University of Missouri System

2004 Financial Report

UNIVERSITY OF MISSOURI SYSTEM

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INDEPENDENT AUDITORS' REPORT

Board of Curators
University of Missouri System

We have audited the accompanying combined financial statements of the University of Missouri (the "University") and its aggregate discretely presented component units and its fiduciary fund type ("Retirement Trust") as of and for the years ended June 30, 2004 and 2003, as shown on pages 16 through 39. These combined financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the University and of its aggregate discretely presented component units and its fiduciary fund type as of June 30, 2004 and 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 15 are not a required part of the combined financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2004, on our consideration of the University's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

October 26, 2004

Member of
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THE UNIVERSITY

The University of Missouri (the "University") was created in 1839 as a public educational institution under the Constitution and laws of the State of Missouri. It is governed by a nine-member Board of Curators. The University system includes campuses located in Columbia, Kansas City, Rolla and St. Louis, the University of Missouri Hospitals and Clinics and related health care facilities, and System administration. The University contains 37 schools, colleges and divisions and is the only public institution in Missouri offering professional and doctoral degrees. The University also administers a statewide extension service, serving every county in the State.

In the fall of 2003, the University enrolled a total of 62,089 students on its four campuses, up 1.9% from fall 2002. Over the five-year period ended 2003, total fall enrollments have increased 13.4%. This increase has primarily been seen at the Columbia, Kansas City and Rolla campuses, which reflect 16.9%, 23.5% and 15.8% increases, respectively, for the five-year period.

STUDENT ENROLLMENT					
CAMPUS	**FALL SEMESTER**				
	1999	**2000**	**2001**	**2002**	**2003**
Columbia	22,930	23,309	23,667	26,124	26,805
Kansas City	11,518	12,698	12,969	13,881	14,226
Rolla	4,715	4,626	4,883	5,240	5,459
St. Louis	15,594	15,397	14,993	15,658	15,599
Total System	**54,757**	**56,030**	**56,512**	**60,903**	**62,089**

Consistent with its mission as a major research institution, 25.4%, or 15,768, of the students enrolled as of the 2003 fall semester were enrolled in graduate and professional programs.

UNIVERSITY ACCOUNTING AND FINANCIAL REPORTING

This report includes five financial statements: the Combined Statements of Net Assets, the Combined Statements of Revenues, Expenses and Changes in Net Assets and the Combined Statements of Cash Flows, for the University of Missouri System and Related Organizations, a component unit of the State of Missouri, and the Statements of Net Assets Held for Pension Benefits and the Statements of Changes in Net Assets Held for Pension Benefits, for the University of Missouri Retirement Trust. The combined financial statements of the University are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). A summary of significant accounting policies followed by the University is included in Note 1 to the combined financial statements of this report. A more detailed financial report that includes information on each campus is available upon request from the Office of the Vice President for Finance and Administration.

COMBINED STATEMENTS OF NET ASSETS

The Combined Statements of Net Assets present the financial position of the University at the end of the fiscal year and include all assets and liabilities of the University. The Net Assets present the current financial condition of the University. Assets and liabilities are generally measured using current values, with certain exceptions, such as capital assets, which are stated at cost, less accumulated depreciation, and long-term debt, which is stated at cost. A summary of the University's assets, liabilities and net assets at June 30, 2004, 2003 and 2002, is as follows (in thousands of dollars):

	Fiscal Year 2004	Fiscal Year 2003	Fiscal Year 2002
Assets:			
Current assets	$ 487,081	$ 524,321	$ 544,395
Long-term investments -			
Endowed and quasi-endowed investments	709,227	633,939	566,690
Other investments	637,825	484,205	476,818
Capital assets, net	1,807,986	1,645,122	1,534,537
Other noncurrent assets	102,440	81,048	76,164
Total assets	$ 3,744,559	$ 3,368,635	$ 3,198,604
Liabilities:			
Current liabilities	$ 436,851	$ 442,776	$ 439,253
Noncurrent liabilities	577,902	468,121	475,563
Total liabilities	1,014,753	910,897	914,816
Net assets:			
Invested in capital assets, net of related debt	1,257,210	1,177,275	1,071,096
Restricted -			
Nonexpendable	484,370	421,521	401,703
Expendable	352,325	323,442	326,264
Unrestricted	635,901	535,500	484,725
Total net assets	2,729,806	2,457,738	2,283,788
Total liabilities and net assets	$ 3,744,559	$ 3,368,635	$ 3,198,604

Fiscal Year 2004 Compared to Fiscal Year 2003

Total Assets have increased by $375.9 million to $3.7 billion, which reflects the University's continued efforts to strengthen its capital position. This increase is primarily attributable to increases in the University's **Long-Term Investments,** as discussed below, and the expansion of **Capital Assets** across all of the campuses. Net capital additions of $245.6 million are offset by $82.7 million in depreciation, resulting in a net change in **Capital Assets** of $162.9 million.

Major additions to **Capital Assets** during the year are shown in the following table.

MAJOR ADDITIONS TO CAPITAL ASSETS Year Ended June 30, 2004		
Campus	**Cost**	**Source Of Funding**
Columbia:		
Basketball Arena	$40,028,000	State bond funds and gifts
Brewer Fieldhouse Renovation	24,905,000	Bond proceeds
Life Sciences Center	18,557,000	Federal grant and State appropriations
Virginia Avenue Housing	18,162,000	Bond proceeds
Kansas City:		
Oak Street Housing	$18,197,000	Bond proceeds and gifts
Health Sciences	1,392,000	State appropriations and gifts
Rolla:		
Havener Center	$ 9,736,000	Bond proceeds and gifts
Residence Hall	6,256,000	Bond proceeds
St. Louis:		
Parking Garage	$ 4,138,000	Bond proceeds

In Current Assets, the University held **Cash and Cash Equivalents** at the end of fiscal year 2004 of $216.9 million, a decrease of $58.0 million from the prior year. The University's General Pool was more heavily weighted in short-term commercial paper on June 30, 2003, than on June 30, 2004. Accounts Receivable, net of $184.5 million, increased $35.9 million as of June 30, 2004, over the prior year. The increase was primarily due to the receipt of bond funds of $34.3 million from the State of Missouri for construction of the new sports arena on the Columbia campus.

