fair value of investments, increased investment income and gifts received to establish new endowment funds.

### Capital Assets and Related Debt Activities

The development and renewal of its capital assets is one of the critical factors in continuing the System's high quality academic, medical and research programs, as well as meeting the demands for student housing. The System continues to implement its \$4.6 billion capital improvement program, planned for fiscal years 2004 through 2009, to upgrade its facilities and address fire and life safety needs. The capital improvement program is balanced between new construction to address space deficiencies and planned growth in patient care and student enrollment. Capital additions totaled approximately \$1.4 billion in 2003, including construction in progress that was completed during the year. These capital additions were comprised of replacement, renovation, and new construction of academic, research and health care facilities, as well as significant investments in equipment.

Bonds payable relating to financing of current and prior years' construction needs totaled approximately \$2.3 billion and \$1.8 billion at August 31, 2003 and 2002, respectively. All long-term bonds continue to reflect the highest uninsured "Aaa" and "AAA" credit ratings from the three major bond-rating agencies.

### Net Assets

Net assets represent the residual interest in the System's assets, after liabilities are deducted. The following table summarizes the composition of net assets at August 31, 2003 and 2002:

(\$ in millions)	2003	Restated 2002
<b>Net Assets:</b>		
Invested in Capital Assets,		
Net of Related Debt	\$ 3,310.7	3,031.6
Restricted:		
Nonexpendable	11,150.0	10,044.0
Expendable	1,420.1	1,423.5
Unrestricted	2,738.2	2,575.8
<b>Total Net Assets</b>	<b>\$ 18,619.0</b>	<b>17,074.9</b>

Net assets invested in capital assets, net of related debt, represents the System's capital assets net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets. The \$279.1 million increase in capital assets, net of related debt, since August 31, 2002, resulted from the additions to capital assets during 2003.

Restricted nonexpendable net assets primarily include the System's permanent endowment funds and are

income and new gifts. Restricted expendable net assets include \$209.9 million of funds functioning as endowments, which was an increase of \$8.8 million from 2002.

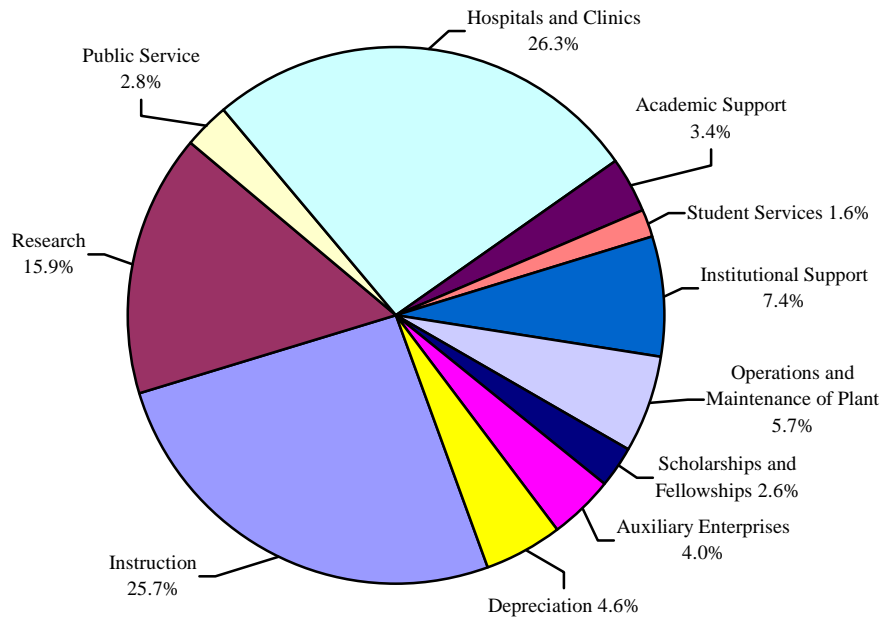
Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the





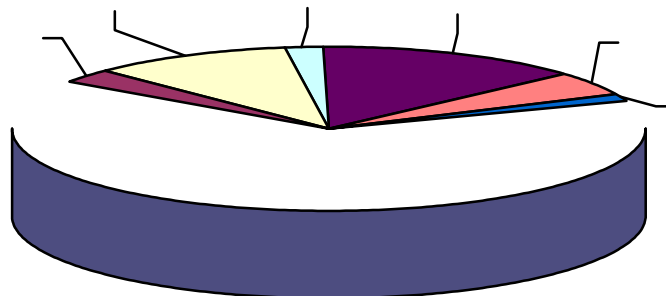
The following is a graphic illustration of operating expenses by their functional classification for the year ending August 31, 2003.

**Functional Classification of Operating Expenses (\$7,187.8 million)**



The above functional presentation of operating expenses reflects the System's commitments in promoting instruction, research, patient care, public service and student support. Total operating expenses increased \$398.7 million in 2003 in response to growing student enrollment, research, and patient care activities. The System's full-time equivalent employees increased 1.8% from 65,689 in 2002 to 66,845 in 2003. Employee related costs increased due to salary increases and higher medical insurance premium costs.

In addition to programmatic (functional) classification of operating expenses, the following graph also illustrates the System's operating expenses by natural classification for the year ending August 31, 2003.



### Nonoperating Revenues and Expenses

Significant recurring revenues are considered nonoperating, as required by GASB Statement No. 35. State appropriations decreased \$29.7 million primarily due to reductions in general revenue mandated by the State Legislature. Gift contributions for operations of \$193.9 million, a decrease of \$30.8 million, were received from private sources and used to further research and support student education. Net investment income, including realized gains and losses, increased from (\$16.2) million in 2002 to \$354.9 million in 2003. After the market low on March 11, 2003, investment returns improved due to the improving financial market. Interest expense on capital asset financings was relatively stable at \$89.7 million in 2003.

### Income (Loss) Before Other Revenues, Expenses, Gains or Losses

Income (Loss) Before Other Revenues, Expenses, Gains or Losses, is the sum of the Operating Loss plus Nonoperating Revenues (Expenses). It is an indication of recurring revenues and expenses for the System and does not take into account capital and endowment related additions, extraordinary items and transfers. The Income Before Other Revenues, Expenses, Gains or Losses totaled \$1.3 billion in 2003, an increase of \$2 billion over 2002 levels. This gain is a result of marking investments to their fair values. The System measures its operating results by considering operating activities, including certain significant recurring nonoperating revenues and expenses. The following table summarizes the System's view of its operating results for 2003 and 2002:

(\$ in millions)	2003	Restated 2002
<b>Operating Results:</b>		
Operating Loss	\$ (1,983.3)	(2,003.7)
State Appropriations	1,592.8	1,622.5
Gift Contributions for Operations	193.9	224.7
Net Investment Income (Loss)	354.9	(16.2)
Interest Expense on Debt Financings	(89.7)	(92.3)
<b>Net Operating Results</b>	<b>\$ 68.6</b>	<b>(265.0)</b>

### Capital Gift Contributions and Additions to Permanent Endowments

Capital gifts and additions to permanent endowments totaled \$292.9 million for the period ended August 31, 2003, an increase of \$129.9 million over 2002, and resulted primarily from capital campaign efforts to address facilities expansion and renovation and the establishment of endowments for instruction, research and patient care activities. The institutions with large, multi-year fund-raising campaigns underway include: U. T. Austin with \$1.4 billion, U. T. Southwestern Medical Center at Dallas with \$450 million and U. T. Health Science Center at Houston with \$200 million.

### Extraordinary Items

Extraordinary items result from unusual and infrequent events. Net extraordinary revenues totaling \$36.5 million were realized during fiscal year 2003 as a result of the Health Science Center at Houston's continued reimbursement of costs associated with debris removal, emergency protective measures and replacement supplies relating to property and equipment damage sustained during Tropical Storm Allison in June 2001. Since Allison, receipts have been realized from commercial insurance coverage and from the Federal Emergency Management Agency (FEMA). Additional insurance and FEMA proceeds are anticipated; however, the amount and timing of such receipts cannot reasonably be predicted due to on-going settlement negotiations and numerous variables that preclude estimation.

### Transfers and Other

Transfers to and from other state agencies include \$121 million in Available University Funds distributed to Texas A&M University System for their annual one-third participation in the Permanent University

Fund endowment. Additionally, \$17.9 million was received from the state for new legislative initiatives promoting advancements in research and academic excellence.

Change in Net Assets

The change in net assets results from all revenues, expenses, gains, losses, gifts and transfers that occurred during the accounting period. It is an overall indication of the improvement or decline of the System's financial health that relates to the change in net asset information between the prior and current year's balance sheet. Net assets increased \$1.5 billion for the year ending August 31, 2003, primarily due

### **Economic Outlook**

In January 2003 state agencies and institutions of higher education were instructed to prepare budgets for the 2004-2005 biennium that would incorporate 12.5% cuts in funding from 2002-2003 levels. While the

oversee the projects conducted at the NBL. This is just one example of a noteworthy accomplishment of one of the System's institutions.

Private gift contributions are an important supplement to the System's support from the state, revenues from students and patients. Private support has been a significant factor in the growth of academic, research, and patient care units. Economic pressures affecting donors may also affect the future level of support afforded the System from corporate and individual giving.

The System will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the System's operations from temporary market volatility.

The System is well positioned to maintain its solid financial foundation and continue its service to students, patients, the research community, citizens of Texas and the nation. Future successes are largely dependent upon cost containment; the ability to recruit and retain the highest quality students, faculty and

## UNAUDITED

THE UNIVERSITY OF TEXAS SYSTEM  
EXHIBIT A - COMBINED BALANCE SHEET  
As of August 31, 2003

	Current Year Totals		Restated Prior Year Totals	
	Primary University	Component Unit	Primary University	Component Unit
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash & Cash Equivalents (Notes 1 & 2)	\$ 1,776,663,690	12,729,569	1,349,764,608	14,155,339
Restricted Cash & Cash Equivalents (Notes 1 & 2)	294,006,781	28,850	222,398,602	93,355
Balance in State Appropriations	48,902,446		83,526,788	
Securities Lending Collateral (Notes 1 & 2)	247,392,402		202,552,782	
<b>Accounts Receivable, Net:</b>				
Federal Receivables (net of allowances of \$0)	147,657,832		136,012,347	
Other Intergovernmental Rec. (net of allowances of \$46,044)	17,239,891		16,460,434	
Student Receivables (net of allowances of \$6,634,822)	147,752,919		132,316,654	
Patient Receivables (net of allowances of \$557,360,431)	364,438,082	1,109,494	405,032,713	884,501
Interest and Dividends	115,758,734	1,601	104,186,545	13,041
Contributions Receivable (net of allowances of \$2,631,086)	45,969,939	1,607,220	61,332,752	442,664
Other Receivables (net of allowances of \$16,137,262)	307,947,984	624,692	348,043,816	5,088,537
Due From Other Funds	116,017,133		107,878,453	
Due From Other Agencies	3,615,300		6,559,270	
Inventories	39,924,923		41,794,631	
Loans and Contracts (net of allowances of \$2,355,490)	42,114,283		39,821,827	
Other Current Assets	111,104,777	337,221	98,880,100	190,795
Total Current Assets	3,826,507,116	16,438,647	3,356,562,322	20,868,232
<b>Non-Current Assets:</b>				
<b>Restricted:</b>				
Cash & Cash Equivalents (Notes 1 & 2)	187,437		81,198	
Investments (Note 2)	12,556,872,579	36,203,864	11,465,923,591	31,136,647
Loans, Contracts and Other (net of allowances of \$12,039,175)	75,969,284		80,191,536	
Funds Held by Sealy & Smith Foundation	51,364,721		51,477,517	
Charitable Contributions Receivable (net of allowances of \$3,196,350)	103,133,849		130,962,310	
Investments (Note 2)	2,250,203,446		1,956,236,384	
Other Non-Current Assets	15,498,004	408,203	10,387,530	330,150
Capital Assets (Note 4)	9,014,688,009	25,909,333	8,040,025,934	22,448,944
Less Accumulated Depreciation	(3,331,876,171)	(7,511,523)	(3,074,476,731)	(6,011,454)
Total Non-Current Assets	20,736,041,158	55,009,877	18,660,809,269	47,904,287
<b>TOTAL ASSETS</b>	<b>\$ 24,562,548,274</b>	<b>71,448,524</b>	<b>22,017,371,591</b>	<b>68,772,519</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 709,298,890	885,600	486,889,334	5,384,386
Federal Payables	57,974,188		22,886,813	
Other Intergovernmental Payables	399,381		597,621	
Self-Insurance Claims (Note 5)	105,155,000			

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## UNAUDITED

THE UNIVERSITY OF TEXAS SYSTEM  
EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
For the Year Ended August 31, 2003

	Current Year Totals		Restated Prior Year Totals	
	Primary University	Component Units	Primary University	Component Units
<b>Cash Flows from Operating Activities:</b>				
Proceeds Received from Students	\$ 612,946,628		555,950,548	
Proceeds Received from Patients and Customers	2,384,402,478	36,142,371	2,081,944,823	34,608,537
Proceeds for Sponsored Programs	1,810,195,710		1,636,291,682	
Auxiliary Enterprise Charges	247,288,692		214,881,445	
Proceeds from Other Revenues	375,949,541	789,698	278,092,391	1,053,443
Payments to Suppliers	(2,163,220,066)	(29,640,706)	(2,067,480,748)	(28,935,157)
Payments to Employees	(4,656,949,314)	(5,663,210)	(4,314,854,935)	(5,289,864)
Loans Issued to Students	(81,138,650)		(73,710,823)	
Collections of Loans to Students	79,397,781		69,554,788	
Payments for Other Expenses	(11,676,611)		(23,194,091)	
Net Cash Provided (Used) by Operating Activities	<u>(1,402,803,811)</u>	<u>1,628,153</u>	<u>(1,642,524,920)</u>	<u>1,436,959</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Proceeds from State Appropriations	1,627,260,911		1,607,574,616	
Operating Gifts	229,062,919		224,521,186	1,241,105
Private Gifts for Endowment and Annuity Life Purposes	172,465,762		87,241,939	
Other Nonoperating Revenues	108,318,675	47,936	71,625,586	99,949
Payments/Receipts for Transfers to/from Other Agencies	(337,513,743)		(56,973,208)	
Payments for Other Uses	(64,985,814)		(93,252,323)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,734,608,710</u>	<u>47,936</u>	<u>1,840,737,796</u>	<u>1,341,054</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Issuance of Capital Debt	1,099,220,658	1,803,328	1,051,376,836	
Payments of Other Costs on Debt Issuance	(17,567,242)		(3,167,097)	
Capital Grants and Gifts	62,718,713		23,787,200	4,178,643
Proceeds from Sale of Capital Assets	340,266	220,000	562,810	
Purchase of Capital Assets	(1,070,954,389)	(4,511,449)	(746,229,799)	(1,646,802)
Principal Paid on Capital Related Debt	(545,040,439)	(27,091)	(591,424,009)	(36,531)
Interest Paid on Capital Related Debt	(88,791,892)	(14,037)	(83,674,841)	(3,137)
Net Cash Provided (Used) by Related Financing Activities	<u>(560,074,325)</u>	<u>(2,529,249)</u>	<u>(348,768,900)</u>	<u>2,492,173</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from Sales and Maturities of Investments	12,724,026,697	15,380	15,576,563,723	500,000
Proceeds from Interest and Investment Income	465,094,154	84,346	186,393,440	198,663
Purchases of Investments	(12,461,895,931)	(736,841)	(15,201,432,606)	(15,380)
Net Cash Provided (Used) by Investing Activities	<u>727,224,920</u>	<u>(637,115)</u>	<u>561,524,557</u>	<u>683,283</u>
<b>Net Increase (Decrease) in Cash</b>	498,955,494	(1,490,275)	410,968,533	5,953,469
Cash & Cash Equivalents - Beginning of the Year	1,571,902,414	14,248,694	1,161,175,875	8,327,479
Restatements to Beginning Cash and Cash Equivalents			100,000	(32,254)
<b>Cash &amp; Cash Equivalents - End of the Year</b>	<u>\$ 2,070,857,908</u>	<u>12,758,419</u>	<u>1,572,244,408</u>	<u>14,248,694</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Loss	\$ (1,983,338,508)	(792,363)	(2,003,662,573)	(897,590)
Adjustments to Reconcile Operating Loss to Net Cash:				
Depreciation and Amortization Expense	333,414,734	2,381,096	302,753,906	2,490,883
Loss on Asset Disposition		27,911		11,729
Bad Debt Expense	905,532			
Changes in Assets and Liabilities:				
Accounts Receivable, net	80,730,769	4,568,988	(235,282,973)	(3,264,351)
Inventory	1,869,708		(3,007,781)	
Loans and Contracts	1,032,773		(923,544)	
Other Assets	(356,383)	(14,538)	(3,611,176)	(66,087)
Accounts Payable	44,947,472	(4,577,432)	101,978,606	3,219,297
Deferred Revenue	53,791,315	(95)	196,895,497	(1,161)
Deposits Held for Others	(14,903,691)	(13,384)	(23,696,340)	3,000
Compensated Absences & Notes Payable	30,399,227	33,408	26,197,378	42,919
Other Liabilities	48,703,241	14,562	(165,920)	(101,680)
Total Adjustments	<u>580,534,697</u>	<u>2,420,516</u>	<u>361,137,653</u>	<u>2,334,549</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ (1,402,803,811)</u>	<u>1,628,153</u>	<u>(1,642,524,920)</u>	<u>1,436,959</u>
<b>Noncash Transactions</b>				
Net Increase (Decrease) in Fair Value of Investments	1,243,364,408	4,286,587	(479,795,049)	(4,231,136)
Donated Capital Assets	8,877,516		13,352,775	
Capital Assets Acquired Under Capital Lease Purchases	638,318		85,917	
Miscellaneous Noncash Transactions	594,659	77,875	456,149	

The accompanying Notes to the Combined Financial Statements are an integral part of the financial statements.