Long-Term Investment holdings of $1.3 billion as of June 30, 2004, increased $228.9 million over the prior year. Long-Term Investments in the University's endowment funds, comprised primarily of a Balanced and Fixed Income Pool, increased $75.3 million in fiscal year 2004 due to receipt of gifts, as well as strong bond market performance and improving stock market performance. Performance of the University's various investment pools for the year ended June 30, 2004, was as follows:

LONG-TERM INVESTMENTS			
	Asset Distribution	**Total Return**	**Benchmark Index Return**
General Pool	$572,196,000	.9%	.8%
Balanced Pool	647,070,000	17.4%	18.3%
Fixed Income Pool	63,716,000	.0%	(.7%)
Other Investments	64,118,000	NA	NA

Benchmark index returns are calculated by independent investment consultants based on returns of similar security portfolios.

In fiscal year 2004, heightened efforts to increase resources through fund raising continued on all four campuses. These increased efforts directly resulted in a significant increase in total **Pledges Receivable** (current and long-term) in fiscal year 2004 to $70.7 million from $24.4 million in the prior fiscal year. Columbia campus received two pledges in fiscal year 2004 aggregating $47.1 million to be used for building and renovation of various journalism and sports facilities.

Total Liabilities increased $103.8 million over the prior year. During fiscal year 2004, **Bonds and Notes Payable**, net of premium/discount and deferred losses on defeasance, increased $111.4 million as a result of a $155.2 million bond issuance. The bonds financed $118.1 million for capital expansion across all campuses, $37.1 million to defease a portion of existing bonds and to finance certain costs of issuance.

The following is a summary of the long-term debt by type of debt instrument (in thousands of dollars).

	Fiscal Year 2004	Fiscal Year 2003	Fiscal Year 2002
System Facilities Revenue Bonds	$ 408,295	$ 297,210	$ 304,200
Health Facilities Revenue Bonds	168,550	171,750	174,815
Notes Payable	-	273	531
Less Unamortized Premium/Discount and Loss on Defeasance	(171)	(3,968)	(4,534)
	576,674	465,265	475,012
Capital Lease Obligations	10,532	10,864	11,170
	$ 587,206	$ 476,129	$ 486,182

A significant change in current liabilities includes a $26.2 million increase in **Funds Held for Others**. In January 2004, the University became custodian of approximately $13 million that was previously held in trust by a third party. Another factor affecting the increase in **Funds Held for Others** is the increase in payroll withholding liabilities due to timing of collection of employer and employee premiums and the subsequent remittance of these funds to the applicable medical, dental and other employee-related programs. An offsetting decrease in liabilities includes a decrease of $55.8 million in **Investment Settlements Payable** from $74.3 million as of June 30, 2003 to $18.5 million as of June 30, 2004. Purchases and sales of investments are accounted for on the trade date basis. The University records **Investment Settlements Payable** for purchases of investments occurring on or before June 30, which settle after such date.

The **Net Assets** of the University increased in total by $272.1 million, excluding any changes in the University of Missouri Retirement Trust. An explanation of these changes, based on the four net asset categories, is as follows:

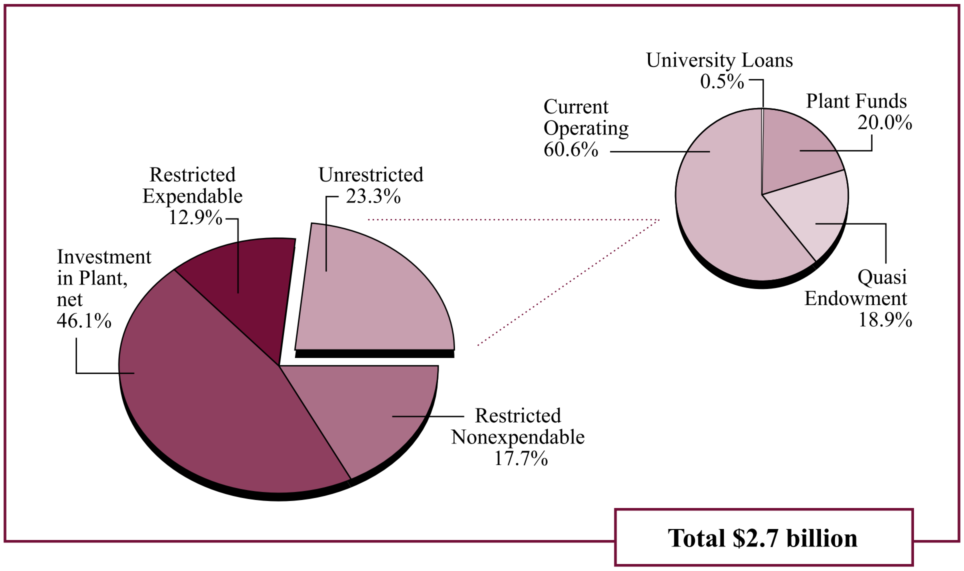
- **Invested in Capital Assets, Net of Related Debt,** representing capital holdings, net of accumulated depreciation and related debt financing, increased $79.9 million to $1.26 billion. This increase is due to net additions to capital assets offset by pay down of bonds outstanding.

- **Restricted Nonexpendable Net Assets** increased $62.8 million over fiscal year 2003 to $484.4 million at fiscal year end 2004. The increase is primarily a result of private funding for endowment purposes and strong investment returns in the Balanced Pool.

- **Restricted Expendable Net Assets** increased $28.9 million over fiscal year 2003 to $352.3 million at fiscal year end 2004. This category includes Current Restricted Funds of $148.1 million, Loan Funds of $75.0 million, Endowment Funds of $110.5 million and Restricted Plant Funds of $18.7 million. Current Restricted Funds increased $43.8 million primarily due to significant restricted gifts on the Columbia campus in fiscal year 2004, partially offset by decreases in Restricted Plant funds resulting from spend down of prior year gifts restricted for capital expansion and the release of $13 million in funds previously restricted for Health System debt covenant requirements.

- **Unrestricted Net Assets** increased $100.4 million or 18.7% to $635.9 million. This category of net assets includes the Current Funds of $385.3 million, Loan Funds of $3.3 million, Quasi-Endowment Funds of $120.4 million and Plant Funds of $126.9 million. The largest increase year over year was in the Current Funds.

The distribution of the Net Asset balances, including additional details on unrestricted net assets by fund type, as of June 30, 2004, are as follows:



Fiscal Year 2003 Compared to Fiscal Year 2002

Total Assets increased $170.0 million to $3.4 billion as of June 30, 2003 compared to June 30, 2002, which reflected the University's continued efforts to strengthen its capital position. This increase was primarily attributable to the expansion of **Capital Assets** across all of the campuses. Net capital additions of $189.2 million were offset by $78.6 million in depreciation, resulting in a net change in **Capital Assets** of $110.6 million.

The University held **Cash and Cash Equivalents** at the end of fiscal year 2003 of $274.9 million, a decrease of $30.9 million from the prior year. This decrease was due to excess cash on hand in fiscal year 2002 in anticipation of additional funding cuts or delays in State funding in the first quarter of fiscal year 2003.

Long-Term Investment holdings of $1,118.1 million as of June 30, 2003, increased $74.6 million over the prior year. Long-Term Investments in the University's endowed funds, comprised primarily of a Balanced and Fixed Income Pool, increased $67.2 million in fiscal year 2003 due to receipt of gifts as well as strong bond market performance and improving stock market performance.

In fiscal year 2003, heightened efforts to increase resources through fund raising continued on all four campuses. These increased efforts directly resulted in an increase in total **Pledges Receivable** (current and long-term), up 10.8% over the prior year, to $24.4 million.

Total Liabilities decreased $3.9 million from the prior year. The University did not issue additional long-term debt in fiscal year 2003 and, as a result, outstanding debt decreased $10.3 million from principal payments on existing debt.

Other significant changes in liabilities included a $6.2 million increase in **Accrued Liabilities,** which includes accrued salaries, wages and related staff benefits, and self-insurance reserves. This fluctuation related to increases in self-insurance reserves primarily resulting from outside influences. The insurance markets were adversely impacted by the September 11, 2001 tragedy and, as a result, insurance markets tightened requirements and the University has responded by increasing reserves. In addition to the external influences, workers compensation reserves were also impacted by increased medical costs and an increase in the number and severity of incidents.

The **Net Assets** of the University increased in total by $173.9 million, excluding any changes in the University's Retirement Trust. An explanation of these changes, based on the four net asset categories, is as follows:

- **Invested in Capital Assets, Net of Related Debt,** representing capital holdings, net of accumulated depreciation and related debt financing, increased $106.2 million to $1.18 billion. This increase was due to net additions to capital assets and pay down of bonds outstanding.

- **Restricted Nonexpendable Net Assets,** which includes restricted Endowment balances, increased $19.8 million over fiscal year 2002 to $421.5 million at fiscal year end 2003. The increase was primarily a result of private funding for endowed purposes.

- **Restricted Expendable Net Assets** decreased $2.8 million from fiscal year 2002 to $323.4 million at fiscal year end 2003. This category includes Current Restricted Funds of $104.4 million, Loan Funds of $72.8 million, Endowment Funds of $103.4 million and Restricted Plant Funds of $42.8 million. The overall decrease reflects the spend down of restricted capital resources dedicated for specific purposes, such as the Columbia campus sports arena and Rolla campus student center.

- **Unrestricted Net Assets** increased 10.5% to $535.5 million. This category of net assets includes the Current Funds of $293.0 million, Loan Funds of $3.3 million, Quasi-Endowment Funds of $108.9 million and Plant Funds of $130.3 million.

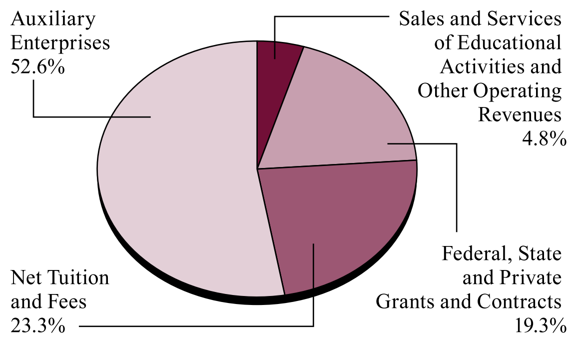
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Combined Statements of Revenues, Expenses and Changes in Net Assets present the University's results of operations. The Statements distinguish revenues and expenses between operating and nonoperating categories, and provide a view of the University's operating margin (in thousands of dollars).

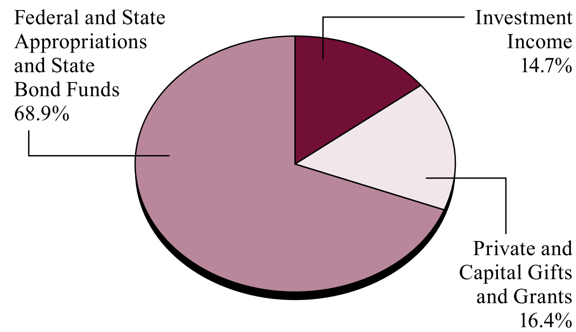
	Fiscal Year 2004	Fiscal Year 2003	Fiscal Year 2002
Operating revenues	$ 1,344,356	$ 1,215,958	$ 1,112,032
Operating expenses	1,758,758	1,637,702	1,608,139
Operating income (loss)	(414,402)	(421,744)	(496,107)
Nonoperating revenues (expenses)	686,470	595,694	558,740
Increase in net assets	$ 272,068	$ 173,950	$ 62,633

Fiscal Year 2004 Compared to Fiscal Year 2003

Total **Operating Revenues** increased $128.4 million over fiscal year 2003 to $1.3 billion in fiscal year 2004. This fluctuation is due to increases in tuition, patient medical services and revenues related to certain auxiliary operations. **Nonoperating Revenues** include funding sources such as State Appropriations, State Bond Funds, Federal Appropriations and Gift and Investment Income. These sources are categorized under GASB standards as nonoperating because they are not generated as a result of the University's core missions of teaching, research and public service. The following is a graphic illustration of revenues by source, including both operating and nonoperating revenue streams for fiscal year 2004.



Total Operating Revenues $1.3 billion



Total Nonoperating Revenues $711.8 million

Tuition and Fees, net of **Scholarship Allowances,** which includes University resources used to reduce fees charged to students for related services, increased 14.5% or $39.6 million over fiscal year 2003. This is attributable to increases in enrollment of 1.9% and increases in undergraduate and graduate educational fees of 3.2% plus $27 per credit hour.

As a research institution, the University receives a substantial amount of funding through **Federal, State and Private Grants and Contracts.** Overall, grant funding remained approximately the same year over year at $259.1 million in fiscal year 2004 compared to $259.3 million in fiscal year 2003. Small increases in private grants and contracts were offset by small decreases in Federal and State grant funding.

Patient Medical Services, which includes fees for services provided by the University Hospitals and Clinics and related health care units (UHC) and the University Physicians Practice Plan, increased $66.5 million or 15.6% over fiscal year 2003. Of this increase, $5.1 million relates to the operations of the University Physicians, with $61.4 million relating to UHC.