**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**For the Year Ended August 31, 2003**  
**(Unaudited)**

**GENERAL INTRODUCTION**

The financial records of The University of Texas System (the System), an agency of the State of Texas, reflect compliance with applicable State statutes and Governmental Accounting Standards Board (GASB) regulations.

The significant accounting policies followed by the System in maintaining accounts and in the preparation of the combined financial statements are in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. As an agency of the State of Texas, the System was required to adopt GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, (GASB 35), *Basic Financial Statements – Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the System's assets, liabilities and net assets, revenues, expenses and changes in net assets, and cash flows, and replaces the fund group perspective that was previously required.

The combined financial statements include System Administration and all component institutions of the System. Amounts due between component institutions, amounts held for component institutions by System Administration, and other duplications in reporting are eliminated in combining the individual financial statements.

**1. Summary of Significant Accounting Policies**

**BASIS OF ACCOUNTING**

The combined financial statements of the System have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. The System reports as a Business Type Activity, as defined by GASB 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services. GASB 35 requires that the

**RESTRICTED ASSETS**

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Restricted assets include funds restricted by legal or contractual requirements including those related to sponsored programs, donors, constitutional restrictions, bond covenants, and loan agreements.



portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on an entity-wide basis by allocating cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

**STATEWIDE INTERFUND TRANSFERS**

In accordance with provisions set forth in Article 7, Section 18 of the Texas Constitution, the System transfers one-third of the annual earnings of the Permanent University Fund (PUF) investments and lands to the Texas A&M University System. Additional details related to the operations of the PUF can be found in note three.

In accordance with the provisions set forth in House Bill 1839, Subchapter D and appropriated in SB 1, 77<sup>th</sup> Legislature, Regular Session, Article IX, Section 10.18, the System received transfers for research and excellence funding from the Texas Comptroller of Public Accounts.

**RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform with current year presentations.

**2. Deposits, Investments and Repurchase Agreements**

**DEPOSITS OF CASH IN BANK**

The carrying amount of \$(71,311,521) Cash in Bank (including restricted assets) is presented below.

The bank balance of the System has been classified according to the following risk categories.

**Category 1:** Insured or collateralized with securities held b1-\$\$aTf5.072b .4(e p-n-1891. Co)-3(.4(e p--1891..4(nTwl e-18  
8-7o (794- s1-n-pa r-8l c -8) s -Category 1a Cm n.8(-32(co)-5.5(latera3n)hCw latera82govnovnovCnovCialrodrnn(r)-3trC6(m)182[C]7(rtm b9

## INVESTMENTS

Investments include State and Other-than-State permanent endowments, funds functioning as endowments, life income funds and other investments. Permanent endowments are those funds received from the State or from donors with the stipulation that the corpus remain intact and invested in perpetuity to produce income which is to be expended for specified purposes. Funds functioning as endowments consist of amounts (restricted gifts or unrestricted funds) that have been internally dedicated by the System for long-term investment purposes. Programs supported by the endowments include scholarships, fellowships, professorships, research efforts and other important programmatic activities.

Investments of the System, except for PUF lands, are managed by the University of Texas Investment Management Company (UTIMCO), a private investment corporation that provides services entirely to the System. The System's investments are valued at fair value. The audited annual financial reports of the funds managed by UTIMCO disclose the valuation of these assets. The PUF lands' mineral interests are valued in accordance with Financial Accounting Standards Board Statement No. 69 – *Disclosures about Oil and Gas Producing Activities*, by calculating the future net cash flows and applying a ten percent discount rate per year. The PUF lands' surface interests are reported at their appraised value as of January 1, 2003. Other real estate holdings are reported by one of the following methods of valuation: the latest available appraised amount as determined by an independent state certified or other licensed appraiser, or by any other generally accepted industry standard, including tax assessments.

To comply with the reporting requirements of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*

**Investments-Primary University**

Type of Security	Category			Fair Value
	1	2	3	
U.S. Government & Agency Obligations	\$ 1,500,095,798	-	-	1,500,095,798
U.S. Government Agency Mortgage Obligations	802,726,933	-	-	802,726,933
Collateralized Mortgage Obligations	22,362,380	-	-	22,362,380
Corporate Obligations	373,774,897	-	-	373,774,897
Foreign Obligations	233,243,180	-	-	233,243,180
Political Subdivision Obligations	16,155,405	-	-	16,155,405
Commercial Paper	900,000	-	-	900,000
Corporate Stock	1,845,759,443	-	-	1,845,759,443
Foreign Stock	360,777,169	-	-	360,777,169
TOTAL	\$ <u>5,155,795,205</u>	<u>-</u>	<u>-</u>	
<u>Uncategorized Investments:</u>				
Mutual Funds				4,826,655,939
Money Market Cash Equivalents				1,866,187,763
Mineral Interests				13,516,954
Real Estate and Mortgages				1,130,309,123
Private Placement for Venture Capital				1,205,681,762
Other Investments				2,229,838,800
Securities Lending-Short-term Collateral				247,392,402
Investments Held by Broker/Dealers Under Securities Lending Agreements:				
U.S. Government and Agency Obligations				102,989,041
U.S. Government Agency Mortgage Obligations				4
Corporate Obligations				41,876,275
Foreign Obligations				22,161,669
Corporate Stock				54,016,005
Foreign Stock				24,235,248
TOTAL INVESTMENTS & CASH EQUIVALENT INVESTMENTS				\$ <u>16,920,656,190</u>

Investments consist of the following:

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## REPURCHASE AGREEMENTS

The System, by statute, is authorized to enter into repurchase agreements. A repurchase agreement is when a holder of



(C) *Foreign Currency Exchange Contracts* – The System enters into forward foreign currency exchange contracts to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities and to facilitate trading strategies primarily as a tool to increase or decrease market exposure to various foreign currencies. When entering into a forward currency contract, the System agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and the System’s net equity therein (representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date) is included in the Combined Balance Sheet. Realized and unrealized gains and losses are included in the Combined Statement of Revenues, Expenses and Changes in Net Assets. These instruments involve market and/or credit risk in excess of the amount recognized in the Combined Balance Sheet. Risks arise from the possible inability of counter-parties to meet the terms of their contracts and from movement in currency and securities values and interest rates.

The table below summarizes by currency the contractual amounts of the System’s foreign exchange contracts at August 31, 2003. Foreign currency amounts are translated at exchange rates as of August 31, 2003. The “Net Buy” amounts represent the U. S. dollar equivalent of net commitments to purchase foreign securities.



The System's endowments are used to support operations, which require the simultaneous achievement of two contradictory objectives of generating a predictable stream of annual revenue at a rate at least equal to the average rate of inflation for current needs and to increase the purchasing power of the funds (after annual distributions) at a rate at least equal to the average rate of inflation for future periods.

ENDOWMENTS AND SIMILAR FUNDS – STATE

These endowments are comprised of: the Permanent University Fund (PUF) and the Permanent Health Fund for Higher Education (PHF).

The PUF was established by the Texas Constitution of 1876 through the appropriation of land grants. Amendments to the Constitution, approved by voters in 1999, were related to the investment of the PUF and the distributions from the PUF to the Available University Fund (AUF). The Constitution, as amended, is summarized as follows: (i) The U. T. System Board of Regents is held to a "prudent investor" rather than a "prudent person" standard; (ii) distributions to the AUF are made from the total return on all PUF investment assets; (iii) the U. T. System Board of Regents determines the amount of distributions to the AUF, which may not exceed an amount equal to seven percent of the average net fair market value of investment assets, except as necessary to pay debt service on PUF bonds and notes; (iv) the U. T. System Board of Regents determines the amount of distributions to the AUF in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain, over time, the purchasing power of PUF investments and annual distributions to the AUF; and (v) the expenses of 10.9(i)9(x)1.1(p)7.Hpflixd andinvestment arep aidodenv ai8(st

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#### 4. Capital Assets

A summary of changes in the capital assets for the year ended August 31, 2003, is presented below.

	Balance 09/01/02	Adjustments	Reclassifications	Additions	Deletions	Balance 08/31/03
<b>Primary University</b>						
Non-depreciable Assets:						
Land & Land Improvements	\$ 211,662,892	1,543,568	26,132	5,477,534	-	218,710,126
Construction in Progress	868,294,065	7,151,545	(242,299,766)	820,004,337	(277,167,469)	1,175,982,712
Other Capital Assets	605,670,905	3,300,099	(3,288)	29,576,461	(6,961,611)	631,582,566
Total Non-depreciable Assets	1,685,627,862	11,995,212	(242,276,922)	855,058,332	(284,129,080)	2,026,275,404
Depreciable Assets:						
Buildings & Building						
Improvements	4,367,116,617	6,030,424	172,730,815	282,491,975	(8,833,483)	4,819,536,348
Infrastructure	145,133,297	(4,291,877)	(2,943,217)	4,605,867	(2,745,132)	139,758,938
Facilities and Other						
Improvements	251,561,389	3,913,151	69,468,076	20,048,434	(69,419)	344,921,631
Furniture and Equipment	1,588,914,397	(62,426,227)	664,826	188,848,349	(81,550,988)	1,634,450,357
Vehicles, Boats and Aircraft	42,639,858	(29,271)	(348,778)	3,229,400	(3,217,891)	42,273,318
Other Capital Assets	1,252,039	-	3,017,960	3,202,014	-	7,472,013
Total Depreciable Assets at Historical Cost	6,396,617,597	(56,803,800)	242,589,682	502,426,039	(96,416,913)	6,988,412,605
Less Accumulated Depreciation for:						
Buildings & Building						
Improvements	(1,938,708,036)	24,820,589	-	(158,937,319)	6,737,877	(2,066,086,889)
Infrastructure	(76,845,855)	423,221	-	(4,285,993)	3,395,195	(77,313,432)
Facilities and Other						
Improvements	(115,037,732)	(4,862,020)	-	(12,803,458)	(1,504,718)	(134,207,928)
Furniture and Equipment	(961,245,059)	27,139,720	-	(152,537,023)	65,193,028	(1,021,449,334)
Vehicles, Boats and Aircraft	(29,767,377)	(16,841)	-	(3,215,447)	2,114,053	(30,885,612)
Other Capital Assets	(377,341)	-	-	(1,555,635)	-	(1,932,976)
Total Accumulated Depreciation	(3,121,981,400)	47,504,669	-	(333,334,875)	75,935,435	(3,331,876,171)
Depreciable Assets, net	3,274,636,197	(9,299,131)	242,589,682	169,091,164	(20,481,478)	3,656,536,434
Primary University Capital Assets, net	\$ 4,960,264,059	2,696,081	312,760	1,024,149,496	(304,610,558)	5,682,811,838
<b>Component Units</b>						
Non-depreciable Assets:						
Land & Land Improvements	\$ 53,932	-	-	-	-	53,932
Construction in Progress	28,810	-	-	4,071,478	(1,002,703)	3,097,585
Total Non-depreciable Assets	82,742	-	-	4,071,478	(1,002,703)	3,151,517
Depreciable Assets:						
Buildings & Building						
Improvements	12,001,977	-	-	224,401	(15,750)	12,210,628
Furniture and Equipment	9,453,797	-	-	621,862	(1,022,616)	9,053,043
Vehicles, Boats and Aircraft	41,315	-	-	-	-	41,315
Other Capital Assets	869,113	-	-	596,410	(12,693)	1,452,830
Total Depreciable Assets at Historical Cost	22,366,202	-	-	1,442,673	(1,051,059)	22,757,816
Less Accumulated Depreciation for:						
Buildings & Building						
Improvements						

## 5. Risk Financing and Related Insurance

The System has seven funded self-insurance plans providing coverage in the following areas: employee health and dental, unemployment compensation, workers' compensation, medical professional liability, property protection, directors and officers/employment practices liability, and construction contractor insurance.

### EMPLOYEE AND RETIREE INSURANCE BENEFITS

The U. T. System Employee Group Insurance program provides health, dental, vision, life insurance, long term disability, short term disability, long term care and flexible spending account coverage to all benefits-eligible employees and retirees of the System and its fifteen component institutions. These insurance benefits are provided through both self-funded and fully-insured arrangements. A portion of an individual's group health insurance premium is paid by the state as specified in the General Appropriations Act. The System's Office of Employee Group Insurance (EGI) is responsible for the overall administration of the insurance plans. EGI was established by Chapter 1601 (formerly Article 3.50-3) of the *Texas Insurance Code* and complies with state laws and statutes pertinent to employee benefits for the System.

### UNEMPLOYMENT COMPENSATION INSURANCE

The current General Appropriations Act requires System to reimburse the Texas Workforce Commission (TWC) for 50% of the unemployment benefits paid to former employees that were paid from appropriated funds. The System reimburses the TWC 100% of the unemployment benefits paid to former employees that were paid from local funds.

### WORKERS' COMPENSATION INSURANCE

The University of Texas System Workers' Compensation Insurance (WCI) program provides coverage to all employees of the System and its fifteen component institutions. Under the oversight of the System's Office of Risk Management (ORM), the System self-insures and administers the program. The WCI staff is responsible for administering all aspects of the System-wide program, which provides income and medical benefits to all employees who have sustained job-related injuries or occupational diseases. The program's statutory authority is embodied in Chapter 503 of the *Texas Labor Code*.

### PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN

The coverage provided under The Professional Medical Liability Benefit Plan (Plan) is on an occurrence basis; thus, a participant is covered by the Plan for all claims and lawsuits relating to events that occurred while enrolled in the Plan, including those filed after the participant has left the System's employment or training. The Plan covers all of the System staff physicians, residents, fellows, and medical students who have been enrolled. The limits and liability of the plan include an annual policy aggregate of i n c a

acts performed by the plan beneficiaries. The plan also provides coverage for employment practices liability (EPL) claims, such as wrongful termination, failure to promote and wrongful discipline.

Coverage applies to individual board members, employees, faculty, etc., as well as to the System itself. The limit of liability is a \$10 million a

## 7. Bonded Indebtedness

At August 31, 2003, the System had outstanding bonds payable of \$2,265,465,000. All bonds issued by the System are defined as revenue bonds. Segment information requirements are not applicable, due to the bond indentures' lack of specifically identifiable activities and external party imposed separate accounting requirements. General information related to bonds outstanding is summarized below:

- Permanent University Fund Refunding Bonds, Series 1996
  - Purpose: To refund \$246,185,000 principal amount of Permanent University Fund Refunding Bonds, Series 1988, 1991 and 1992B, maturing on July 1 in the years 1999 - 2013.
  - Issue Date: March 7, 1996
  - Authorized: \$280,000,000 Issued: \$263,945,000
  - Interest Rates: 4.00–6.00% Maturity Dates: 1996 – 2013
  - Source of Revenue for Debt Service: Available University Fund
- Permanent University Fund Bonds, Series 1997
  - Purpose: To refund \$78,000,000 principal amount of Permanent University Fund Variable Rate Notes, Series A, and to provide new money.
  - Issue Date: January 6, 1998
  - Authorized: \$130,000,000 Issued: \$130,000,000 –All authorized amounts have been issued.
  - Interest Rates: 4.75–5.25% Maturity Dates: 1999 – 2018
  - Source of Revenue for Debt Service: Available University Fund
- Permanent University Fund Refunding Bonds, Series 2002A
  - Purpose: To refund \$108,515,000 principal amount of Permanent University Fund Refunding Bonds, Series 1992A, maturing on July 1 in the years 2003 through 2007, both inclusive, and in the years 2009 and 2013.
  - Issue Date: April 2, 2002
  - Authorized: \$115,000,000 Issued: \$105,290,000
  - Interest Rates: 3.00–5.00% Maturity Dates: 2003 – 2010
  - Source of Revenue for Debt Service: Available University Fund
- Permanent University Fund Bonds, Series 2002B
  - Purpose: To refund \$191,000,000 principal amount of Permanent University Fund Flexible Rate Notes, Series A.
  - Issue Date: April 2, 2002
  - Authorized: \$205,000,000 Issued: \$188,215,000
  - Interest Rates: 5.00–5.38% Maturity Dates: 2012 – 2022
  - Source of Revenue for Debt Service: Available University Fund
- Revenue Financing System Bonds, Series 1995A
  - Purpose: To refund \$34,833,000 of Revenue Financing System Commercial Paper Notes, to refund \$4,525,000 of U. T. Pan American Tuition Revenue Refunding Bonds, Series 1986 and to provide new money of \$35,167,000.
  - Issue Date: July 12, 1995
  - Authorized: \$232,000,000 Issued: \$74,945,000
  - Interest Rates: 4.00–6.00% Maturity Dates: 1996 – 2017
  - Source of Revenue for Debt Service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the Board and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the Board for payments on parity debt.
- Revenue Financing System Bonds, Series 1996A
  - Purpose: To provide new money.
  - Issue Date: February 29, 1996
  - Authorized: \$78,125,000 Issued: \$72,600,000
  - Interest Rates: 4.70–6.00% Maturity Dates: 1997 – 2016

Source of Revenue for Debt Service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the Board and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the Board for payments on parity debt.

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Source of Revenue for Debt Service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the Board and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the Board for payments on parity debt.

- Revenue Financing System Bonds, Series 1999A

Purpose: To refund \$32,723,000 principal of Revenue Financing System Commercial Paper Notes, Series A issued pursuant to Sections 55.1714 and 55.1722 of the Texas Education Code, provide new money of \$70,027,000 and pay the cost of issuance.

Issue Date: September 21, 1999

Authorized: \$102,750,000 Issued: \$101,745,000

Interest Rates: 4.50–5.75% Maturity Dates: 2001 – 2020

Source of Revenue for Debt Service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the Board and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the Board for payments on parity debt.

- Revenue Financing System Bonds, Series 1999B

Purpose: To refund \$82,490,000 principal of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$99,050,000 and pay the cost of issuance.

Issue Date: September 21, 1999

Authorized: \$193,000,000 Issued: \$180,830,000

Interest Rates: 4.50–5.75% Maturity Dates: 2001 – 2020

Source of Revenue for Debt Service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the Board and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the Board for payments on parity debt.

- Revenue Financing System Refunding Bonds, Series 2001A

Purpose: To refund \$38,500,000 of Revenue Financing System Refunding Bonds, Series 1991A and \$42,030,000 of Revenue Financing System Refunding Bonds, Series 1991B, and pay costs of issuance.

Issue Date: May 17, 2001

Authorized: \$85,000,000 Issued: \$81,665,000

Interest Rates: Variable Maturity Date: 2013

Source of Revenue for Debt Service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the Board and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the Board for payments on parity debt.

- Revenue Financing System Bonds, Series 2001B

Purpose: To refund \$110,070,000 principal of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$76,000,000 and pay the cost of issuance.

Issue Date: October 2, 2001

Authorized: \$580,000,000\* Issued: \$179,610,000

Interest Rates: 3.25–5.38% Maturity Dates: 2003 – 2022

Source of Revenue for Debt Service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the revenues, funds, and balances lawfully available to the Board and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the Board for payments on parity debt.

- Revenue Financing System Bonds, Series 2001C

Purpose: To refund \$503,000 principal of Revenue Financing System Commercial Paper Notes, Series A, provide new money of \$87,800,000 and pay the cost of issuance.

Issue Date: October 2, 2001

Authorized: \$400,390,000\* Issued: \$84,590,000

Interest Rates: 4.00–5.38% Maturity Dates: 2003 – 2022

Source of Revenue for Debt Service: All pledged revenues, subject to the provisions of the Prior Encumbered Obligations, collectively: (a) the pledged tuition fee; (b) the pledged General Fee; and (c) any or all of the

revenues, funds, and balances lawfully available to the Board and derived from and attributable to any Member of the Revenue Financing System, which are lawfully available to the Board for payments on parity debt.

\* The Revenue Financing System Bonds, Series 2001B & C were authorized pursuant to an aggregate issuance and delivery of up to \$580 million in multiple installments starting August 9, 2001 and ending August 31, 2002. Each subsequent issuance of bonds during this period reduces the authority by the amount of principal issued in earlier installments.

- Revenue Financing System Refunding Bonds, Series 2002A

Purpose: To advance refund \$54,575,000 principal amount of Revenue Financing System Bonds, Series 1999A maturing from 2010-2016 and 2020 to achieve debt service savings and pay the cost of issuance.

Issue Date: September 27, 2002



\*\*\*The Revenue Financing System Bonds, Series 2003A & B were authorized pursuant to an aggregate issuance and delivery of up to \$635 million in multiple installments starting November 13, 2002 and ending November 30, 2003. Each subsequent issuance of bonds during this period reduces the authority by the amount of principal issued in earlier installments. There are no planned additional issuances of bonds pursuant to this authority.

- Constitutional Appropriation Bonds (The University of Texas - Pan American), Series 1995  
Purpose: To provide new money.  
Issue Date: January 10, 1996  
Authorized: \$26,000,000 Issued: \$26,000,000–All authorized amounts have been issued.  
Interest Rates: 4.00–6.00 Maturity Dates: 1996 – 2005  
Source of Revenue for Debt Service: Pledged Revenues consist of up to 50% of the money allocated annually to the Board for The University of Texas - Pan American from the total amount appropriated annually by Article VII, Section 17 of the Texas Constitution and Chapter 62, Texas Education Code, out of the first money coming into the State Treasury not otherwise appropriated by the Texas Constitution, during a ten-year period starting with fiscal year that began September 1, 1995 and ending with the fiscal year that ends on August 31, 2005.

#### EARLY EXTINGUISHMENT

Revenue Financing System Refunding Bonds, Series 2002A were issued September 27, 2002, to advance refund \$54,575,000 principal amount of Revenue Financing System Bonds, Series 1999A, maturing on August 15 in the years 2010 through 2016 and 2020, and to pay the costs of issuance related thereof.

- Net proceeds from the refunding series (including a premium of \$6,257,359) were \$60,548,261 – after the payment of \$232,101 in underwriting fees. The net proceeds were used to pay cost of issuance of \$61,279 and purchase \$60,393,973 of United States Government securities. This security, and \$6 in residual proceeds were deposited in an irrevocable trust with an escrow agent, to provide for all future debt service payments on the refunded bonds. The remaining net proceeds of \$93,003 were applied to debt service on the Revenue Financing System Refunding Bonds, Series 2002A.
- The refunded debt is considered fully defeased and the liability for these obligations has been removed from the Combined Balance Sheet.
- The advance refunding resulted in gross debt service savings through 2020 of \$6,876,756.
- No accounting gain or loss resulted from the transaction as no difference existed between the amount paid to extinguish the refunded debt (\$54,575,000 called at par) and the net carrying amount of the debt of \$54,575,000.
- An economic gain from the transaction resulted in a net present value savings of \$3,461,878 between the old and new debt service payments.

Revenue Financing System Refunding Bonds, Series 2002B were issued September 27, 2002, to advance refund \$109,240,000 principal amount of Revenue Financing System Bonds, Series 1999B, maturing on August 15 in the years 2010 through 2017 and 2020, and to pay the costs of issuance related thereof.

- Net proceeds from the refunding series (including a premium of \$12,483,892) were \$121,060,723 – after the payment of \$464,285 in underwriting fees. The net proceeds were used to pay cost of issuance of \$124,764 and purchase \$120,749,837 of United States Government securities. This security, and \$6 in residual proceeds were deposited in an irrevocable trust with an escrow agent, to provide for all future debt service payments on the refunded bonds. The remaining net proceeds of \$186,116 were applied to debt service on the Revenue Financing System Refunding Bonds, Series 2002B.
- The refunded debt is considered fully defeased and the liability for these obligations has been removed from the Combined Balance Sheet.
- The advance refunding resulted in gross debt service savings through 2020 of \$13,443,702.
- No accounting gain or loss resulted from the transaction as no difference existed between the amount paid to extinguish the refunded debt (\$109,240,000 called at par) and the net carrying amount of the debt of \$109,240,000.
- An economic gain from the transaction resulted in a net present value savings of \$6,757,295 between the old and new debt service payments.

On August 1, 2003, \$12,000,000 of outstanding Revenue Financing System Refunding Bonds, Series 2001A were optionally redeemed. The liability for these obligations has been removed from the Combined Balance Sheet. No accounting gain or loss resulted from the transaction.

## BOND ENHANCEMENT AGREEMENTS

### Forward Floating-to-Fixed Interest Rate Swaps:

*Objective of the interest rate swap:* In June 1999, the System executed forward-starting, floating-to-fixed rate interest rate swap agreements (“Swap Agreements”) with Morgan Guaranty Trust Company of New York, now J.P. Morgan Chase Bank (“Morgan”), and Goldman Sachs Mitsui Marine Derivative Products, L.P. (“Goldman”). The Swap Agreements were used to create a synthetic fixed-rate refunding of \$80,530,000 of the Board of Regents of The University of Texas System Revenue Financing System Bonds, Series 1991A and 1991B (“Refunded Bonds”) on their optional redemption date of August 15, 2001 to achieve debt service savings. On May 17, 2001, the U. T. System Board of Regents issued its Revenue Financing System Refunding Bonds, Series 2001A, in the form of variable rate demand bonds. The Swap Agreements effectively change the U. T. System Board of Regent’s interest rate on the Series 2001A Bonds, subject to some basis risk discussed below, to a fixed rate of 4.633%. The difference between the swap rate and the rates on the Refunded Bonds called August 15, 2001, resulted in estimated present value debt service savings of approximately \$5.6 million.

*Terms:*

Other Notes Payable includes:

- Note or loan payable issue name: University Hospital  
Purpose: Reimburse University Hospital for clinical practice expenses under terms of a mediator-negotiated contractual settlement  
Institution: U. T. Health Science Center - San Antonio  
Issue Date: April 1, 2001  
Amount: \$2,862,717  
Source of revenue for debt service: Patient service revenue from MSRDP Designated funds collected by University Physicians Group, Inc.  
Terms: January 1, 2002 through January 1, 2009. Interest is computed at five percent (5%) annually.
- Note or loan payable issue name: Benjamin R. Beall, II  
Purpose: To purchase Mineola Medical and Surgical Clinic  
Institution: U. T. Health Center - Tyler  
Issue Date: September 1, 1999  
Authorized Amount: \$425,000  
Source of revenue for debt service: Patient Income  
Terms: September 1, 1999 through September 1, 2003
- Note or loan payable issue name: LaSalle National Bank  
Purpose: To purchase Oracle software site license  
Institution: U. T. El Paso  
Issue Date: September 1, 2002  
Authorized Amount: \$580,641  
Source of revenue for debt service: Designated funds  
Terms: September 1, 2002 through September 1, 2006
- Note or loan payable issue name: Sealy & Smith Foundation, Inc.  
Purpose: To finance leasehold improvements to the Primary Care Pavilion  
Institution: U. T. Medical Branch - Galveston  
Issue Date: January 1, 1997  
Authorized Amount: \$12,484,642  
Source of revenue for debt service: Patient income  
Terms: January 1, 1997 through December 31, 2006
- Note or loan payable issue name: Academic Capital Government Finance, Inc.  
Purpose: To purchase PeopleSoft  
Institution: U. T. Medical Branch - Galveston  
Issue Date: December 20, 2000  
Authorized Amount: \$5,720,708  
Source of revenue for debt service: Patient income  
Terms: February 28, 2001 through September 1, 2004 **2004 2004**

- Note or loan payable issue name: Charitable Lead Trust  
Purpose: Fine Arts Foundation (a blended component unit) purchase of the Suida Manning Art Collection  
Component Unit: U. T. Austin's Blended Component Unit  
Issue Date: January 4, 1999  
Authorized Amount: \$10,713,200  
Source of revenue for debt service: Gift  
Terms: January 4, 1999 through April 17, 2016

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## 10. Summary of Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2003, is summarized as follows:

<b>Primary University</b>	Balance 09/01/02 (restated)	Additions	Reductions	Balance 08/31/03	Amounts due within one year
<b>Bonds Payable:</b>					
Permanent University Fund:					
Refunding Bonds Series 1996	\$ 215,000,000	-	18,360,000	196,640,000	19,280,000
Bonds Series 1997	113,285,000	-	4,715,000	108,570,000	4,960,000
Refunding Bonds Series 2002A	105,290,000	-	11,240,000	94,050,000	11,570,000
Bonds Series 2002B	188,215,000	-	-	188,215,000	-
Revenue Financing System:					
Bonds Series 1995A	57,835,000	-	3,260,000	54,575,000	2,670,000
Bonds Series 1996A	58,370,000	-	2,850,000	55,520,000	3,020,000
Bonds Series 1996B	187,065,000	-	13,515,000	173,550,000	14,195,000
Bonds Series 1998A	9,220,000	-	405,000	8,815,000	420,000
Bonds Series 1998B	96,790,000	-	4,215,000	92,575,000	4,405,000
Bonds Series 1998C	40,540,000	-	1,660,000	38,880,000	1,725,000
Bonds Series 1998D	90,265,000	-	3,575,000	86,690,000	3,715,000
Bonds Series 1999A	95,590,000	-	57,870,000	37,720,000	3,460,000
Bonds Series 1999B	169,870,000	-	115,105,000	54,765,000	6,145,000
Refunding Bonds Series 2001A	70,065,000	-	12,000,000	58,065,000	-
Bonds Series 2001B	179,610,000	-	5,460,000	174,150,000	5,730,000
Bonds Series 2001C	84,590,000	-	2,585,000	82,005,000	2,690,000
Refunding Bonds Series 2002A	-	54,430,000	620,000	53,810,000	310,000
Refunding Bonds Series 2002B	-	108,855,000	1,220,000	107,635,000	605,000
Bonds Series 2003A	-	112,040,000	-	112,040,000	3,390,000
Bonds Series 2003B	-	481,060,000	-	481,060,000	9,545,000
Constitutional Appropriation:					
Bonds Series 1995	8,995,000	-	2,860,000	6,135,000	2,995,000
<b>Total Bonds Payable</b>	<b>1,770,595,000</b>	<b>756,385,000</b>	<b>261,515,000</b>	<b>2,265,465,000</b>	<b>100,830,000</b>
<b>Notes and Loans Payable:</b>					
Permanent University Fund					
Flexible Rate Notes, Series A	175,000,000	125,000,000	-	300,000,000	300,000,000
Revenue Financing System					
Commercial Paper Notes, Series A	323,007,000	173,051,000	279,772,000	216,286,000	216,286,000
Other Notes and Loans	24,081,141	10,493,695	3,085,643	31,489,193	3,961,756
<b>Total Notes and Loans Payable</b>	<b>522,088,141</b>	<b>308,544,695</b>	<b>282,857,643</b>	<b>547,775,193</b>	<b>520,247,756</b>
<b>Leases Payable:</b>					
Lease Obligations	1,505,652	638,318	670,120	1,473,850	822,112
<b>Total Notes, Loans and Leases Payable</b>	<b>523,593,793</b>	<b>309,183,013</b>	<b>283,527,763</b>	<b>549,249,043</b>	<b>521,069,868</b>
Employee Compensable Leave	229,993,969	31,534,731	1,135,504	260,393,196	24,583,704
<b>Total Bonds, Notes, Loans, Leases, and Compensable Leave Payables for Primary University</b>	<b>\$ 2,524,182,762</b>	<b>1,097,102,744</b>	<b>546,178,267</b>	<b>3,075,107,239</b>	<b>646,483,572</b>

<b>Component Units</b>	<u>Balance 09/01/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 08/31/03</u>	<u>Amounts due within one year</u>
<u>Notes and Loans Payable:</u>					
Other Notes and Loans	\$ -	2,200,000	-	2,200,000	413,186
Total Notes and Loans Payable	-	2,200,000	-	2,200,000	413,186
<u>Leases Payable:</u>					

Notes and loans payable obligations are due in annual installments through 2018. General information related to notes and loans payable at August 31, 2003, which in substance are not bonds, is summarized as follows:

Fiscal Year	Primary University		Component Units		Total
	Principal	Interest	Principal	Interest	
2004	\$ 520,247,756	3,340,228	413,186	83,487	524,084,657
2005	4,065,280	1,508,147	426,177	71,572	6,071,176
2006	3,019,025	1,314,058	439,578	35,969	4,808,630
2007	1,949,141	1,195,791	453,401	22,147	3,620,480
2008	1,673,579	1,180,668	467,658	7,890	3,329,795
2009-2013	4,250,000	4,862,282	-	-	9,112,282
2014-2018	12,570,412	2,341,695	-	-	14,912,107
Total	\$ 547,775,193	15,742,869	2,200,000	221,065	565,939,127

## 11. Unrestricted Net Assets

Unrestricted net assets, detailed in the table below, are not subject to externally imposed stipulations. Unrestricted net assets may be designated for special purposes by actions of the Texas Legislature, internal management, and the U. T. System Board of Regents, or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic programs, patient care, research programs and initiatives, and capital programs. The earnings from the investments of the Permanent Health Fund endowment, which can only be used for certain tobacco related research and education, are restricted to this use by the Texas Legislature. Therefore, these funds are considered unrestricted since the System is considered a component of the state of Texas, and the legislature could redirect the use of these funds.

	<u>Primary University</u>	<u>Component Units</u>
Unrestricted Net Assets:		





Student  
Services

Institutional  
Support

Operations  
and  
Maintenance  
of Plant

School and  
M1.3987(S)-F.4( )low

**13. Restatement of Net Assets**

Balances as of September 1, 2002, were restated as follows:

	<u>Primary University</u>	Component Units
Capital Assets (net)	\$ 3,130,493	-

## **15. Operating Lease Obligations**

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year

The ERS plan provides a standard monthly benefit in a life annuity at retirement as well as death and disability benefits for members. Additional payment options are available. The benefit and contribution provisions are authorized by state law and may be amended by the Texas Legislature. Contribution requirements are not actuarially determined. The ERS contribution requirement, calculated using entry age normal actuarial cost method, is established through state statute.

The funding policy requires monthly contributions by both the state and employees. For the biennium beginning September 1, 2001, the required contribution for both the state and employees is 6 percent of pay.

Additional information can be obtained from the separately issued ERS

## **18. Extraordinary Items**

Net extraordinary revenues totaling \$36.5 million were realized during fiscal year 2003 as a result of the Health Science Center at Houston's continued reimbursement of costs associated with debris removal, emergency protective measures and replacement supplies relating to property and equipment damage sustained during Tropical Storm Allison in June 2001. Since Allison, receipts have been realized from commercial insurance coverage and from the United States Federal Emergency Management Agency (FEMA). Additional insurance and FEMA proceeds are anticipated; however, the

U. T. Southwestern Medical Center because it provides grants to the University and its board is appointed by the University. The Foundation's fiscal year end is August 31, 2003.

U.T.M.B. Healthcare Systems, Inc., 301 University Boulevard, Galveston, Texas 77555, is governed by an eight-member board appointed by U. T. Medical Branch at Galveston. Although it is legally separate from the university, U.T.M.B. Healthcare Systems, Inc. is reported as if it were part of U. T. Medical Branch at Galveston because its primary purpose is to perform services as an integral part of the institution. The corporation's fiscal year end is August 31, 2003.

University Care Plus, Inc., P. O. Box 20627, Houston, Texas 77225, is governed by a three-member board appointed by U. T. Health Science Center at Houston. Although it is legally separate from the university, University Care Plus, Inc. is reported as if it were part of U. T. Health Science Center at Houston because its primary purpose is to perform services as an integral part of the institution. The corporation's fiscal year end is August 31, 2003.