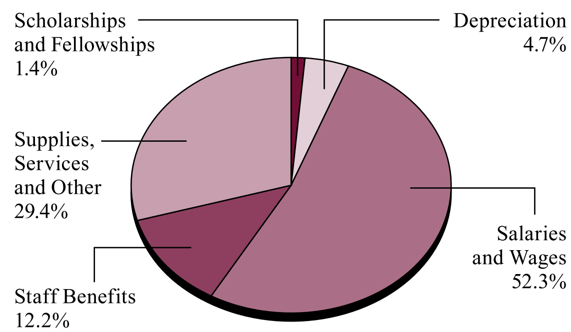
In fiscal year 2003, the University experienced a 10% cut of $50.5 million to its core appropriations from the State of Missouri plus extraordinary withholdings of $28.3 million, resulting in net **State Appropriations** received of $423.3 million. In fiscal year 2004, the University experienced a further cut of 5.5% to its core appropriations. Additional extraordinary withholdings of $9.7 million were subsequently released throughout fiscal year 2004, resulting in net State Appropriations of $421.4 million, a slight decrease from fiscal year 2003. **State Capital Appropriations and State Bond Funds** increased $40.6 million to $54.2 million in fiscal year 2004 due to the release of $34.3 million of state bond funds for the new sports arena on the Columbia campus. The remaining State Capital Appropriations relates primarily to funding of the Life Sciences Center on the Columbia campus and the Health Sciences Center on the Kansas City campus.

Gift income is reflected in three categories: **Private Gifts, Capital Gifts** (restricted for capital expansion) and **Private Gifts for Endowments** (restricted for the establishment of endowments). Total gifts to the University in fiscal year 2004 were $114.8 million, compared to $80.3 million in the prior fiscal year, an increase of $34.5 million. Noncapital private gifts increased $5.2 million or 7.8% due to increased focus by the campuses on capital campaigns. Capital Gifts increased $29.3 million largely due to the two large gifts to the Columbia campus referred to earlier; offset by a single gift of $6.7 million in land received in fiscal year 2003.

Capital Grants of $2.2 million in fiscal year 2004 and $16.6 million in fiscal year 2003 represent funding received from Federal and State agencies to be used for the expansion of the University's physical plant. The decrease of $14.4 million in fiscal year 2004 is the direct result of the completion of the Life Sciences Building on the Columbia campus, which was partially funded through federal grants.

Investment and Endowment Income includes interest and dividend income as well as realized and unrealized gains and losses. Investment and Endowment Income increased $35.6 million, from $68.9 million in fiscal year 2003 to $104.5 million in fiscal year 2004. The market continued to improve in fiscal year 2004, which resulted in increases in market values of investments and the recording of realized and unrealized net gains in the amount of $61.0 million, an improvement of $36.0 million over the realized and unrealized gains of $25.0 million recorded in fiscal year 2003.

Total Operating Expenses reflect a 7.4% or $121.1 million increase over fiscal year 2003. The following is a graphic illustration of total expenses by object of expenditure for fiscal year 2004:

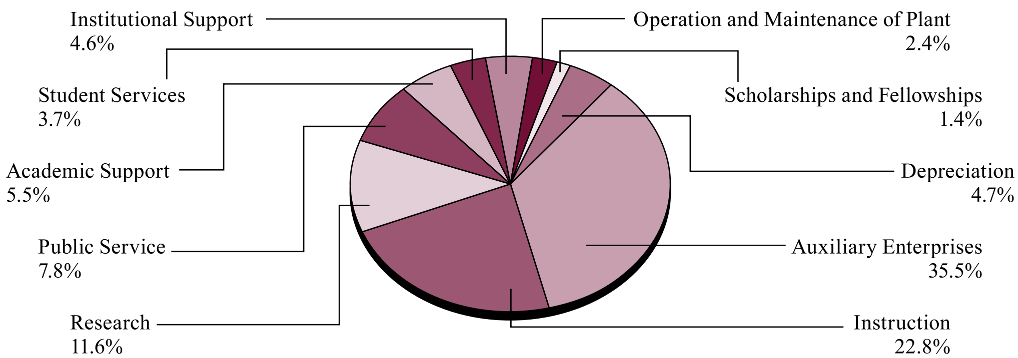


Total Operating Expenses $1.8 billion

During fiscal year 2004, **Salaries and Wages** increased approximately 3.0% over fiscal year 2003 primarily due to merit increases for employees effective September 2003. Staff Benefits showed a significant increase of 28.3% year over year due to increases in the employer costs associated with the University's medical, dental and life premiums, as well as retirement contributions.

The University's expenses related to **Supplies, Services and Other Operating** costs increased by 9.1% or $43.1 million to $516.7 million in fiscal year 2004, compared to $473.6 million in fiscal year 2003. A considerable portion of this increase relates to increased patient care operating costs at the University Hospitals and Clinics ("UHC") which is directly correlated with UHC's increase in services and patient care revenue. In addition, the University has seen an increase in costs related to maintenance, repair and replacement of certain components in its infrastructure and physical plant. These maintenance, repair and replacement costs, which do not meet the University's capitalization limit of $5,000, accounted for approximately $15.4 million in additional costs over fiscal year 2003. The increase in non-patient care operating costs was 7.0% year over year.

In addition to their natural classification, it is also informative to review operating expenses by function. The following graphic illustration presents total expenses by function for fiscal year 2004.



Total Operating Expenses $1.8 billion

Fiscal Year 2003 Compared to Fiscal Year 2002

Tuition and Fees, net of **Scholarship Allowances,** which includes University resources used to reduce fees charged to students for related services, increased 16.9% or $39.5 million over fiscal year 2002. This was attributable to increases in enrollment of 7.8% and an increase of 8.4% in tuition for undergraduate and graduate students, plus a $9 per credit hour surcharge levied in response to extraordinary withholdings in State appropriations experienced at the end of fiscal year 2002.

As a research institution, the University receives a substantial amount of funding through **Federal, State and Private Grants and Contracts.** The University experienced growth in this revenue source of 10.3%, from $235.0 million in fiscal year 2002 to $259.3 million in fiscal year 2003. Federal grant funding increased significantly over the prior year as a result of the continuing efforts to secure grant funding. A decrease in State funding has partially offset the growth in federal funds which is a reflection of a decline in funds available at state agencies.

Patient Medical Services, which includes services provided by the University Hospitals and Clinics and related health care units (UHC) and the University Physicians Practice Plan, increased $10.7 million or 2.6% over fiscal year 2002. Of this increase, $4.9 million relates to the operations of the University Physicians, with $5.8 million relating to UHC.