University Physicians Group, Inc., 7410 John Smith Drive, Suite 10, San Antonio, Texas 78229, is governed by a ten-member board appointed by U. T. Health Science Center at San Antonio. Although it is legally separate from the university, University Physicians Group, Inc. is reported as if it were part of the U. T. Health Science Center at San Antonio because its primary purpose is to perform services as an integral part of the institution. The corporation's fiscal year end is August 31, 2003.

M. D. Anderson Physician's Network, Inc., 7505 South Main, Suite 500, Houston, Texas 77030, is governed by a four-member board appointed by U. T. M. D. Anderson Cancer Center. Although it is legally separate from the university, M. D. Anderson Physician's Network, Inc. is reported as if it were part of U. T. M. D. Anderson Cancer Center because its primary purpose is to perform services as an integral part of the institution. The corporation's fiscal year end is August 31, 2003.

East Texas Quality Care Network, Inc., P. O. Box 6053, Tyler, Texas 75711-6053, is governed by a three-member board appointed by U. T. Health Center at Tyler. Although it is legally separate from the university, East Texas Quality Care Network, Inc. is reported as if it were part of U. T. Health Center at Tyler because its primary purpose is to perform services as an integral part of the institution. The corporation's fiscal year end is August 31, 2003.

University of Texas Investment Management Company (UTIMCO), 221 West 6<sup>th</sup> Street, Suite 1700, Austin, Texas 78701, is governed by a nine-member board appointed by the U. T. System Board of Regents. Although it is legally separate from the entity, UTIMCO is reported as if it were part of U. T. System Administration because it provides services entirely to the entity. The corporation's fiscal year end is August 31, 2003.

otherwise, through whatever means are determined by the Board of Directors, including, but not limited to, making distributions or providing services to the Cancer Center. In accomplishment of such purposes, the corporation will emphasize clinical, educational, and scientific aspects of cancer care throughout the United States and in foreign countries. The Services fiscal year end is August 31, 2003.



## UNAUDITED

THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION  
EXHIBIT A - BALANCE SHEET  
As of August 31, 2003

	Current Year Totals		Restated Prior Year Totals	
	Primary University	Component Unit	Primary University	Component Unit
<b>ASSETS</b>				
Current Assets:				
Cash & Cash Equivalents	\$ 749,489,636	1,896,050	641,031,147	2,012,382
Restricted Cash & Cash Equivalents	9,068,608		7,630,925	
Securities Lending Collateral	247,392,402		202,552,782	
Accounts Receivable, Net:				
Interest and Dividends	109,167,192	1,601	95,415,759	13,041
Other Receivables (net of allowances of \$0)	168,550,409	121,754	161,369,030	4,837,896
Due From Other Funds	63,168,307		38,643,822	
Due From Other Components	41,316,826		35,618,427	
Other Current Assets	343,133	33,199	346,980	45,524
Total Current Assets	<u>1,388,496,513</u>	<u>2,052,604</u>	<u>1,182,608,872</u>	<u>6,908,843</u>
Non-Current Assets:				
Restricted:				
Cash & Cash Equivalents	107,437		81,198	
Investments	11,767,416,994	250,000	10,658,089,755	265,380
Investments	2,356,544,992		2,171,031,412	
Capital Assets	2,788,577,522	120,283	2,270,341,453	176,756
Less Accumulated Depreciation	(23,790,949)	(68,577)	(22,506,545)	(72,270)
Total Non-Current Assets	<u>16,888,855,996</u>	<u>301,706</u>	<u>15,077,037,273</u>	<u>369,866</u>
TOTAL ASSETS	<u>\$ 18,277,352,509</u>	<u>2,354,310</u>	<u>16,259,646,145</u>	<u>7,278,709</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 239,555,872	15,483	40,938,763	4,387,987
Self-Insurance Claims IBNR	151,741,949		161,813,541	
Securities Lending Obligations	247,392,402		202,552,782	
Due to Other Funds	63,168,307		38,643,822	
Due to Other Components	581,575,741		473,340,153	
Due to Other Agencies	6,544,475		6,548,229	
Deferred Revenue	2,613		2,500,000	
Employees' Compensable Leave-Current Portion	711,874		245,433	
Notes, Loans and Leases Payable-Current Portion	516,286,000		498,007,000	
Payable From Restricted Assets-Current Portion	513,877,132		487,083,668	
Revenue Bonds Payable-Current Portion	97,835,000		81,000,000	
Other Current Liabilities	164,000		164,000	
Total Current Liabilities	<u>2,418,855,365</u>	<u>15,483</u>	<u>1,992,837,391</u>	<u>4,387,987</u>
Non-Current Liabilities:				
Employees' Compensable Leave	2,118,252		2,179,139	
Assets Held for Others	1,209,870,927		1,346,322,295	
Revenue Bonds Payable	2,161,495,000		1,680,600,000	
Total Non-Current Liabilities	<u>3,373,484,179</u>		<u>3,029,101,434</u>	
TOTAL LIABILITIES	<u>5,792,339,544</u>	<u>15,483</u>	<u>5,021,938,825</u>	<u>4,387,987</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	(9,447,549)	51,706	(8,945,299)	104,486
Restricted for:				
Nonexpendable				
Permanent University Fund Endowment	8,231,079,481		7,539,176,009	
True and Term Endowments, and Annuities	12,251,595		11,217,361	
True and Term Endowments Held for Components	3,126,243,819		2,700,025,354	
Expendable				
Capital Projects	440,762		6,580,119	
Debt Service	6,102,912		4,459,204	
Funds Functioning as Endowment - Restricted	35		12	
Other Expendable	2,741,068		656,675	
Unrestricted	1,115,600,842	2,287,121	984,537,885	2,786,236
TOTAL NET ASSETS	<u>12,485,012,965</u>	<u>2,338,827</u>	<u>11,237,707,320</u>	<u>2,890,722</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,277,352,509</u>	<u>2,354,310</u>	<u>16,259,646,145</u>	<u>7,278,709</u>

## UNAUDITED

THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION  
EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended August 31, 2003

	Current Year Totals		Restated Prior Year Totals	
	Primary University	Component Unit	Primary University	Component Unit
<b>Operating Revenues:</b>				
State Sponsored Programs	\$	18,491,917	4,000,000	28,173,812
Private Sponsored Programs		1,812,000		
Sales and Services of Educational Activities		6,114,654	2,459,036	
Discounts and Allowances (none)				
Other Operating Revenues		32,143,377	(3,756,372)	
Total Operating Revenues		40,070,031	2,702,664	28,173,812
<b>Operating Expenses:</b>				
Hospitals and Clinics				28,237,645
Institutional Support		19,549,622	39,139,936	
Depreciation and Amortization		47,328,622	1,587,391	30,065
Total Operating Expenses		1,500,349	40,727,327	28,267,710
Operating Loss		48,828,971	(38,024,663)	(93,898)
		(8,758,940)		
<b>Nonoperating Revenues (Expenses):</b>				
State Appropriations		8,288,165	8,464,162	
Gift Contributions for Operations		1,160,003	445,088	
Net Investment Income		158,756,726	(221,471,430)	58,180
Net Increase (Decrease) in Fair Value of Investments		1,254,851,739	(454,955,088)	
Interest Expense on Capital Asset Financings		(87,527,873)	(89,918,208)	
Gain/(Loss) on Sale of Capital Assets		(99,554)		
Other Nonoperating Revenues		45,312,790	22,218,163	1,441
Other Nonoperating Expenses		(21,997,601)	(11,742,005)	
Net Nonoperating Revenues (Expenses)		1,358,744,395	(746,959,318)	59,621
Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers		1,349,985,455	(784,983,981)	(34,277)
		(551,895)		
Additions to Permanent Endowments		222,092,663	87,678,590	
Reclass from / (to) Other Components		(127,393,191)	26,116,065	
Proceeds of Bonds Payable Invested in Plant of Components		512,328,219	430,801,825	
Transfers Between Components & System-Debt Service-Mandatory		173,553,303	137,517,659	
Transfers Between Components & System Admin. - Non mandatory		(762,253,456)	(824,113,878)	
Transfers to/from Other State Agencies		(121,007,348)	(112,811,212)	
(9NN4et Financings				

UNAUDITED

THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION  
 EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
 For the Year Ended August 31, 2003

	Current Year Totals		Restated Prior Year Totals	
	Primary University	Component Unit	Primary University	Component Unit
<b>Cash Flows from Operating Activities:</b>				
Proceeds Received from Patients and Customers	\$	22,719,499		24,303,068
Proceeds for Sponsored Programs	1,812,000		4,000,000	
Proceeds from Other Revenues	40,995,257	500,000	(829,833)	
Payments to Suppliers	(39,618,097)	(22,636,534)	11,829,275	(24,346,544)
Payments to Employees	(23,981,989)	(745,220)	(20,284,495)	(961,995)
Payments for Other Expenses	(492)			
Net Cash Provided (Used) by Operating Activities	(20,793,321)	(162,255)	(5,285,053)	(1,005,471)
<b>Cash Flows from Noncapital Financing Activities:</b>				
Proceeds from State Appropriations	8,288,165		8,626,284	
Operating Gifts	1,160,003		443,163	
Private Gifts for Endowment and Annuity Life Purposes	172,585,762		87,241,939	
Other Nonoperating Revenues	608,435		1,219,912	
Other Nonoperating Transfers To/From System	(690,316,400)		(640,529,085)	
Payments for Other Uses	(4,430,359)		(6,697,404)	
Net Cash Provided (Used) by Noncapital Financing Activities	(512,104,394)		(549,695,191)	
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Issuance of Capital Debt	1,099,220,658		1,051,022,799	
Proceeds for Capital Debt Transferred from System (non-man)	(593,546,970)		(376,846,680)	
Payments of Other Costs on Debt Issuance	(17,567,242)		(3,167,097)	
Purchase of Capital Assets	(6,157,388)		(7,690,402)	(33,530)
Principal Paid on Capital Related Debt	(538,427,000)		(588,728,000)	(9,620)
Mandatory Transfers to System for Capital Related Debt	173,553,303		137,517,659	
Interest Paid on Capital Related Debt	(86,615,087)		(81,312,789)	
Net Cash Provided (Used) by Related Financing Activities	30,460,274		130,795,490	(43,150)
<b>Cash Flows from Investing Activities:</b>				
Proceeds from Sales and Maturities of Investments	12,571,113,786	15,380	15,438,070,709	500,000
Proceeds from Interest and Investment Income	342,570,763	30,543	176,906,300	45,139
Purchases of Investments-	1,425,271			



UNAUDITED

THE UNIVERSITY OF TEXAS AT ARLINGTON

EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended August 31, 2003

	Current Year Totals Primary University	Restated Prior Year Totals Primary University
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**Operating Revenues:**

Student Tuition and Fees	\$ 99,073,079	79,554,454
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UNAUDITED

THE UNIVERSITY OF TEXAS AT ARLINGTON  
 EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
 For the Year Ended August 31, 2003

Current Year  
 Totals  
 Primary  
 University

Restated Prior  
 Year Totals  
 Primary  
 University

**Cash Flows from Operating Activities:**

Proceeds Received from Students	\$ 85,207,516	77,332,764
Proceeds for Sponsored Programs	43,087,362	34,527,471
Auxiliary Enterprise Charges	18,060,388	13,502,078
Proceeds from Other Revenues	9,692,911	6,733,547
Payments to Suppliers	(62,803,835)	(61,795,625)
Payments to Employees	(159,773,495)	(146,756,717)
Loans Issued to Students	(2,704,779)	(2,692,245)
Collections of Loans to Students	1,870,191	2,620,055
Net Cash Provided (Used) by Operating Activities	(67,363,741)	(76,528,672)

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## UNAUDITED

THE UNIVERSITY OF TEXAS AT AUSTIN  
EXHIBIT A - BALANCE SHEET  
As of August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 418,623,479	275,037,693
Restricted Cash & Cash Equivalents	161,625,862	80,339,165
Balance in State Appropriations	5,442,811	11,413,895
Funds Held by System Administration - Current	(326,246)	(341,994)
Accounts Receivable, Net:		
Federal Receivables (net of allowances of \$0)	36,251,007	53,455,609
Student Receivables (net of allowances of \$1,871,495)	76,606,616	71,744,974
Interest and Dividends	3,911,542	4,606,796
Contributions Receivable (net of allowances of \$533,913)	10,111,119	11,473,936
Other Receivables (net of allowances of \$820,158)	19,109,024	16,306,205
Due From Other Funds		8,086,410
Due From System Administration	113,708,780	82,642,468
Due From Other Agencies	443,604	1,640,183
Inventories	8,462,592	9,510,488
Loans and Contracts (net of allowances of \$0)	9,822,783	7,465,752
Other Current Assets	37,507,771	34,049,684
Total Current Assets	<u>901,300,744</u>	<u>667,431,264</u>
Non-Current Assets:		
Restricted:		
Cash & Cash Equivalents		
Investments	31,682,995	80,489,109
Loans, Contracts and Other (net of allowances of \$7,108,729)	43,742,743	46,553,907
Funds Held by System Administration	1,661,747,765	1,371,079,344
Contributions Receivable (net of allowances of \$841,005)	15,926,760	31,096,334
Investments	71,790,182	179,789,494
Other Non-Current Assets		
Capital Assets	2,492,091,092	2,359,355,435
Less Accumulated Depreciation	(1,066,339,460)	(1,005,093,074)
Total Non-Current Assets	<u>3,250,642,077</u>	<u>3,063,270,549</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>4,151,942,821</u></b>	<b><u>3,730,701,813</u></b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 50,737,475	45,179,690
Due to Other Funds		8,086,410
Due to System Administration	9,065,009	7,950,511
Deferred Revenue	270,943,529	263,815,316
Employees' Compensable Leave-Current Portion	3,197,718	2,705,615
Notes, Loans and Leases Payable-Current Portion	896,563	176,457
Payable From Restricted Assets-Current Portion	14,615,977	13,960,050
Funds Held for Others	1,290,813	1,234,125
Other Current Liabilities	11,846,395	8,477,744
Total Current Liabilities	<u>362,593,479</u>	<u>351,585,918</u>
Non-Current Liabilities:		
Employees' Compensable Leave	30,063,706	28,226,238
Assets Held for Others	9,195,113	8,868,171
Notes, Loans and Leases Payable	20,343,682	21,559,630
Total Non-Current Liabilities	<u>59,602,501</u>	<u>58,654,039</u>
<b>TOTAL LIABILITIES</b>	<b><u>422,195,980</u></b>	<b><u>410,239,957</u></b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,403,220,574	1,331,292,149
Restricted for:		
Nonexpendable		
True and Term Endowments, and Annuities	1,574,829,182	1,286,160,665
Expendable		
Capital Projects	113,697,528	66,881,137
Funds Functioning as Endowment - Restricted	65,619,562	66,288,206
Other Expendable	263,043,701	268,028,651
Unrestricted	309,336,294	301,811,048
<b>TOTAL NET ASSETS</b>	<b><u>3,729,746,841</u></b>	<b><u>3,320,461,856</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>4,151,942,821</u></b>	<b><u>3,730,701,813</u></b>

## UNAUDITED

THE UNIVERSITY OF TEXAS AT AUSTIN  
EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 306,241,690	266,504,816
Discounts and Allowances	(47,305,781)	(38,106,949)
Federal Sponsored Programs	265,034,189	252,843,750
Federal Sponsored Programs Pass-Through from Other St. Agencies	9,586,854	10,433,019
State Sponsored Programs	25,555,486	22,314,763
State Sponsored Programs Pass-Through from Other St. Agencies	15,309,799	22,859,720
Local Sponsored Programs	2,790,969	3,245,117
Private Sponsored Programs	51,001,277	44,927,304
Sales and Services of Educational Activities	89,281,221	72,274,384
Discounts and Allowances	(288,240)	(293,750)
Auxiliary Enterprises	137,257,640	127,529,464
Discounts and Allowances	(5,692,958)	(5,260,177)
Other Operating Revenues	2,911,691	3,570,830
<b>Total Operating Revenues</b>	<b>851,683,837</b>	<b>782,842,291</b>
<b>Operating Expenses:</b>		
Instruction	416,336,999	370,276,461
Research	303,255,633	297,312,235
Public Service	33,053,275	32,677,582
Academic Support	91,157,163	104,342,481
Student Services	36,283,002	33,439,662
Institutional Support	76,159,238	67,390,484
Operations and Maintenance of Plant	106,407,515	99,764,284
Scholarships and Fellowships	62,500,849	56,547,522
Auxiliary Enterprises	151,195,395	144,407,298
Depreciation and Amortization	79,967,533	78,959,256
<b>Total Operating Expenses</b>	<b>1,356,316,602</b>	<b>1,285,117,265</b>
Operating Loss	(504,632,765)	(502,274,974)
<b>Nonoperating Revenues (Expenses):</b>		
State Appropriations	286,447,699	290,753,034
Gift Contributions for Operations	73,550,685	78,534,499
Net Investment Income	52,333,214	53,517,907
Net Increase (Decrease) in Fair Value of Investments	89,974,761	(168,359,627)
Interest Expense on Capital Asset Financings	(1,637,104)	(1,658,252)
Gain/(Loss) on Sale of Capital Assets	(2,284,535)	(8,169,077)
Other Nonoperating Revenues	1,148,543	14,022,916
Other Nonoperating Expenses	(9,769,352)	(7,667,638)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>489,763,911</b>	<b>250,973,762</b>
<b>Income/(Loss) Before Other Rev., Exp., Gains/(Losses) &amp; Transfers</b>	<b>(14,868,854)</b>	<b>(251,301,212)</b>
Gifts and Sponsored Programs for Capital Acquisitions	4,476,405	12,079,927
Additions to Permanent Endowments	190,813,290	52,143,071
Reclass from / (to) Other Components	27,769,736	(41,925,857)
Transfers Between Components & System-Debt Service-Mandatory	(39,851,309)	(39,516,455)
Transfers Between Components & System Admin. - Non mandatory	240,945,717	250,994,121
<b>Change in Net Assets</b>	<b>409,284,985</b>	<b>(17,526,405)</b>
<b>Beginning Net Assets - As Previously Reported</b>	<b>3,351,890,377</b>	<b>4,478,038,432</b>
Restatements	(31,428,521)	(1,140,050,171)
<b>Beginning Net Assets - As Restated</b>	<b>3,320,461,856</b>	<b>3,337,988,261</b>
<b>Ending Net Assets</b>	<b>\$ 3,729,746,841</b>	<b>3,320,461,856</b>



## UNAUDITED

THE UNIVERSITY OF TEXAS AT AUSTIN  
EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
For the Year Ended August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>Cash Flows from Operating Activities:</b>		
Proceeds Received from Students	\$ 259,313,217	237,887,087
Proceeds for Sponsored Programs	385,492,572	351,952,859
Auxiliary Enterprise Charges	130,794,591	114,344,611
Proceeds from Other Revenues	94,089,304	98,623,071
Payments to Suppliers	(359,210,726)	(372,503,970)
Payments to Employees	(908,317,491)	(837,092,769)
Loans Issued to Students	(36,309,539)	(28,921,821)
Collections of Loans to Students	35,781,282	28,050,270
Payments for Other Expenses	1,294,451	1,269,880
Net Cash Provided (Used) by Operating Activities	<u>(397,072,339)</u>	<u>(406,390,782)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Proceeds from State Appropriations	292,418,783	289,020,029
Operating Gifts	90,083,076	79,749,026
Private Gifts for Endowment and Annuity Life Purposes	190,813,290	52,143,071
Other Nonoperating Revenues	6,737,241	13,262,164
Other Nonoperating Transfers To/From System	163,127,599	151,531,428
Payments for Other Uses	(9,769,352)	(14,178,463)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>733,410,637</u>	<u>571,527,255</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from Issuance of Capital Debt		354,037
Proceeds for Capital Debt Transferred from System (non-man)	73,977,919	30,520,430
Purchase of Capital Assets	(152,540,074)	(120,311,542)
Principal Paid on Capital Related Debt	(495,842)	(180,366)
Mandatory Transfers to System for Capital Related Debt	(39,851,309)	(39,516,455)
Interest Paid on Capital Related Debt	(1,637,104)	(1,658,252)
Net Cash Provided (Used) by Related Financing Activities	<u>(120,546,410)</u>	<u>(130,792,148)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Sales and Maturities of Investments	152,912,911	100,578,795
Proceeds from Sales and Maturities of Investments Held by System		224,401,245
Proceeds from Interest and Investment Income	51,951,642	7,113,586
Proceeds from Interest and Investment Income Held by System	1,032,935	52,753,426
Purchases of Investments	(54,000,000)	(300,000,000)
Purchases of Investments Held by System	(142,801,145)	
Net Cash Provided (Used) by Investing Activities	<u>9,096,343</u>	<u>84,847,052</u>
<b>Net Increase (Decrease) in Cash</b>	224,888,231	119,191,377
Cash & Cash Equivalents - Beginning of the Year	355,034,864	235,843,487
<b>Cash &amp; Cash Equivalents - End of the Year</b>	<u>\$ 579,923,095</u>	<u>355,034,864</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Loss	\$ (504,632,765)	(502,274,974)
Adjustments to Reconcile Operating Loss to Net Cash:		
Depreciation and Amortization Expense	79,967,533	78,959,256
Bad Debt Expense	462,174	
Changes in Assets and Liabilities:		
Accounts Receivable, net	9,540,141	(68,442,386)
Due From System		(2,979,025)
Inventory	1,047,896	1,084,347
Loans and Contracts	(8,041)	(249,743)
Other Assets	1,196,579	81,065
Accounts Payable	3,669,635	1,865,109
Due to System	1,114,498	1,923,753
Deferred Revenue	7,128,213	86,220,981
Deposits Held for Others	(2,486,943)	(4,332,029)
Compensated Absences & Notes Payable	2,329,571	2,628,685
Other Liabilities	3,599,170	(875,821)
Total Adjustments	<u>107,560,426</u>	<u>95,884,192</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ (397,072,339)</u>	<u>(406,390,782)</u>
<b>Noncash Transactions</b>		
Net Increase (Decrease) in Fair Value of Investments	89,974,761	(168,359,627)
Donated Capital Assets	4,476,405	11,704,947

## UNAUDITED

THE UNIVERSITY OF TEXAS AT BROWNSVILLE  
 EXHIBIT A - BALANCE SHEET  
 As of August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 21,505,926	24,247,941
Restricted Cash & Cash Equivalents	4,702,316	1,258,734
Balance in State Appropriations	6,635,856	6,162,617
Accounts Receivable, Net:		
Federal Receivables (net of allowances of \$0)	3,197,443	2,155,160
Other Intergovernmental Rec. (net of allowances of \$46,044)	360,547	1,086,922
Student Receivables (net of allowances of \$621,536)	2,767,498	3,105,564
Interest and Dividends	21,341	
Other Receivables (net of allowances of \$61,257)	1,150,657	1,463,079
Due From Other Funds	10,878,319	11,314,098
Due From System Administration	23,490,549	4,398,385
Due From Other Agencies	400	100
Inventories	33,266	48,709
Loans and Contracts (net of allowances of \$29,411)	1,250,165	882,505
Other Current Assets	1,150,407	1,556,896
Total Current Assets	<u>77,144,690</u>	<u>57,680,710</u>
Non-Current Assets:		
Restricted:		
Cash & Cash Equivalents	80,000	
Loans, Contracts and Other (net of allowances of \$215,681)	367,447	334,473
Funds Held by System Administration	3,903,532	3,064,866
Investments	3,462,854	
Capital Assets	63,182,358	57,764,311
Less Accumulated Depreciation	<u>(10,863,382)</u>	<u>(7,872,045)</u>
Total Non-Current Assets	<u>60,132,809</u>	<u>53,291,605</u>
<b>TOTAL ASSETS</b>	<u>\$ 137,277,499</u>	<u>110,972,315</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 13,660,927	10,414,551
Federal Payables	16,963	14,309
Due to Other Funds	10,878,319	11,314,098
Due to System Administration	489,353	413,254
Deferred Revenue	3,441,566	2,943,519
Employees' Compensable Leave-Current Portion	91,952	108,840
Payable From Restricted Assets-Current Portion	409,786	139,501
Funds Held for Others	567,747	629,240
Total Current Liabilities	<u>29,556,613</u>	<u>25,977,312</u>
Non-Current Liabilities:		
Employees' Compensable Leave	1,597,106	1,348,810
Total Non-Current Liabilities	<u>1,597,106</u>	<u>1,348,810</u>
<b>TOTAL LIABILITIES</b>	<u>31,153,719</u>	<u>27,326,122</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	52,318,976	49,892,266
Restricted for:		
Nonexpendable		
True and Term Endowments, and Annuities	3,983,532	3,064,866
Expendable		
Capital Projects	22,194,291	4,695,299
Other Expendable	3,666,745	3,480,396
Unrestricted	<u>23,960,236</u>	<u>22,513,366</u>
<b>TOTAL NET ASSETS</b>	<u>106,123,780</u>	<u>83,646,193</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 137,277,499</u>	<u>110,972,315</u>

UNAUDITED

THE UNIVERSITY OF TEXAS AT BROWNSVILLE

EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended August 31, 2003

Current Year  
Totals

Restated Prior



## UNAUDITED

THE UNIVERSITY OF TEXAS AT BROWNSVILLE  
 EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
 For the Year Ended August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>Cash Flows from Operating Activities:</b>		
Proceeds Received from Students	\$ 4,479,105	4,242,230
Proceeds for Sponsored Programs	59,492,750	61,047,934
Auxiliary Enterprise Charges	2,604,816	1,988,634
Proceeds from Other Revenues	5,369,954	4,911,916
Payments to Suppliers	(34,033,646)	(32,916,239)
Payments to Employees	(51,831,027)	(47,434,715)
Loans Issued to Students	(892,866)	(351,443)
Collections of Loans to Students	130,150	(432,498)
Payments for Other Expenses	(61,493)	(895,044)
Net Cash Provided (Used) by Operating Activities	<u>(14,742,257)</u>	<u>(9,839,225)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Proceeds from State Appropriations	25,225,460	20,865,141
Operating Gifts	221,489	619,645
Private Gifts for Endowment and Annuity Life Purposes	655,813	2,420,838
Other Nonoperating Revenues	107,764	115,776
Other Nonoperating Transfers To/From System	212,288	129,946
Payments for Other Uses	(2,061,959)	(1,867,740)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>24,360,855</u>	<u>22,283,606</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds for Capital Debt Transferred from System (non-man)	2,885,363	2,728,893
Capital Grants and Gifts		254,785
Purchase of Capital Assets	(3,847,576)	(3,237,060)
Mandatory Transfers to System for Capital Related Debt	(3,912,145)	(1,976,054)
Net Cash Provided (Used) by Related Financing Activities	<u>(4,874,358)</u>	<u>(2,229,436)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Interest and Investment Income	34,333	351,064
Proceeds from Interest and Investment Income Held by System	88,786	(1,014)
Purchases of Investments Held by System	(4,085,792)	(2,410,335)
Net Cash Provided (Used) by Investing Activities	<u>(3,962,673)</u>	<u>(2,060,285)</u>
<b>Net Increase (Decrease) in Cash</b>	781,567	8,154,660
Cash & Cash Equivalents - Beginning of the Year	25,506,675	17,352,015
<b>Cash &amp; Cash Equivalents - End of the Year</b>	<u>\$ 26,288,242</u>	<u>25,506,675</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to</b>		
<b>Net Cash Provided (Used) by Operating Activities:</b>		
Operating Loss	\$ (20,870,877)	(13,750,284)
Adjustments to Reconcile Operating Loss to Net Cash:		
Depreciation and Amortization Expense	3,017,770	2,617,326
Bad Debt Expense	181,041	
Changes in Assets and Liabilities:		
Accounts Receivable, net	334,580	2,202,617
Inventory	15,443	6,727
Loans and Contracts	(581,675)	(737,744)
Other Assets	(300)	(100)
Accounts Payable	2,011,211	981,951
Due to System	76,099	87,375
Deferred Revenue	498,047	539,081
Deposits Held for Others	344,996	(2,059,584)
Compensated Absences & Notes Payable	231,408	273,410
Total Adjustments	<u>6,128,620</u>	<u>3,911,059</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ (14,742,257)</u>	<u>(9,839,225)</u>
Noncash Transactions		
Net Increase (Decrease) in Fair Value of Investments	215,728	(272,275)
Donated Capital Assets	88,800	

UNAUDITED

THE UNIVERSITY OF TEXAS AT DALLAS  
 EXHIBIT A - BALANCE SHEET  
 As of August 31, 2003

	Current Year Totals Primary University	Restated Prior Year Totals Primary University
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 14,770,471	33,288,821
Restricted Cash & Cash Equivalents	4,443,238	10,847,702
Balance in State Appropriations	1,675,285	5,616,038
Accounts Receivable, Net:		
Federal Receivables (net of allowances of \$0)	2,914,005	4,757,375
Other Intergovernmental Rec. (net of allowances of \$0)	36,447	35,042
Student Receivables (net of allowances of \$521,581)	5,724,087	4,585,943
Interest and Dividends	122,783	167,217
Contributions Receivable (net of allowances of \$875,068)	995,259	1,647,082
Other Receivables (net of allowances of \$489,198)	2,098,993	2,630,037
Due From Other Funds	34,900,473	





UNAUDITED

THE UNIVERSITY OF TEXAS AT DALLAS  
EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
For the Year Ended August 31, 2003

	Current Year Totals Primary University	Restated Prior Year Totals Primary University
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**Cash Flows from Operating Activities:**

Proceeds Received from Students	\$ 61,681,173	59,303,130
Proceeds for Sponsored Programs	30,292,696	22,666,704
Auxiliary Enterprise Charges	5,134,567	

## UNAUDITED

THE UNIVERSITY OF TEXAS AT EL PASO  
 EXHIBIT A - BALANCE SHEET  
 As of August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 28,989,799	29,775,175
Restricted Cash & Cash Equivalents	3,836,852	2,487,614
Balance in State Appropriations	287,474	842,436
Accounts Receivable, Net:		
Federal Receivables (net of allowances of \$0)	5,388,483	3,235,348
Student Receivables (net of allowances of \$1,851,807)	6,092,341	5,603,082
Interest and Dividends	27,138	43,795
Contributions Receivable (net of allowances of \$51,106)	301,998	1,251,072
Other Receivables (net of allowances of \$188,396)	5,775,282	5,322,810
Due From System Administration	22,964,680	9,359,906
Due From Other Agencies	570,840	1,690,853
Inventories	2,269,597	2,300,184
Loans and Contracts (net of allowances of \$0)	2,360,421	2,163,879
Other Current Assets	15,979,635	14,599,589
Total Current Assets	<u>94,844,540</u>	<u>78,675,743</u>
Non-Current Assets:		
Restricted:		
Investments	1,748,663	1,360,169
Loans, Contracts and Other (net of allowances of \$1,580,917)	3,754,229	3,602,231
Funds Held by System Administration	84,295,574	77,160,524
Funds Held by System - Permanent Health Fund	22,712,225	21,288,100
Contributions Receivable (net of allowances of \$142,000)	3,288,547	1,768,682
Investments	12,243,986	12,391,038
Other Non-Current Assets	1,093,688	890,527
Capital Assets	299,225,196	284,889,183
Less Accumulated Depreciation	<u>(95,153,438)</u>	<u>(88,208,829)</u>
Total Non-Current Assets	<u>333,208,670</u>	<u>315,141,625</u>
<b>TOTAL ASSETS</b>	<u>\$ 428,053,210</u>	<u>393,817,368</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 7,045,743	7,727,236
Due to System Administration	1,539,141	1,303,963
Due to Other Agencies		93,275
Deferred Revenue	34,373,733	25,658,304
Employees' Compensable Leave-Current Portion	445,288	440,172
Notes, Loans and Leases Payable-Current Portion	107,598	
Payable From Restricted Assets-Current Portion	2,933,754	4,146,602
Funds Held for Others	1,037,771	977,423
Other Current Liabilities	102,763	373,537
Total Current Liabilities	<u>47,585,791</u>	<u>40,720,512</u>
Non-Current Liabilities:		
Employees' Compensable Leave	3,283,160	2,986,040
Notes, Loans and Leases Payable	354,727	
Other Non-Current Liabilities	385,394	400,654
Total Non-Current Liabilities	<u>4,023,281</u>	<u>3,386,694</u>
<b>TOTAL LIABILITIES</b>	<u>51,609,072</u>	<u>44,107,206</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	204,071,758	196,680,354
Restricted for:		
Nonexpendable		
True and Term Endowments, and Annuities	80,064,164	73,452,931
Expendable		
Capital Projects	22,046,993	9,381,961
Funds Functioning as Endowment - Restricted	3,747,051	3,504,683
Other Expendable	23,226,519	23,432,975
Unrestricted	43,287,653	43,257,258
<b>TOTAL NET ASSETS</b>	<u>376,444,138</u>	<u>349,710,162</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 428,053,210</u>	<u>393,817,368</u>



UNAUDITED

THE UNIVERSITY OF TEXAS AT EL PASO  
EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended August 31, 2003

	Current Year Totals Primary University	Restated Prior Year Totals Primary University
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**Operating Revenues:**

Student Tuition and Fees	\$ 51,474,765	45,342,845
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## UNAUDITED

THE UNIVERSITY OF TEXAS AT EL PASO  
 EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
 For the Year Ended August 31, 2003

	Current Year Totals Primary University	Restated Prior Year Totals Primary University
<b>Cash Flows from Operating Activities:</b>		
Proceeds Received from Students	\$ 41,800,278	40,782,745
Proceeds for Sponsored Programs	74,211,084	64,757,762
Auxiliary Enterprise Charges	23,065,292	17,978,030
Proceeds from Other Revenues	1,768,417	1,938,074
Payments to Suppliers	(79,920,070)	(74,484,292)
Payments to Employees	(130,065,060)	(123,036,609)
Loans Issued to Students	(5,238,568)	(6,931,847)
Collections of Loans to Students	4,598,545	4,386,047
Net Cash Provided (Used) by Operating Activities	(69,780,082)	(74,610,090)
<b>Cash Flows from Noncapital Financing Activities:</b>		
Proceeds from State Appropriations	72,448,686	72,515,752
Operating Gifts	6,099,335	6,373,113
Private Gifts for Endowment and Annuity Life Purposes	1,514,417	1,984,975
Other Nonoperating Revenues		5,145,643
Other Nonoperating Transfers To/From System	5,775,749	6,170,286
Payments for Other Uses	233,472	(7,344,419)
Net Cash Provided (Used) by Noncapital Financing Activities	86,071,659	84,845,350
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds for Capital Debt Transferred from System (non-man)	8,387,929	20,594,385
Capital Grants and Gifts	1,102,829	
Purchase of Capital Assets	(15,996,413)	(21,972,461)
Mandatory Transfers to System for Capital Related Debt	(10,686,587)	(9,300,879)
Net Cash Provided (Used) by Related Financing Activities	(17,192,242)	(10,678,955)
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Interest and Investment Income	460,710	791,512
Proceeds from Interest and Investment Income Held by System	3,270,280	3,183,297
Purchases of Investments Held by System	(2,266,463)	(2,597,466)
Net Cash Provided (Used) by Investing Activities	1,464,527	1,377,343
<b>Net Increase (Decrease) in Cash</b>	563,862	933,648
Cash & Cash Equivalents - Beginning of the Year	32,262,789	31,329,141
<b>Cash &amp; Cash Equivalents - End of the Year</b>	\$ 32,826,651	32,262,789