In fiscal year 2002, as a result of budget shortfalls in the State of Missouri, the State withheld over $88.7 million from the University's fiscal year 2002 appropriation for a net receipt of $414.8 million. In fiscal year 2003, the University experienced a 10% cut of $50.5 million to its core appropriation plus withholdings of $28.3 million resulting in net **State Appropriations** received of $423.3 million, which was slightly higher than fiscal year 2002 receipts. In addition, **State Capital Appropriations** decreased $17.1 million to $13.6 million in fiscal year 2003 due to a reduction in State resources available for capital purposes.

Gift income is reflected in three categories: **Private Gifts, Capital Gifts** (restricted for capital expansion) and **Private Gifts for Endowments** (restricted for the establishment of endowments). Total gifts to the University in fiscal year 2003 totaled $80.3 million, compared to $95.5 million in the prior fiscal year, a decrease of $15.2 million. Noncapital private gifts increased 4.9% due to increased focus by the campuses on charitable campaigns, while Capital Gifts decreased 57.3% largely due to a single gift of $25 million received in fiscal year 2002.

Capital Grants of $16.6 million in fiscal year 2003 and $8.0 million in fiscal year 2002 represent funding received from Federal and State agencies to be used for the expansion of the University's physical plant. The University has added to its mission to become a leader in life sciences studies. Using Federal and State capital funding, the University constructed a new Life Sciences Building, a state-of-the-art research facility, on the Columbia campus.

Investment and Endowment Income includes interest and dividend income as well as realized and unrealized gains and losses. The market improved in fiscal year 2003, which resulted in increases in market values of investments and the recording of realized and unrealized net gains in the amount of $25.0 million, an improvement of $68.3 million over the realized and unrealized net losses of $43.3 million recorded in fiscal year 2002. Interest and dividend income of $43.8 million declined in the current fiscal year from $57.0 million earned in fiscal year 2002 due to lower yielding securities. Overall, Investment and Endowment Income significantly improved $55.2 million in fiscal year 2003.

Total Operating Expenses reflect a 1.8% or $29.6 million increase over fiscal year 2002, as discussed below.

During fiscal year 2003, **Salaries and Wages** and related **Staff Benefits** costs remained relatively flat over the prior fiscal year with an increase of only 0.4%. The increase in salaries was attributable to the addition of operating departments on the Kansas City and Rolla campuses. Staff Benefits showed a slight decline year over year due to a decrease in full-time equivalent employees eligible for benefits, which masked the continuing rise in the cost of employee benefits.

The University's expenses related to **Supplies, Services and Other Operating** costs increased by 4.0% or $18.0 million, to $473.6 million in fiscal year 2003, compared to $455.6 million in fiscal year 2002. The University operates self-insurance plans that provide coverage in a number of areas including employee medical and dental benefits, professional liability, workers' compensation, and general property and liability. Costs associated with these plans increased $11.1 million, net of related University and employee contributions. Other insurance costs for excess coverage above the self-insurance limits increased $4.6 million in fiscal year 2003 over the prior year.

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows provide a view of the sources and uses of the University's cash resources. Comparative summary statements of cash flows for the three years ended June 30, 2004, are as follows (in thousands of dollars):

	Fiscal Year 2004	Fiscal Year 2003	Fiscal Year 2002
Net cash used in operating activities	$ (334,127)	$ (303,796)	$ (441,306)
Net cash provided by (used in) investing activities	(117,527)	(28,389)	76,506
Net cash used in capital and related financing activities	(85,648)	(140,772)	(31,881)
Net cash provided by noncapital financing activities	479,310	442,016	456,957
Net increase (decrease) in cash and cash equivalents	(57,992)	(30,941)	60,276
Cash and cash equivalents, beginning of year	274,855	305,796	245,520
Cash and cash equivalents, end of year	$ 216,863	$ 274,855	$ 305,796

Fiscal Year 2004 Compared to Fiscal Year 2003

Net Cash Used in Operating Activities reflects the continued need for funding from the State of Missouri, as funding received from tuition and fees and related sales and services of auxiliary and educational activities are not sufficient to cover operational needs. Cash used by operating activities increased $30.3 million from $303.8 million in fiscal year 2003 to $334.1 million in fiscal year 2004. This increase in the use of cash was impacted by increases in employee-related payments, principally benefit costs, and operational payments to suppliers. Offsetting operating sources of cash include increases in tuition and fees and patient care revenues.

Net Cash Used in Investing Activities was $117.5 million in fiscal year 2004 versus $28.4 million in fiscal year 2003, an increase of $89.1 million. The University's Long-Term Investments increased significantly in fiscal year 2004 as a result of investment of proceeds from the issuance of bonds and positive total returns experienced in fiscal year 2004.

Net Cash Used in Capital and Related Financing Activities decreased $55.1 million from $140.8 million in fiscal year 2003 to $85.7 million in fiscal year 2004. The University received proceeds of $158.1 million from issuance of System Facilities Revenue Bonds in fiscal year 2004. Proceeds from issuance of the bonds were used to advance refund and defease existing bonds in the amount of $36.4 million. No new bonds were issued in fiscal year 2003. Proceeds used in net capital additions increased $62.6 million in fiscal year 2004 to $247.7 million from $185.1 in fiscal year 2003 primarily due to continued expansion of capital assets across all campuses.

The University's most significant source of cash, **Net Cash Provided by Noncapital Financing Activities,** includes funds provided by State and Federal appropriations and private gifts for endowment purposes. This funding source of $479.3 million for fiscal year 2004 and $442.0 million for fiscal year 2003 directly offsets uses of funds.

Fiscal Year 2003 Compared to Fiscal Year 2002

Net Cash Used in Operating Activities decreased $137.5 million from $441.3 million in fiscal year 2002 to $303.8 million in fiscal year 2003. This decrease in the use of cash was impacted by a $46.6 million increase in tuition and fees and a $28.3 million increase in research grants and contracts.

Net Cash Used in Investing Activities was $28.4 million in fiscal year 2003 versus cash provided of $76.5 million in fiscal year 2002, a decrease of $104.9 million. Fiscal year 2002 was impacted by the liquidation of approximately $64 million of investments to provide cash funding for operational needs. As financial markets rebounded in fiscal year 2003, the University's Long-Term Investments, particularly within the endowed funds (Balanced Pool), experienced positive total returns.

Cash Flows from Capital and Related Financing Activities decreased $108.9 million from net cash used in fiscal year 2002 of $31.9 million to net cash used of $140.8 million in fiscal year 2003. The University issued $125.0 million of System Facilities Revenue Bonds in fiscal year 2002 and no new bonds were issued in fiscal year 2003.