## UNAUDITED

THE UNIVERSITY OF TEXAS - PAN AMERICAN  
 EXHIBIT A - BALANCE SHEET  
 As of August 31, 2003

	Current Year Totals Primary University	Restated Prior Year Totals Primary University
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 11,381,362	17,381,767
Restricted Cash & Cash Equivalents	2,403,432	2,251,732
Balance in State Appropriations	5,196,874	8,072,574
Accounts Receivable, Net:		
Federal Receivables (net of allowances of \$0)	2,742,625	2,853,224
Student Receivables (net of allowances of \$265,785)	17,224,564	13,731,117
Interest and Dividends	93,534	149,239
Contributions Receivable (net of allowances of \$0)	51,327	76,763
Other Receivables (net of allowances of \$69,579)	2,067,138	2,301,086
Due From Other Funds	170,873	22,488
Due From System Administration	9,658,123	4,211,368
Due From Other Agencies	176,415	124,089
Inventories	2,678,872	2,371,512
Loans and Contracts (net of allowances of \$1,079,060)	658,471	622,953
<b>Total Current Assets</b>	<b>54,503,610</b>	<b>54,169,912</b>
Non-Current Assets:		
Restricted:		
Cash & Cash Equivalents		
Investments	1,778,243	1,772,813
Loans, Contracts and Other (net of allowances of \$979,688)	6,346,203	6,178,565
Funds Held by System Administration	20,556,153	18,888,311
Contributions Receivable (net of allowances of \$1,283)	75,722	84,899
Investments	44,281,673	41,079,729
<b>Capital Assets</b>	<b>238,612,522</b>	<b>222,212,868</b>
Less Accumulated Depreciation	(100,574,474)	(94,099,101)
<b>Total Non-Current Assets</b>	<b>211,076,042</b>	<b>196,118,084</b>
<b>TOTAL ASSETS</b>	<b>\$ 265,579,652</b>	<b>250,287,996</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 8,524,095	9,096,655
Federal Payables	827,028	1,001,889
Due to Other Funds	170,873	22,488
Due to System Administration	902,061	751,171
Due to Other Agencies	32,118	781,527
Deferred Revenue	21,679,938	18,080,459
Employees' Compensable Leave-Current Portion	171,048	181,377
Payable From Restricted Assets-Current Portion	166,656	199,861
HEAF Bonds Payable-Current Portion	2,995,000	2,860,000
Other Current Liabilities	432,583	356,116
<b>Total Current Liabilities</b>	<b>35,901,400</b>	<b>33,331,543</b>
Non-Current Liabilities:		
Employees' Compensable Leave	2,101,958	1,890,841
Assets Held for Others	362,231	409,869
HEAF Bonds Payable	3,140,000	6,135,000
<b>Total Non-Current Liabilities</b>	<b>5,604,189</b>	<b>8,435,710</b>
<b>TOTAL LIABILITIES</b>	<b>41,505,589</b>	<b>41,767,253</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	131,903,048	119,118,767

119,118,767,253

UNAUDITED

THE UNIVERSITY OF TEXAS - PAN AMERICAN  
 EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 For the Year Ended August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 39,733,416	36,032,863
Discounts and Allowances	(13,385,617)	(15,654,080)
Federal Sponsored Programs	40,100,993	34,844,387
Federal Sponsored Programs Pass-Through from Other St. Agencies	1,231,040	1,351,737
State Sponsored Programs	800,753	752,927
State Sponsored Programs Pass-Through from Other St. Agencies	13,807,031	9,907,077
Local Sponsored Programs	22,170	7,870
Private Sponsored Programs	737,226	1,177,831
Sales and Services of Educational Activities	5,963,722	4,986,666
Discounts and Allowances	(18,898)	(72,725)
Auxiliary Enterprises	7,514,594	6,543,506
Discounts and Allowances	(2,663)	(22,255)
Other Operating Revenues	1,173,838	1,029,551
<b>Total Operating Revenues</b>	<b>97,677,605</b>	<b>80,885,355</b>
<b>Operating Expenses:</b>		
Instruction	56,298,911	50,393,884
Research	2,855,266	2,340,342
Public Service	7,716,049	8,506,669
Academic Support	8,150,115	7,636,020
Student Services	11,468,324	10,287,619
Institutional Support	12,650,850	12,682,804
Operations and Maintenance of Plant	9,819,983	9,858,104
Scholarships and Fellowships	27,974,007	18,770,866
Auxiliary Enterprises	11,655,885	10,801,496
Depreciation and Amortization	6,686,949	7,299,596
<b>Total Operating Expenses</b>	<b>155,276,339</b>	<b>138,577,400</b>
Operating Loss	(57,598,734)	(57,692,045)
<b>Nonoperating Revenues (Expenses):</b>		
State Appropriations	58,020,020	56,541,886
HEAF Appropriations	6,081,112	6,081,112
Gift Contributions for Operations	1,269,350	609,854
Net Investment Income	1,955,764	2,602,042
Net Increase (Decrease) in Fair Value of Investments	928,729	(3,117,451)
Interest Expense on Capital Asset Financings	(532,550)	(726,288)
Gain/(Loss) on Sale of Capital Assets	(88,362)	1,672
Other Nonoperating Revenues	71,643	4,034,420
Other Nonoperating Expenses	50,709	(4,307,228)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>67,756,415</b>	<b>61,720,019</b>
<b>Income/(Loss) Before Other Rev., Exp., Gains/(Losses) &amp; Transfers</b>	<b>10,157,681</b>	<b>4,027,974</b>
Gifts and Sponsored Programs for Capital Acquisitions	627,531	69,798
Additions to Permanent Endowments	353,900	22,760
Reclass from / (to) Other Components	(11,925,000)	(1,630,000)
Transfers Between Components & System-Debt Service-Mandatory	(6,882,205)	(4,461,533)
Transfers Between Components & System Admin. - Non mandatory	23,102,411	8,547,077
Transfers to/from Other State Agencies	119,002	98,993
<b>Change in Net Assets</b>	<b>15,553,320</b>	<b>6,675,069</b>
<b>Beginning Net Assets - As Previously Reported</b>	<b>209,083,734</b>	<b>308,930,000</b>
Restatements	(562,991)	(107,084,326)
<b>Beginning Net Assets - As Restated</b>	<b>208,520,743</b>	<b>201,845,674</b>
<b>Ending Net Assets</b>	<b>\$ 224,074,063</b>	<b>208,520,743</b>

UNAUDITED

THE UNIVERSITY OF TEXAS - PAN AMERICAN  
 EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
 For the Year Ended August 31, 2003

Current Year Totals Primary University	Restated Prior Year Totals Primary University
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**Cash Flows from Operating Activities:**

Proceeds Received from Students	\$ 25,776,720	22,232,152
Proceeds for Sponsored Programs	56,668,772	46,793,325
Auxiliary Enterprise Charges	8,320,127	5,961,969
Proceeds from Other Revenues	7,178,909	5,369,073
Payments to Suppliers	(61,752,246)	(48,590,737)
Payments to Employees	(85,977,610)	(78,577,090)
Loans Issued to Students	(8,363,310)	(6,676,037)
Collections of Loans to Students	6,959,449	5,659,457
Payments for Other Expenses		31,599
Net Cash Provided (Used) by Operating Activities	(51,189,189)	(47,796,289)

**Cash Flows from Noncapital Financing Activities:**



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

UNAUDITED

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN  
EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended August 31, 2003

Current Year      Restated Prior



UNAUDITED

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN  
EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS





## UNAUDITED

THE UNIVERSITY OF TEXAS AT SAN ANTONIO  
 EXHIBIT A - BALANCE SHEET  
 As of August 31, 2003

	Current Year Totals Primary University	Restated Prior Year Totals Primary University
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 34,551,217	33,734,125
Restricted Cash & Cash Equivalents	5,057,113	6,527,027
Balance in State Appropriations	3,480,111	1,967,872
Accounts Receivable, Net:		
Federal Receivables (net of allowances of \$0)	14,967,797	8,872,774
Student Receivables (net of allowances of \$322,000)	10,604,515	7,794,980
Interest and Dividends	80,758	130,328
Contributions Receivable (net of allowances of \$56,187)	593,839	557,333
Other Receivables (net of allowances of \$30,600)	1,905,788	2,703,355
Due From Other Funds	19,313,932	12,247,937
Due From System Administration	74,428,025	76,709,634
Due From Other Agencies	752,575	456,403
Inventories	920,995	903,210
Loans and Contracts (net of allowances of \$521,475)	5,270,061	5,918,031
Other Current Assets	11,766,089	7,684,297
Total Current Assets	183,692,815	166,207,306
Non-Current Assets:		
Restricted:		
Loans, Contracts and Other (net of allowances \$174,739)	2,247,054	2,246,284
Funds Held by System Administration	25,474,675	22,188,908
Contributions Receivable (net of allowances \$175,453)	1,854,669	382,043
Investments	41,640,297	40,921,794
Capital Assets	394,621,973	353,362,952
Less Accumulated Depreciation	(103,624,435)	(95,821,549)
Total Non-Current Assets	362,214,233	323,280,432
TOTAL ASSETS	\$ 545,907,048	489,487,738
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 14,894,333	11,049,771
Due to Other Funds	19,313,932	12,247,937
Due to System Administration	1,247,190	1,018,998
Due to Other Agencies		35,497
Deferred Revenue	52,777,608	38,254,976
Employees' Compensable Leave-Current Portion	468,112	329,678
Payable From Restricted Assets-Current Portion	1,494,597	3,326,372
Funds Held for Others	3,578,949	4,868,725
Other Current Liabilities	704,770	632,130
Total Current Liabilities	94,479,491	71,764,084
Non-Current Liabilities:		
Employees' Compensable Leave	3,498,944	3,145,250
Total Non-Current Liabilities	3,498,944	3,145,250
TOTAL LIABILITIES	97,978,435	74,909,334
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	290,997,538	257,541,403
Restricted for:		
Nonexpendable		
True and Term Endowments, and Annuities	23,660,134	20,533,720
Expendable		
Capital Projects	70,441,554	74,765,781
Funds Functioning as Endowment - Restricted	404,321	311,231
Other Expendable	22,266,745	21,695,232
Unrestricted	40,12ED -08D4	3,145, 858.73 Tw iln-Current 1Tw ,67cm5n

## UNAUDITED

THE UNIVERSITY OF TEXAS AT SAN ANTONIO

EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended August 31, 2003

	Current Year Totals Primary University	Restated Prior Year Totals Primary University
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 82,642,787	68,918,900
Discounts and Allowances	(20,223,607)	(17,672,312)
Federal Sponsored Programs	42,385,802	29,995,315
Federal Sponsored Programs Pass-Through from Other St. Agencies	789,485	627,662
State Sponsored Programs	1,915,418	2,748,885
State Sponsored Programs Pass-Through from Other St. Agencies	6,850,725	4,377,071
Local Sponsored Programs	539,674	546,491
Private Sponsored Programs	1,317,308	1,543,584
Sales and Services of Educational Activities	4,466,574	3,727,502
Discounts and Allowances (none)		
Auxiliary Enterprises	5,341,759	4,469,031
Discounts and Allowances (none)		
Other Operating Revenues	1,528,955	1,529,543
Total Operating Revenues	127,554,880	100,811,672
<b>Operating Expenses:</b>		
Instruction	69,368,240	62,084,171
Research	11,520,298	8,543,036
Public Service	16,855,255	15,294,637
Academic Support	15,129,779	13,026,887
Student Services	14,781,539	13,655,383
Institutional Support	22,926,370	20,510,158
Operations and Maintenance of Plant	19,407,797	14,340,169
Scholarships and Fellowships	16,375,506	8,607,150
Auxiliary Enterprises	8,316,524	7,176,871
Depreciation and Amortization	11,020,609	13,790,092
Total Operating Expenses	205,701,917	177,028,554
Operating Loss	(78,147,037)	(76,216,882)
<b>Nonoperating Revenues (Expenses):</b>		
State Appropriations	79,352,241	80,438,218
Gift Contributions for Operations	4,584,346	3,801,241
Net Investment Income	3,037,466	2,930,104
Net Increase (Decrease) in Fair Value of Investments	886,603	



## UNAUDITED

THE UNIVERSITY OF TEXAS AT TYLER  
EXHIBIT A - BALANCE SHEET  
As of August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 18,848,358	18,800,711
Restricted Cash & Cash Equivalents	2,860,814	3,059,338
Balance in State Appropriations	1,511,587	1,909,285
Accounts Receivable, Net:		
Federal Receivables (net of allowances of \$0)	371,181	197,494
Student Receivables (net of allowances of \$214,711)	82,879	44,940
Contributions Receivable (net of allowances of \$15,989)	303,690	3,838,863
Other Receivables (net of allowances of \$0)	182,654	178,187
Due From System Administration	11,087,406	5,374,790
Due From Other Agencies	49,574	254,495
Inventories	5,990	6,347
Loans and Contracts (net of allowances of \$411,285)	327,238	310,191
Other Current Assets	1,062,073	1,027,469
<b>Total Current Assets</b>	<b>36,693,444</b>	<b>35,002,110</b>
Non-Current Assets:		
Restricted:		
Funds Held by System Administration	40,348,902	37,431,706
Contributions Receivable (net of allowances of \$42,111)	799,865	641,631
Investments	385,279	378,631
Capital Assets	92,901,304	76,688,551
Less Accumulated Depreciation	(30,911,371)	(28,467,162)
<b>Total Non-Current Assets</b>	<b>103,523,979</b>	<b>86,673,357</b>
<b>TOTAL ASSETS</b>	<b>\$ 140,217,423</b>	<b>121,675,467</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 3,062,063	2,240,616
Due to System Administration	296,223	256,852
Due to Other Agencies		6,136
Deferred Revenue	5,193,294	4,148,693
Employees' Compensable Leave-Current Portion	39,912	37,325
Payable From Restricted Assets-Current Portion	96,221	48,571
Other Current Liabilities	700	
<b>Total Current Liabilities</b>	<b>8,688,413</b>	<b>6,738,193</b>
Non-Current Liabilities:		
Employees' Compensable Leave	530,994	438,304
Assets Held for Others	357,270	521,297
Other Non-Current Liabilities	122,230	
<b>Total Non-Current Liabilities</b>	<b>1,010,494</b>	<b>959,601</b>
<b>TOTAL LIABILITIES</b>	<b>9,698,907</b>	<b>7,697,794</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	61,989,933	48,221,389
Restricted for:		
Nonexpendable		
True and Term Endowments, and Annuities	40,112,040	37,253,651
Expendable		
Capital Projects	14,203,482	10,361,249
Other Expendable	3,831,659	7,871,378
Unrestricted	10,381,402	10,270,006
<b>TOTAL NET ASSETS</b>	<b>130,518,516</b>	<b>113,977,673</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 140,217,423</b>	<b>121,675,467</b>

## UNAUDITED

THE UNIVERSITY OF TEXAS AT TYLER  
EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 11,776,333	9,510,129
Discounts and Allowances	(3,183,466)	(3,478,477)
Federal Sponsored Programs	3,158,476	2,401,553
Federal Sponsored Programs Pass-Through from Other St. Agencies	744,722	784,621
State Sponsored Programs	194,682	604,097
State Sponsored Programs Pass-Through from Other St. Agencies	751,976	361,671
Local Sponsored Programs	8,300	
Private Sponsored Programs	535,031	364,175
Sales and Services of Educational Activities	672,748	840,697
Discounts and Allowances (none)		
Auxiliary Enterprises	1,003,470	587,617
Discounts and Allowances (none)		
Other Operating Revenues	598,224	279,567
<b>Total Operating Revenues</b>	<b>16,260,496</b>	<b>12,255,650</b>
<b>Operating Expenses:</b>		
Instruction	18,289,940	17,243,502
Research	404,872	369,554
Public Service	155,171	192,156
Academic Support	4,538,544	4,344,173
Student Services	2,892,409	2,609,533
Institutional Support	7,001,676	5,743,888
Operations and Maintenance of Plant	2,589,883	2,730,376
Scholarships and Fellowships	3,728,083	1,838,228
Auxiliary Enterprises	1,716,572	1,178,292
Depreciation and Amortization	2,663,218	2,531,778
<b>Total Operating Expenses</b>	<b>43,980,368</b>	<b>38,781,480</b>
Operating Loss	(27,719,872)	(26,525,830)
<b>Nonoperating Revenues (Expenses):</b>		
State Appropriations	25,429,160	25,876,947
Gift Contributions for Operations	911,560	1,858,891
Net Investment Income	1,106,608	1,264,936
Net Increase (Decrease) in Fair Value of Investments	2,567,806	(4,892,390)
Gain/(Loss) on Sale of Capital Assets	(18,669)	
Other Nonoperating Revenues	37,012	176,231
Other Nonoperating Expenses	(3,424,919)	(459,189)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>26,608,558</b>	<b>23,825,426</b>
Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	(1,111,314)	(2,700,404)
Gifts and Sponsored Programs for Capital Acquisitions	1,925,855	
Additions to Permanent Endowments	258,821	96,660
Reclass from / (to) Other Components	(8,774,937)	(1,195,228)
Transfers Between Components & System-Debt Service-Mandatory	(2,855,182)	(1,347,239)
Transfers Between Components & System Admin. - Non mandatory	26,853,950	8,353,790
Transfers to/from Other State Agencies	243,650	250,000
<b>Change in Net Assets</b>	<b>16,540,843</b>	<b>3,457,579</b>
Beginning Net Assets - As Previously Reported	113,972,674	142,613,418
Restatements	4,999	(32,093,324)
<b>Beginning Net Assets - As Restated</b>	<b>113,977,673</b>	<b>110,520,094</b>
<b>Ending Net Assets</b>	<b>\$ 130,518,516</b>	<b>113,977,673</b>