Net Cash Provided by Noncapital Financing Activities, which includes funds provided by State and Federal appropriations and private gifts for endowment purposes, represents the University's most significant source of cash. This funding source of $442.0 million for fiscal year 2003 and $456.9 million for fiscal year 2002 directly offsets the uses of funds.

UNIVERSITY OF MISSOURI RELATED ORGANIZATIONS

The University operates two not-for-profit subsidiaries, Missouri Care L.C. and the University of Missouri-Columbia Medical Alliance (Medical Alliance). Missouri Care L.C. is a State-licensed health maintenance organization established to provide managed care services in mid-Missouri. During fiscal year 2004, Missouri Care L.C. provided benefits to members through a State Medicaid managed care program. Net assets for fiscal year 2004 decreased $86 thousand compared to increasing $550 thousand in fiscal year 2003.

The Medical Alliance was established to facilitate the creation of an integrated healthcare delivery system for mid-Missouri. Capital Region Medical Center ("CRMC") in Jefferson City, Missouri, operates as an affiliate of the Medical Alliance and provides inpatient, outpatient and emergency care services to the surrounding community. The Medical Alliance ended fiscal year 2004 with a $3.5 million increase in net assets compared to a $3.8 million increase in fiscal year 2003.

UNIVERSITY OF MISSOURI RETIREMENT TRUST

The University operates the University of Missouri Retirement, Disability and Death Benefit Plan (the "Plan"), which is a single employer, defined benefit plan. The assets of the Plan are held in trust and are restricted for use only to pay for benefits and expenses of the Plan. Therefore, these net assets and changes in net assets are reflected separately from the operations of the University.

Comparative summary financial statements for the Plan for the three years ended June 30, 2004, are as follows (in thousands of dollars):

Net Assets Held for Pension Benefits	Fiscal Year 2004	Fiscal Year 2003	Fiscal Year 2002
Assets:			
Cash and cash equivalents	$ 191,872	$ 160,474	$ 216,079
Investments and related receivables	2,102,574	2,014,536	1,983,712
Total assets	2,294,446	2,175,010	2,199,791
Liabilities:			
Payables and accrued liabilities	63,004	244,749	209,790
Collateral for securities lending	149,917	121,358	154,765
Total liabilities	212,921	366,107	364,555
Net Assets Held for Pension Benefits	$ 2,081,525	$ 1,808,903	$ 1,835,236

Changes in Net Assets Held for Pension Benefits	Fiscal Year 2004	Fiscal Year 2003	Fiscal Year 2002
Net revenues and other additions:			
Net investment income (loss)	$ 334,206	$ 75,579	$ (131,386)
University contribution	48,521	17,962	25,319
Total net revenues and other additions	382,727	93,541	(106,067)
Expenses and other deductions:			
Administrative expenses	9,920	9,590	9,294
Payments to retirees and beneficiaries	100,185	110,284	83,059
Total expenses and other deductions	110,105	119,874	92,353
Increase (decrease) in net assets held for pension benefits	272,622	(26,333)	(198,420)
Net assets held for pension benefits, beginning of year	1,808,903	1,835,236	2,033,656
Net assets held for pension benefits, end of year	$ 2,081,525	$ 1,808,903	$ 1,835,236

Fiscal Year 2004 Compared to Fiscal Year 2003

Net Assets Held for Pension Benefits increased $272.6 million, from $1.8 billion in fiscal year 2003 to $2.1 billion in fiscal year 2004. This increase is a result of net investment income and the University's contribution of $382.7 million in excess of payments of benefits to retirees and expenses of $110.1 million. For the year ended June 30, 2004, the Plan experienced improved performance in total investment return of 18.5% compared to a total investment return of 4.1% for the year ended June 30, 2003. The 18.5% investment return for fiscal year 2004 compares positively to the benchmark index of 18.3%. The allocation of the Retirement Trust Investments for fiscal year 2004 is shown in the following table.

RETIREMENT TRUST INVESTMENTS

	Asset Allocation	Total Return	Benchmark Index Return
Domestic Equities	45.8%	22.7%	20.5%
International Equities	20.3%	28.1%	32.9%
Emerging Markets Equities	6.9%	32.7%	35.1%
Alternative Investments	2.3%	8.7%	6.1%
Real Estate	6.6%	6.8%	9.7%
Global Fixed Income	18.1%	2.7%	2.1%
Total (Composite)	100.0%	18.5%	18.3%

Benchmark index returns are calculated by independent investment consultants based on returns of similar security portfolios.

Fiscal Year 2003 Compared to Fiscal Year 2002

Net Assets Held for Pension Benefits decreased $26.3 million, from $1.835 billion in fiscal year 2002 to $1.809 billion in fiscal year 2003. This decrease was a result of the payment of benefits to retirees and expenses of $119.9 million in excess of the aggregate of the University's contribution and net investment income of $93.6 million. For the year ended June 30, 2003, the Plan experienced improved performance in total investment return of 4.1% compared to negative investment return of (6.5)% for the year ended June 30, 2002. The 4.1% investment return for fiscal year 2003 compared positively to the benchmark index of 3.2%, while the negative investment return of (6.5)% for fiscal year 2002 was slightly worse than the negative benchmark index of (6.3)%.

In fiscal year 2002, the University offered to eligible employees a Voluntary Early Retirement Incentive Program (VERIP-2002), which resulted in an increase in distributions to retirees in fiscal year 2003, as many retirees opted to take advantage of a one-time lump sum payment. During fiscal year 2003, 724 employees took part in VERIP-2002 resulting in an increase in the actuarial liability of $47.3 million and an increase in future annual liabilities of $1.8 million. In fiscal year 2004, payments to retirees stabilized, resulting in a 9.2% decrease in benefits paid.

Although the Plan has seen decreases in Net Assets Held for Pension Benefits in prior years, $26.3 million in fiscal year 2003 and $198.4 million in fiscal year 2002, fiscal year 2004 showed significant improvement, specifically due to favorable investment returns resulting in an increase in Net Assets Held for Pension Benefits of $272.6 million. The most recent actuarial estimates as of October 2003 show that the Plan is overfunded by $37.1 million.

FISCAL YEAR 2004-2005 OUTLOOK

Although fiscal year 2004 was the third year that the University experienced cuts to its core state appropriations, the fiscal outlook improved over the course of the year as $9.7 million in extraordinary withholdings were released. The fiscal year ended on a positive note when the Governor and the General Assembly approved a 3.1% increase in appropriations for fiscal year 2005. Due to strong increases in state income and sales tax revenues, the University's appropriations for fiscal year 2005 appear to be secure.