UNAUDITED

THE UNIVERSITY OF TEXAS AT TYLER  
EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS

Current Year



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## UNAUDITED

THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER AT DALLAS  
EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended August 31, 2003

	Current Year Totals		Restated Prior Year Totals	
	Primary University	Component Unit	Primary University	Component Unit
<b>Operating Revenues:</b>				
Student Tuition and Fees	\$ 9,316,658		8,293,345	
Discounts and Allowances	(19,477)		(25,200)	
Federal Sponsored Programs	178,083,153		153,596,510	
Federal Sponsored Programs Pass-Through from Other St. Agencies	3,270,435		1,812,690	
State Sponsored Programs	11,222,381		11,021,399	
State Sponsored Programs Pass-Through from Other St. Agencies	2,860,548		6,449,558	
Local Sponsored Programs	94,351,359		86,800,830	
Private Sponsored Programs	48,191,577		54,100,269	
Sales and Services of Educational Activities	12,717,971		22,377,590	
Discounts and Allowances (none)				
Sales and Services of Hospitals		28,461,130		26,734,799
Discounts and Allowances		(18,325,184)		(17,407,339)
Professional Fees	666,479,585		597,610,198	
Discounts and Allowances	(480,272,702)		(425,293,241)	
Auxiliary Enterprises	7,041,909		6,522,525	
Discounts and Allowances (none)				
Other Operating Revenues	12,498,069	239,567	13,865,580	485,162
Total Operating Revenues	<u>565,741,466</u>	<u>10,375,513</u>	<u>537,132,053</u>	<u>9,812,622</u>
<b>Operating Expenses:</b>				
Instruction	319,060,230		296,361,507	
Research	212,660,048		202,380,426	
Public Service	64,305,106		53,836,913	
Hospitals and Clinics		8,364,402		7,760,670
Academic Support	20,217,146		18,714,848	
Student Services	2,229,743		2,296,147	
Institutional Support	44,837,170		45,378,841	
Operations and Maintenance of Plant	43,577,618	261,922	42,998,791	241,997
Scholarships and Fellowships	1,476,090		1,350,796	
Auxiliary Enterprises	7,990,754		6,420,008	
Depreciation and Amortization	30,075,529	2,255,324	27,567,758	2,420,860
Total Operating Expenses	<u>746,429,434</u>	<u>10,881,648</u>	<u>697,306,035</u>	<u>10,423,527</u>
Operating Loss	<u>(180,687,968)</u>	<u>(506,135)</u>	<u>(160,173,982)</u>	<u>(610,905)</u>
<b>Nonoperating Revenues (Expenses):</b>				
State Appropriations	109,863,108		109,682,525	
Gift Contributions for Operations	30,385,581		32,316,057	920,678
Net Investment Income	39,395,423	53,803	45,118,716	93,756
Net Increase (Decrease) in Fair Value of Investments	30,806,888	4,392,138	(69,369,037)	(4,231,136)
Interest Expense on Capital Asset Financings		(14,037)		(3,137)
Gain/(Loss) on Sale of Capital Assets	(3,325,597)	77,875	(1,710,111)	
Other Nonoperating Revenues	9,580,771	47,936	4,251,396	99,949
Other Nonoperating Expenses	(6,506,021)	(19,565)	(5,332,669)	
Net Nonoperating Revenues (Expenses)	<u>210,200,153</u>	<u>4,538,150</u>	<u>114,956,877</u>	<u>(3,119,890)</u>
Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	29,512,185	4,032,015	(45,217,105)	(3,730,795)
Gifts and Sponsored Programs for Capital Acquisitions	2,982,939	1,159,902	9,472,891	
Additions to Permanent Endowments	3,456,103		5,607,729	
Reclass from / (to) Other Components	3,683,732		34,134,475	
Transfers Between Components & System-Debt Service-Mandatory	(19,634,702)		(15,506,484)	
Transfers Between Components & System Admin. - Non mandatory	86,686,984		46,362,629	
Change in Net Assets	<u>106,687,241</u>	<u>5,191,917</u>	<u>34,854,135</u>	<u>(3,730,795)</u>
Beginning Net Assets - As Previously Reported	1,599,673,018	23,393,403	1,859,518,022	22,893,062
Restatements	(1,052,799)	30,427,518	(295,751,938)	34,658,654
Beginning Net Assets - As Restated	<u>1,598,620,219</u>	<u>53,820,921</u>	<u>1,563,766,084</u>	<u>57,551,716</u>
<b>Ending Net Assets</b>	<u>\$ 1,705,307,460</u>	<u>59,012,838</u>	<u>1,598,620,219</u>	<u>53,820,921</u>



## UNAUDITED

THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER AT DALLAS  
 EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
 For the Year Ended August 31, 2003

	Current Year Totals		Restated Prior Year Totals	
	Primary University	Component Unit	Primary University	Component Unit
<b>Cash Flows from Operating Activities:</b>				
Proceeds Received from Students	\$ 10,313,919		9,140,432	
Proceeds Received from Patients and Customers	190,739,502	9,910,953	186,978,559	9,379,055
Proceeds for Sponsored Programs	343,013,045		291,573,020	
Auxiliary Enterprise Charges	6,868,969		6,890,939	
Proceeds from Other Revenues	19,798,888	317,311	35,826,597	722,901
Payments to Suppliers	(203,480,603)	(3,963,350)	(208,334,677)	(3,534,859)
Payments to Employees	(506,898,327)	(4,917,990)	(451,720,155)	(4,327,869)
Loans Issued to Students	(1,657,423)		(1,793,036)	
Collections of Loans to Students	2,474,452		1,881,824	
Net Cash Provided (Used) by Operating Activities	<u>(138,827,578)</u>	<u>1,346,924</u>	<u>(129,556,497)</u>	<u>2,239,228</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Proceeds from State Appropriations	110,466,773		107,455,004	
Operating Gifts	37,283,180		38,170,966	1,241,105
Private Gifts for Endowment and Annuity Life Purposes	3,456,103		5,607,729	
Other Nonoperating Revenues	8,810,481	47,936	4,047,269	99,949
Other Nonoperating Transfers To/From System	14,269,205		12,882,177	
Payments for Other Uses	(6,506,021)		(5,332,669)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>167,779,721</u>	<u>47,936</u>	<u>162,830,476</u>	<u>1,341,054</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Issuance of Capital Debt		1,803,328		
Proceeds for Capital Debt Transferred from System (non-man)	110,607,216		37,321,985	
Payments of Other Costs on Debt Issuance				
Capital Grants and Gifts	5,492,968		1,554,218	1,678,643
Proceeds from Sale of Capital Assets		220,000		
Purchase of Capital Assets	(144,587,090)	(4,508,962)	(85,041,027)	(1,629,932)
Principal Paid on Capital Related Debt		(27,091)		(26,911)
Mandatory Transfers to System for Capital Related Debt	(19,634,702)		(15,506,484)	
Interest Paid on Capital Related Debt		(14,037)		(3,137)
Net Cash Provided (Used) by Related Financing Activities	<u>(48,121,608)</u>	<u>(2,526,762)</u>	<u>(61,671,308)</u>	<u>18,663</u>
<b>Cash Flows from Investing Activities:</b>				
Proceeds from Interest and Investment Income	17,900,072	53,803	17,518,233	93,756
Proceeds from Interest and Investment Income Held by System	26,635,008		27,737,938	
Purchases of Investments	(4,124,171)		(2,976,822)	
Purchases of Investments Held by System	(20,790,484)		(23,547,771)	
Net Cash Provided (Used) by Investing Activities	<u>19,620,425</u>	<u>53,803</u>	<u>18,731,578</u>	<u>93,756</u>
<b>Net Increase (Decrease) in Cash</b>	450,960	(1,078,099)	(9,665,751)	3,692,701
Cash & Cash Equivalents - Beginning of the Year	48,450,110	6,562,466	58,115,861	2,902,019
Restatements to Beginning Cash and Cash Equivalents				(32,254)
<b>Cash &amp; Cash Equivalents - End of the Year</b>	<u>\$ 48,901,070</u>	<u>5,484,367</u>	<u>48,450,110</u>	<u>6,562,466</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to</b>				
<b>Net Cash Provided (Used) by Operating Activities:</b>				
Operating Loss	\$ (180,687,968)	(506,135)	(160,173,982)	(610,905)
Adjustments to Reconcile Operating Loss to Net Cash:				
Depreciation and Amortization Expense	30,075,529	2,255,324	27,567,758	2,420,860
Bad Debt Expense	78,096			
<b>Changes in Assets and Liabilities:</b>				
Accounts Receivable, net	9,110,653	(147,154)	(6,707,937)	287,495
Inventory	(317,290)		43,719	
Loans and Contracts	904,484		157,686	
Other Assets	(5,305,355)	(51,768)	153,440	4,187
Accounts Payable	1,663,862	(223,272)	7,082,028	92,833
Due to System	636,006		565,881	
Deferred Revenue	1,181,429	(95)	156,268	(1,161)
Deposits Held for Others	(352,056)	(13,384)	1,000	3,000
Compensated Absences & Notes Payable	4,171,980	33,408	2,090,015	42,919
Other Liabilities	13,052		(492,373)	
Total Adjustments	<u>41,860,390</u>	<u>1,853,059</u>	<u>30,617,485</u>	<u>2,850,133</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ (138,827,578)</u>	<u>1,346,924</u>	<u>(129,556,497)</u>	<u>2,239,228</u>
<b>Noncash Transactions</b>				
Net Increase (Decrease) in Fair Value of Investments	30,806,888	4,392,138	(69,369,037)	(4,231,136)
Donated Capital Assets	416,734			
Miscellaneous Noncash Transactions	770,290	77,875	177,855	

THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON  
EXHIBIT A - BALANCE SHEET



## UNAUDITED

THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON  
EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 9,457,661	8,950,396
Discounts and Allowances	(1,536,228)	(1,349,442)
Federal Sponsored Programs	94,436,003	79,965,548
Federal Sponsored Programs Pass-Through from Other St. Agencies	1,606,846	2,040,792
State Sponsored Programs	17,747,702	14,065,332
State Sponsored Programs Pass-Through from Other St. Agencies	22,416,609	25,308,566
Local Sponsored Programs	1,598,454	1,297,606
Private Sponsored Programs	45,325,260	46,867,898
Sales and Services of Educational Activities	1,322,292	1,123,254
Discounts and Allowances (none)		
Sales and Services of Hospitals	1,402,350,674	1,210,546,954
Discounts and Allowances (none)	(759,146,723)	(581,423,522)
Professional Fees	317,006,008	301,995,749
Discounts and Allowances	(222,789,892)	(210,008,467)
Auxiliary Enterprises	7,261,280	7,045,683
Discounts and Allowances (none)		
Other Operating Revenues	19,279,167	26,175,823
Total Operating Revenues	<u>956,335,113</u>	<u>932,602,170</u>
<b>Operating Expenses:</b>		
Instruction	211,038,823	221,340,600
Research	99,273,036	87,280,055
Public Service	8,075,883	7,457,476
Hospitals and Clinics	801,730,271	786,245,723
Academic Support	12,581,430	12,536,305
Student Services	3,992,655	3,863,699
Institutional Support	55,620,635	46,610,744
Operations and Maintenance of Plant	27,551,427	27,003,323
Scholarships and Fellowships	2,257,840	2,177,728
Auxiliary Enterprises	5,637,831	5,944,399
Depreciation and Amortization	47,454,832	48,051,013
Total Operating Expenses	<u>1,275,214,663</u>	<u>1,248,511,065</u>
Operating Loss	<u>(318,879,550)</u>	<u>(315,908,895)</u>
<b>Nonoperating Revenues (Expenses):</b>		
State Appropriations	284,362,123	292,688,697
Gift Contributions for Operations	3,858,977	3,807,125
Net Investment Income	16,819,485	17,549,028
Net Increase (Decrease) in Fair Value of Investments	13,993,932	(34,236,857)
Gain/(Loss) on Sale of Capital Assets	(4,493,380)	(4,543,564)
Other Nonoperating Revenues	4,737,858	3,102,526
Other Nonoperating Expenses	(4,053,869)	(2,814,417)
Net Nonoperating Revenues (Expenses)	<u>315,225,126</u>	<u>275,552,538</u>
Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	(3,654,424)	(40,356,357)
Gifts and Sponsored Programs for Capital Acquisitions	27,521,164	15,195,388
Additions to Permanent Endowments	5,785,724	8,173,258
Reclass from / (to) Other Components	(23,740,817)	(5,207,165)
Transfers Between Components & System-Debt Service-Mandatory	(7,613,390)	(7,486,652)
Transfers Between Components & System Admin. - Non mandatory	72,204,036	26,220,697
Change in Net Assets	<u>70,502,293</u>	<u>(3,460,831)</u>
Beginning Net Assets - As Previously Reported	890,694,882	1,484,582,904
Restatements	(15,654,201)	(606,081,392)
Beginning Net Assets - As Restated	<u>875,040,681</u>	<u>878,501,512</u>
<b>Ending Net Assets</b>	<u>\$ 945,542,974</u>	<u>875,040,681</u>

UNAUDITED

THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON  
 EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
 For the Year Ended August 31, 2003

	Current Year Totals Primary University	Restated Prior Year Totals Primary University
<b>Cash Flows from Operating Activities:</b>		
Proceeds Received from Students	\$ 10,985,454	8,395,749
Proceeds Received from Patients and Customers	762,260,564	724,563,652
Proceeds for Sponsored Programs	184,453,398	166,506,138
Auxiliary Enterprise Charges	7,266,107	7,045,683
Proceeds from Other Revenues	22,083,316	24,329,724
Payments to Suppliers	(385,999,052)	(421,344,337)
Payments to Employees	(826,194,391)	(791,549,514)
Loans Issued to Students	(1,465,026)	(1,266,884)
Collections of Loans to Students	1,963,630	1,462,067
Payments for Other Expenses	(7,675,417)	(13,693,683)
Net Cash Provided (Used) by Operating Activities	(232,321,417)	(295,551,405)
<b>Cash Flows from Noncapital Financing Activities:</b>		
Proceeds from State Appropriations	282,339,551	295,431,335
Operating Gifts	3,386,332	4,467,043



UNAUDITED

THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON  
EXHIBIT A - BALANCE SHEET  
As of August 31, 2003

Current Year Totals	Restated Prior Year Totals
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## UNAUDITED

THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON  
EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 13,728,766	13,091,302
Discounts and Allowances	(83,433)	(69,115)
Federal Sponsored Programs	119,562,477	109,360,950
Federal Sponsored Programs Pass-Through from Other St. Agencies	15,720,633	7,091,486
State Sponsored Programs	5,082,510	7,281,145
State Sponsored Programs Pass-Through from Other St. Agencies	4,264,967	5,673,130
Local Sponsored Programs	60,054,713	49,616,829
Private Sponsored Programs	23,936,894	25,425,311
Sales and Services of Educational Activities	19,499,839	18,932,995
Discounts and Allowances (none)		
Sales and Services of Hospitals	65,442,813	33,300,036
Discounts and Allowances	(30,292,352)	
Professional Fees	316,317,764	303,617,681
Discounts and Allowances	(223,159,019)	(213,444,523)
Auxiliary Enterprises	13,339,872	13,537,394
Discounts and Allowances (none)		
Other Operating Revenues	8,389,684	8,965,155
Total Operating Revenues	<u>411,806,128</u>	<u>382,379,776</u>
<b>Operating Expenses:</b>		
Instruction	224,179,029	209,091,743
Research	115,870,536	106,265,513
Public Service	18,225,566	19,902,241
Hospitals and Clinics	74,988,156	74,139,552
Academic Support	21,367,045	19,298,907
Student Services	3,181,513	3,871,107
Institutional Support	58,362,886	57,648,703
Operations and Maintenance of Plant	22,993,223	21,084,622
Scholarships and Fellowships	3,317,388	2,647,361
Auxiliary Enterprises	11,623,563	10,828,918
Depreciation and Amortization	18,944,339	17,382,230
Total Operating Expenses	<u>573,053,244</u>	<u>542,160,897</u>
Operating Loss	<u>(161,247,116)</u>	<u>(159,781,121)</u>
<b>Nonoperating Revenues (Expenses):</b>		
State Appropriations	145,596,984	147,648,069
Gift Contributions for Operations	6,946,266	22,287,964
Net Investment Income	8,553,353	9,973,457
Net Increase (Decrease) in Fair Value of Investments	6,206,637	(9,354,306)
Gain/(Loss) on Sale of Capital Assets	305,404	
Other Nonoperating Revenues	4,812,632	15,570,827
Other Nonoperating Expenses	(8,692,524)	(11,475,426)
Net Nonoperating Revenues (Expenses)	<u>163,728,752</u>	<u>174,650,585</u>
Income/(Loss) Before Other Rev., Exp., Gains/(Losses) & Transfers	2,481,636	14,869,464
Gifts and Sponsored Programs for Capital Acquisitions	9,404,302	28,835,948
Additions to Permanent Endowments	1,435,807	2,303,944
Extraordinary Items	36,512,522	(13,634,457)
Reclass from / (to) Other Components	(23,795,549)	29,040,375
Transfers Between Components & System-Debt Service-Mandatory	(9,821,709)	(8,246,119)
Transfers Between Components & System Admin. - Non mandatory	56,981,743	37,985,273
Legislative Appropriations Lapsed	(111,521)	
Change in Net Assets	<u>73,087,231</u>	<u>91,154,428</u>
Beginning Net Assets - As Previously Reported	470,683,535	607,135,211
Restatements	39,252,062	(188,354,042)
Beginning Net Assets - As Restated	<u>509,935,597</u>	<u>418,781,169</u>
<b>Ending Net Assets</b>	<u>\$ 583,022,828</u>	<u>509,935,597</u>

UNAUDITED

THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON  
 EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
 For the Year Ended August 31, 2003