In fiscal year 2004, tuition and fees surpassed state appropriations as the largest source of non-healthcare operating revenues. In spite of large increases in tuition over the past three years, enrollments on all four campuses have continued to grow through a combination of recruitment and retention. In fall 2003, both headcount and full-time equivalent enrollment at the University were at historic highs. Preliminary information for fall 2004 supports continuation of this trend. The University's strength in research and academic programs makes it the public higher education institution of choice for the state's top students.

The University of Missouri takes its stewardship of resources seriously and has worked hard to control costs in the face of rising enrollments and reduced state support. In spite of increases in mandatory expenses such as health care benefits, utilities and insurance, unrestricted expenditures (excluding UM Health Care) per FTE student increased only 5.4% in fiscal year 2004 over fiscal year 2000. These expenditures per FTE student declined 10.4% over the same five-year period after adjustment for the Higher Education Price Index. We expect this trend to continue in fiscal year 2005.

University of Missouri Healthcare, the hospitals and clinics that provide the training ground for healthcare professionals and serve a patient population drawn from across the state, has turned the corner operationally and financially. For the second year in a row, UM Healthcare posted a strong positive bottom line. The budget for fiscal year 2005 projects a 9% total margin, an increase over fiscal year 2004.

Over the past year under the leadership of President Elson S. Floyd, the University has updated its strategic plan and added performance measures. The plan is focused on improving the quality of academic programs, expanding the research mission and on increasing community partnerships. The result will be a fiscally stronger institution with diversified operating support.

Combined Statements of Net Assets

AS OF JUNE 30, 2004 AND 2003

(in thousands of dollars)

	University		Related Organizations	
	2004	**2003**	**2004**	**2003**
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 216,863	$ 274,855	$ 8,456	$ 8,940
Accounts Receivable, Net	184,488	148,553	22,167	19,849
Current Pledges Receivable, Net	22,749	11,338		
Investment Settlements Receivable	5,480	35,517		
Current Notes Receivable, Net	10,702	9,246		
Due From (To) Related Organizations and Retirement	(2,777)		2,701	
Inventories	27,189	24,430	2,545	2,323
Prepaid Expenses and Other Current Assets	22,387	20,382	976	936
Total Current Assets	**487,081**	**524,321**	**36,845**	**32,048**
Noncurrent Assets:				
Restricted Cash and Cash Equivalents		13,351	4,874	3,639
Pledges Receivable, Net	47,905	13,109		
Notes Receivable, Net	43,216	43,571		
Deferred Charges and Other Assets	11,319	11,017	1,329	511
Long-Term Investments	1,347,052	1,118,144	39,613	25,092
Capital Assets, Net	1,807,986	1,645,122	57,069	55,173
Total Noncurrent Assets	**3,257,478**	**2,844,314**	**102,885**	**84,415**
Total Assets	**$ 3,744,559**	**$ 3,368,635**	**$ 139,730**	**$ 116,463**
Liabilities				
Current Liabilities:				
Accounts Payable	$ 86,272	$ 95,286	$ 11,872	$ 9,793
Accrued Liabilities	147,255	138,482	7,678	6,861
Deferred Revenue	51,451	45,432		
Funds Held for Others	60,201	34,015		
Investment Settlements Payable	18,495	74,308		
Collateral for Securities on Loan	61,196	44,148		
Capital Lease Obligations, Current	361	332		
Bonds and Notes Payable, Current	11,620	10,773	582	562
Total Current Liabilities	**436,851**	**442,776**	**20,132**	**17,216**
Noncurrent Liabilities:				
Capital Lease Obligations	10,171	10,532		
Bonds and Notes Payable	565,054	454,492	39,954	23,036
Noncurrent Deferred Revenue	2,677	3,097		
Total Noncurrent Liabilities	**577,902**	**468,121**	**39,954**	**23,036**
Total Liabilities	**1,014,753**	**910,897**	**60,086**	**40,252**
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,257,210	1,177,275	56,873	54,508
Restricted:				
Nonexpendable	484,370	421,521		
Expendable	352,325	323,442	4,875	3,639
Unrestricted	635,901	535,500	17,896	18,064
Total Net Assets	**2,729,806**	**2,457,738**	**79,644**	**76,211**
Total Liabilities and Net Assets	**$ 3,744,559**	**$ 3,368,635**	**$ 139,730**	**$ 116,463**

See notes to the combined financial statements.

Combined Statements Of Revenues, Expenses And Changes In Net Assets

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

(in thousands of dollars)

	University		Related Organizations	
	2004	**2003**	**2004**	**2003**
Operating Revenues:				
Tuition and Fees	$ 428,191	$ 377,810	$ -	$ -
Less: Scholarship Allowances	115,178	104,391		
Net Tuition and Fees	313,013	273,419		
Federal Grants and Contracts	170,542	170,879		
State and Local Grants and Contracts	35,434	36,102		
Private Grants and Contracts	53,116	52,287		
Sales and Services of Educational Activities	16,640	16,561		
Auxiliary Enterprises–				
Patient Medical Services	492,229	425,700	149,935	144,320
Housing and Dining Services	53,462	49,798		
Bookstores	44,373	37,839		
Other Auxiliary Enterprises	116,786	104,828		
Notes Receivable Interest Income, Net of Fees	1,580	943		
Other Operating Revenues	47,181	47,602		
Total Operating Revenues	**1,344,356**	**1,215,958**	**149,935**	**144,320**
Operating Expenses:				
Salaries and Wages	919,418	892,415	44,246	41,793
Staff Benefits	214,178	166,927	10,692	10,273
Supplies, Services and Other Operating Expenses	516,681	473,593	83,620	80,441
Scholarships and Fellowships	25,755	26,209		
Depreciation	82,726	78,558	7,296	7,040
Total Operating Expenses	**1,758,758**	**1,637,702**	**145,854**	**139,547**
Operating Income (Loss) before State Appropriations and Nonoperating Revenues (Expenses) and Transfers	**(414,402)**	**(421,744)**	**4,081**	**4,773**
State Appropriations	421,434	423,330		
Operating Income after State Appropriations, before Nonoperating Revenues (Expenses) and Transfers	**7,032**	**1,586**	**4,081**	**4,773**
Nonoperating Revenues (Expenses):				
Federal Appropriations	14,602	14,860		
Investment and Endowment Income	104,486	68,880	300	274
Private Gifts	53,450	46,467	203	206
Interest Expense	(23,785)	(20,468)	(1,236)	(1,220)
Other Nonoperating Revenues (Expenses)	(1,444)	(1,171)		
Net Nonoperating Revenues (Expenses) before Capital and Endowment Additions and Transfers	**147,309**	**108,568**	**(733)**	**(740)**
State Capital Appropriations and State Bond Funds	54,239	13,584		
Capital Gifts and Grants	45,067	30,239		
Private Gifts for Endowment Purposes	18,506	20,254		
Net Other Nonoperating Revenues (Expenses) before Transfers	**265,121**	**172,645**	**(733)**	**(740)**
Nonmandatory Transfers to Related Organizations	(85)	(281)	85	281
Net Nonoperating Revenues (Expenses) and Transfers	**265,036**	**172,364**	**(648)**	**(459)**
Increase in Net Assets	**272,068**	**173,950**	**3,433**	**4,314**
Net Assets, Beginning of Year	**2,457,738**	**2,283,788**	**76,211**	**71,897**
Net Assets, End of Year	**$ 2,729,806**	**$ 2,457,738**	**$ 79,644**	**$ 76,211**