Current Year  
 Totals  
 Primary  
 University

Restated Prior  
 Year Totals  
 Primary  
 University

**Cash Flows from Operating Activities:**

Proceeds Received from Students	\$ 14,223,509	14,025,890
Proceeds Received from Patients and Customers	125,255,384	122,290,370
Proceeds for Sponsored Programs	223,999,184	203,304,176
Auxiliary Enterprise Charges	13,353,944	13,539,794
Proceeds from Other Revenues	28,827,965	18,932,995
Payments to Suppliers	(159,705,093)	(151,882,561)
Payments to Employees	(394,063,039)	(378,369,309)
Loans Issued to Students	(3,663,027)	(3,014,899)
Collections of Loans to Students	3,893,381	3,443,683
Payments for Other Expenses		(5,486,929)
Net Cash Provided (Used) by Operating Activities	(147,877,792)	(163,216,790)

**Cash Flows from Noncapital Financing Activities:**

Proceeds from State Appropriations



## UNAUDITED

THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO  
 EXHIBIT A - BALANCE SHEET  
 As of August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 36,046,374	27,599,645
Restricted Cash & Cash Equivalents	3,636,033	2,086,773
Balance in State Appropriations	9,846,865	16,230,204
Accounts Receivable, Net:		
Federal Receivables (net of allowances of \$0)	22,054,223	16,286,815
Other Intergovernmental Rec. (net of allowances of \$0)	4,356,940	4,057,387
Student Receivables (net of allowances of \$0)	82,492	
Patient Receivables (net of allowances of \$26,221,343)	17,865,759	8,367,688
Interest and Dividends	463,456	417,976
Contributions Receivable (net of allowances of \$0)	2,754,863	3,763,500
Other Receivables (net of allowances of \$0)	12,096,306	12,854,210
Due From Other Funds	6,000	6,000
Due From System Administration	44,641,075	57,034,931
Inventories	1,565,007	1,252,329
Loans and Contracts (net of allowances of \$94,530)	2,972,854	3,181,643
Other Current Assets	477,756	845,972
Total Current Assets	<u>158,866,003</u>	<u>153,985,073</u>
Non-Current Assets:		
Restricted:		
Investments	53,441,862	52,073,187
Loans, Contracts and Other (net of allowances of \$191,923)	5,901,339	6,337,108
Funds Held by System Administration	65,921,565	57,514,476
Funds Held by System - Permanent Health Fund	181,697,800	170,304,800
Contributions Receivable (net of allowances of \$0)	6,978,494	7,823,285
Investments	82,744,244	85,014,555
Other Non-Current Assets	8,714	
Capital Assets	451,815,384	407,407,694
Less Accumulated Depreciation	(209,287,775)	(194,052,201)
Total Non-Current Assets	<u>639,221,627</u>	<u>592,422,904</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>798,087,630</u></b>	<b><u>746,407,977</u></b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 23,829,379	21,128,630
Due to Other Funds	6,000	6,000
Due to System Administration	2,515,080	2,231,539
Deferred Revenue	10,856,892	11,974,052
Employees' Compensable Leave-Current Portion	3,341,242	3,492,092
Notes, Loans and Leases Payable-Current Portion	651,895	636,156
Payable From Restricted Assets-Current Portion	11,811,320	9,613,289
Funds Held for Others	487,753	481,955
Other Current Liabilities		35,912
Total Current Liabilities	<u>53,499,561</u>	<u>49,599,625</u>
Non-Current Liabilities:		
Employees' Compensable Leave	17,842,524	14,601,648
Notes, Loans and Leases Payable	1,917,633	2,569,528
Total Non-Current Liabilities	<u>19,760,157</u>	<u>17,171,176</u>
<b>TOTAL LIABILITIES</b>	<b><u>73,259,718</u></b>	<b><u>66,770,801</u></b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	242,206,231	212,712,737
Restricted for:		
Nonexpendable		
True and Term Endowments, and Annuities	58,997,497	51,514,984
Expendable		
Capital Projects	37,556,763	50,259,018
Funds Functioning as Endowment - Restricted	3,990,569	3,405,754
Other Expendable	94,792,333	93,517,149
Unrestricted	<u>287,284,519</u>	<u>268,227,534</u>
<b>TOTAL NET ASSETS</b>	<b><u>724,827,912</u></b>	<b><u>679,637,176</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>798,087,630</u></b>	<b><u>746,407,977</u></b>



UNAUDITED

THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO  
 EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 For the Year Ended August 31, 2003

	Current Year Totals Primary University	Restated Prior Year Totals Primary University
<b>Operating Revenues:</b>		
Student Tuition and Fees	\$ 18,149,177	14,726,674
Discounts and Allowances	(2,283,260)	(2,241,165)
Federal Sponsored Programs	100,342,072	95,511,145
Federal Sponsored Programs Pass-Through from Other St. Agencies	1,406,975	1,437,515
State Sponsored Programs	2,502,494	3,011,338
State Sponsored Programs Pass-Through from Other St. Agencies	2,258,328	3,490,265
Local Sponsored Programs	34,950,075	33,119,724
Private Sponsored Programs	20,877,611	19,950,357
Sales and Services of Educational Activities	6,384,148	3,200,079
Discounts and Allowances (none)		
Professional Fees	207,751,254	194,218,568
Discounts and Allowances	(131,699,155)	(132,834,120)
Auxiliary Enterprises	2,257,114	1,723,440
Discounts and Allowances (none)		
Other Operating Revenues	29,336,558	36,997,853
Total Operating Revenues	292,233,391	272,311,673
<b>Operating Expenses:</b>		
Instruction	188,780,648	187,225,294
Research	94,097,906	88,949,435
Public Service	21,425,383	16,147,244
Hospitals and Clinics	57,264,512	49,279,574
Academic Support	20,069,546	19,521,190
Student Services	2,293,338	2,049,913
Institutional Support	22,943,428	24,548,195
Operations and Maintenance of Plant	20,310,162	19,208,062
Scholarships and Fellowships	919,895	149,283
Auxiliary Enterprises	2,284,713	2,315,788
Depreciation and Amortization	18,436,026	14,575,952
Total Operating Expenses	448,825,557	423,969,930
Operating Loss	(156,592,166)	(1,207,257)

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## UNAUDITED

## THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT SAN ANTONIO

## EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS

For the Year Ended August 31, 2003

Current Year	Restated Prior
Totals	Year Totals
Primary	Primary
University	University

**Cash Flows from Operating Activities:**

Proceeds Received from Students	\$ 15,338,351	13,224,342
Proceeds Received from Patients and Customers	66,554,028	64,521,718
Proceeds for Sponsored Programs	156,742,418	155,969,640
Auxiliary Enterprise Charges	2,257,043	1,786,848
Proceeds from Other Revenues	35,664,159	35,081,948
Payments to Suppliers	(126,092,886)	(116,587,006)
Payments to Employees	(297,367,482)	(291,111,557)
Loans Issued to Students	(228,435)	(3,343,982)
Collections of Loans to Students	914,121	4,157,279
Payments for Other Expenses		(26,614)
Net Cash Provided (Used) by Operating Activities	(146,218,683)	(136,327,384)

**Cash Flows from Noncapital Financing Activities:**

Proceeds from State Appropriations	139,525,743	141,736,337
Operating Gifts	15,406,977	11,986,214
Private Gifts for Endowment and Annuity Life Purposes	3,526,086	3,407,877
Other Nonoperating Revenues	38,068	1,974,800
Other Nonoperating Transfers To/From System	8,440,142	8,074,934
Payments for Other Uses	(1,287,264)	(1,862,315)
Net Cash Provided (Used) by Noncapital Financing Activities	165,649,752	165,317,847

**Cash Flows from Capital and Related Financing Activities:**

Proceeds for Capital Debt Transferred from System (non-man)	34,211,754	40,239,183
Capital Grants and Gifts	861,155	6,733,383
Purchase of Capital Assets	(46,824,799)	(49,905,020)
Principal Paid on Capital Related Debt	(636,156)	(546,611)
Mandatory Transfers to System for Capital Related Debt	(12,690,281)	(6,412,857)
Net Cash Provided (Used) by Related Financing Activities	(25,078,327)	(9,891,922)

**Cash Flows from Investing Activities:**

Proceeds from Interest and Investment Income	721,402	22,168
Proceeds from Interest and Investment Income Held by System	17,674,366	19,009,632
Purchases of Investments Held by System	(2,752,521)	(38,577,763)
Net Cash Provided (Used) by Investing Activities	15,643,247	(19,545,963)

<b>Net Increase (Decrease) in Cash</b>	9,995,989	(447,422)
Cash & Cash Equivalents - Beginning of the Year	29,686,418	30,133,840
<b>Cash &amp; Cash Equivalents - End of the Year</b>	\$ 39,682,407	29,686,418

**Reconciliation of Net Operating Revenues (Expenses) to**

<b>Net Cash Provided (Used) by Operating Activities:</b>		
Operating Loss	\$ (156,592,166)	(151,658,257)
Adjustments to Reconcile Operating Loss to Net Cash:		
Depreciation and Amortization Expense	18,436,026	14,575,952
Bad Debt Expense	(20,898)	
Changes in Assets and Liabilities:		
Accounts Receivable, net	(14,889,620)	(1,744,342)
Inventory	(312,678)	(15,442)
Loans and Contracts	665,455	824,514
Other Assets	(8,714)	12,181
Accounts Payable	3,909,403	(251,360)
Due to System	283,541	434,023
Deferred Revenue	(1,117,160)	722,992
Deposits Held for Others	374,014	(621,754)
Compensated Absences & Notes Payable	3,090,026	1,516,977
Other Liabilities	(35,912)	(122,868)
Total Adjustments	10,373,483	15,330,873

Net Cash Provided (Used) by Operating Activities:	\$ (146,218,683)	82064 Tc407:
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UNAUDITED

THE UNIVERSITY OF TEXAS M.D. ANDERSON CANCER CENTER  
 EXHIBIT A - BALANCE SHEET  
 As of August 31, 2003

	Current Year Totals		Restated Prior Year Totals	
	Primary University	Component Unit	Primary University	Component Unit
<b>ASSETS</b>				
Current Assets:				
Cash & Cash Equivalents	\$ 104,149,329	5,378,002	29,367,586	5,673,846
Restricted Cash & Cash Equivalents	25,206,484		5,675,265	
Balance in State Appropriations	2,801,911		4,031,281	
Accounts Receivable, Net:				
Federal Receivables (net of allowances of \$0)	8,200,998		2,586,848	
Patient Receivables (net of allowances of \$284,956,199)	219,674,455		258,942,567	
Interest and Dividends	778,895		1,519,977	
Contributions Receivable (net of allowances of \$554,274)	13,204,559		18,028,426	
Other Receivables (net of allowances of \$16,686)	48,151,390	19,175	65,847,802	129,038
Due From Other Funds	40,327,342		37,918,449	
Due From System Administration	121,695,077		80,478,851	



UNAUDITED

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[REDACTED]

[REDACTED]

[REDACTED]

## UNAUDITED

THE UNIVERSITY OF TEXAS HEALTH CENTER AT TYLER  
 EXHIBIT A - BALANCE SHEET  
 As of August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>ASSETS</b>		
Current Assets:		
Cash & Cash Equivalents	\$ 10,851,628	4,660,198
Restricted Cash & Cash Equivalents	2,579,206	3,451,899
Balance in State Appropriations	111,306	679,973
Accounts Receivable, Net:		
Federal Receivables (net of allowances of \$0)	698,764	324,301
Other Intergovernmental Rec. (net of allowances of \$0)	261,314	147,060
Patient Receivables (net of allowances of \$35,018,438)	5,896,211	5,664,870
Contributions Receivable (net of allowances of \$0)		49,729
Other Receivables (net of allowances of \$0)	799,181	4,211,640
Due From Other Funds		163,299
Due From System Administration	12,155,825	2,291,106
Inventories	2,673,731	2,235,917
Other Current Assets	105,196	808
<b>Total Current Assets</b>	<b>36,132,362</b>	<b>23,880,800</b>
Non-Current Assets:		
Restricted:		
Investments		88,798
Funds Held by System Administration	6,155,039	5,435,754
Funds Held by System - Permanent Health Fund	22,712,225	21,288,100
Investments	8,956,359	5,000,000
Other Non-Current Assets		189,000
Capital Assets	114,304,115	102,473,720
Less Accumulated Depreciation	(53,005,386)	(47,690,274)
<b>Total Non-Current Assets</b>	<b>99,122,352</b>	<b>86,785,098</b>
<b>TOTAL ASSETS</b>	<b>\$ 135,254,714</b>	<b>110,665,898</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 11,916,651	8,352,589
Due to Other Funds		163,299
Due to System Administration	848,315	752,649
Deferred Revenue	470,363	9,622
Employees' Compensable Leave-Current Portion	605,020	531,258
Notes, Loans and Leases Payable-Current Portion	93,500	87,588
Payable From Restricted Assets-Current Portion	869,325	426,444
Other Current Liabilities	15,231	14,939
<b>Total Current Liabilities</b>	<b>14,818,405</b>	<b>10,338,388</b>
Non-Current Liabilities:		
Employees' Compensable Leave	3,403,403	3,154,104
Notes, Loans and Leases Payable		93,501
<b>Total Non-Current Liabilities</b>	<b>3,403,403</b>	<b>3,247,605</b>
<b>TOTAL LIABILITIES</b>	<b>18,221,808</b>	<b>13,585,993</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	61,298,729	54,783,446
Restricted for:		
Nonexpendable		
True and Term Endowments, and Annuities	6,054,136	5,339,249
Expendable		
Capital Projects	11,168,925	1,196,154
Funds Functioning as Endowment - Restricted	100,903	96,505
Other Expendable	2,411,985	3,799,206
Unrestricted	35,998,228	31,865,345
<b>TOTAL NET ASSETS</b>	<b>117,032,906</b>	<b>97,079,905</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 135,254,714</b>	<b>110,665,898</b>

UNAUDITED

THE UNIVERSITY OF TEXAS HEALTH CENTER AT TYLER  
EXHIBIT B - COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended August 31, 2003

	Current Year Totals Primary University	Restated Prior Year Totals Primary University
<b>Operating Revenues:</b>		
Federal Sponsored Programs	\$ 3,972,371	3,394,204
Federal Sponsored Programs Pass-Through from Other St. Agencies	648,525	118,617
State Sponsored Programs	1,233,432	2,777
State Sponsored Programs Pass-Through from Other St. Agencies	399,262	506,799



## UNAUDITED

THE UNIVERSITY OF TEXAS HEALTH CENTER AT TYLER  
EXHIBIT C - COMBINED STATEMENT OF CASH FLOWS  
For the Year Ended August 31, 2003

	Current Year Totals	Restated Prior Year Totals
	Primary University	Primary University
<b>Cash Flows from Operating Activities:</b>		
Proceeds Received from Patients and Customers	\$ 68,156,048	62,848,795
Proceeds for Sponsored Programs	11,841,636	5,726,630
Auxiliary Enterprise Charges	906,698	847,830
Proceeds from Other Revenues	4,395,965	4,395,494
Payments to Suppliers	(33,756,688)	(30,658,824)
Payments to Employees	(74,352,474)	(72,231,782)
Net Cash Provided (Used) by Operating Activities	<u>(22,808,815)</u>	<u>(29,071,857)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Proceeds from State Appropriations	37,140,235	37,878,999
Operating Gifts	419,782	810,329
Private Gifts for Endowment and Annuity Life Purposes	307,001	131,300
Other Nonoperating Revenues	924,859	(887,675)
Other Nonoperating Transfers To/From System	215,792	88,316
Payments for Other Uses	(141,953)	(185,531)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>38,865,716</u>	<u>37,835,738</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds for Capital Debt Transferred from System (non-man)	4,809,372	4,720,182
Proceeds from Sale of Capital Assets	7,611	
Purchase of Capital Assets	(12,756,700)	(16,343,500)
Principal Paid on Capital Related Debt	(87,589)	
Mandatory Transfers to System for Capital Related Debt	(1,325,688)	(442,433)
Net Cash Provided (Used) by Related Financing Activities	<u>(9,352,994)</u>	<u>(12,065,751)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from Interest and Investment Income Held by System	2,980,822	2,820,981
Purchases of Investments Held by System	(4,365,992)	(5,139,336)
Net Cash Provided (Used) by Investing Activities	<u>(1,385,170)</u>	<u>(2,318,355)</u>
<b>Net Increase (Decrease) in Cash</b>	<b>5,318,737</b>	<b>(5,620,225)</b>
Cash & Cash Equivalents - Beginning of the Year	8,112,097	13,732,322
<b>Cash &amp; Cash Equivalents - End of the Year</b>	<b>\$ <u>13,430,834</u></b>	<b><u>8,112,097</u></b>
<b>Reconciliation of Net Operating Revenues (Expenses) to</b>		
<b>Net Cash Provided (Used) by Operating Activities:</b>		
Operating Loss	\$ (35,508,307)	(33,375,036)
Adjustments to Reconcile Operating Loss to Net Cash:		
Depreciation and Amortization Expense	5,455,678	3,456,234
Changes in Assets and Liabilities:		
Accounts Receivable, net	2,692,411	(1,583,117)
Inventory	(437,814)	(273,251)
Other Assets	189,000	(153,139)
Accounts Payable	4,024,845	6,798,905
Due to System	95,666	230,629
Deferred Revenue	460,741	
Deposits Held for Others	(104,388)	(4,255,002)
Compensated Absences & Notes Payable	323,061	81,920
Other Liabilities	292	
Total Adjustments	<u>12,699,492</u>	<u>4,303,179</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ (22,808,815)</u>	<u>(29,071,857)</u>
<b>Noncash Transactions</b>		
Net Increase (Decrease) in Fair Value of Investments	1,644,979	(3,470,307)
Donated Capital Assets	143	