See notes to the combined financial statements.

(in thousands of dollars)

	University 2004	University 2003	Related Organizations 2004	Related Organizations 2003
Cash Flows from Operating Activities:				
Tuition and Fees	$ 321,506	$ 276,560	$ -	$ -
Federal, State and Private Grants and Contracts	271,356	257,949		
Sales and Services of Educational Activities and Other Auxiliaries	130,647	128,363		
Patient Care Revenues	479,750	437,127	147,617	144,416
Student Housing Fees	53,867	50,842		
Bookstore Collections	44,126	39,633		
Payments to Suppliers	(515,346)	(454,412)	(82,018)	(84,928)
Payments to Employees	(922,159)	(894,477)	(43,429)	(41,295)
Payments for Benefits	(214,178)	(166,927)	(10,692)	(10,273)
Payments for Scholarships and Fellowships	(25,755)	(26,209)		
Student Loans Issued	(14,487)	(13,047)		
Student Loans Collected	13,813	13,357		
Student Loan Interest and Fees	1,153	(157)		
Other Receipts, Net	41,580	47,602		
Net Cash Provided by (Used in) Operating Activities	**(334,127)**	**(303,796)**	**11,478**	**7,920**
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	56,424	42,039	300	742
Purchases of Investments, Net of Sales and Maturities	(176,643)	(70,147)	(15,756)	527
Other Investing Activities	2,692	(281)	(2,616)	281
Net Cash Provided by (Used in) Investing Activities	**(117,527)**	**(28,389)**	**(18,072)**	**1,550**
Cash Flows from Capital and Related Financing Activities:				
Capital State Appropriations	18,641	13,014		
Private Gifts	7,243	38,665	203	206
Capital Gifts and Grants	45,067	23,539		
Proceeds from Sales of Capital Assets	3,138	2,120	138	
Purchase of Capital Assets	(250,880)	(187,223)	(9,448)	(7,708)
Proceeds from Issuance of Capital Debt, Net	159,267		16,983	
Principal Payments on Capital Debt	(10,773)	(10,313)	(562)	(509)
Proceeds from Capital Project Notes	3,360	84,455		
Payments on Capital Project Notes		(85,000)		
Payments on Capital Lease	(332)	(306)		
Escrow Deposit on Defeasance	(37,346)			
Payments on Cost of Debt Issuance	(821)			
Interest Payments on Capital Debt	(22,212)	(19,723)	(1,204)	(1,187)
Net Cash Provided by (Used in) Capital and Related Financing Activities	**(85,648)**	**(140,772)**	**6,110**	**(9,198)**
Cash Flows from Noncapital Financing Activities:				
State Educational Appropriations	421,460	423,470		
Federal Appropriations	14,602	14,860		
Endowment and Similar Funds Gifts	18,506	20,254		
Other Payments	(1,444)	(1,171)		
Deposits of Affiliates	26,186	(15,397)		
Net Cash Provided by Noncapital Financing Activities	**479,310**	**442,016**		
Net Increase (Decrease) in Cash and Cash Equivalents	**(57,992)**	**(30,941)**	**(484)**	**272**
Cash and Cash Equivalents, Beginning of Year	**274,855**	**305,796**	**8,940**	**8,668**
Cash and Cash Equivalents, End of Year	**$ 216,863**	**$ 274,855**	**$ 8,456**	**$ 8,940**

(continued)

(in thousands of dollars)

	University 2004	University 2003	Related Organizations 2004	Related Organizations 2003
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating Income (Loss)	$(414,402)	$(421,744)	$ 4,081	$ 4,773
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities–				
Depreciation Expense	82,726	78,558	7,296	7,040
Loss on Sale of Capital Assets			118	
Changes in Assets and Liabilities:				
Accounts Receivable, Net	(363)	21,113	(2,318)	96
Inventory, Prepaid Expenses and Other Assets	(2,612)	(8,672)	(595)	(614)
Notes Receivable	(1,101)	(790)		
Accounts Payable	(12,374)	19,433	2,079	(3,873)
Accrued Liabilities	7,980	6,358	817	498
Deferred Revenue	6,019	1,948		
Net Cash Provided by (Used in) Operating Activities	**$(334,127)**	**$(303,796)**	**$ 11,478**	**$ 7,920**
Supplemental Disclosure of Noncash Activities:				
University of Missouri Hospitals and Clinics Obtained for an Interest in the Institute for Outpatient Surgery LLC in Exchange for Equipment	$ -	$ 1,400	$ -	$ -
Building and Improvements Subleased to the Institute for Outpatient Surgery LLC	$ -	$3,142	$ -	$ -
Gifts of Noncash Assets and Capital Assets	$ 5,600	$ 12,112	$ -	$ -

See notes to the combined financial statements.

Statements of Net Assets Held for Pension Benefits

AS OF JUNE 30, 2004 AND 2003

	(in thousands of dollars) 2004	2003
Assets		
Cash and Cash Equivalents	$ 191,872	$ 160,474
Due from the University of Missouri System	76	
Investment Settlements Receivable	16,647	113,815
Investments:		
Government Obligations	292,881	330,907
Corporate Bonds and Notes	108,304	146,322
Preferred and Common Stocks	1,333,402	1,113,903
Other	351,264	309,589
Total Assets	**2,294,446**	**2,175,010**
Liabilities		
Accounts Payable and Accrued Liabilities	1,768	1,745
Collateral for Securities Lending	149,917	121,358
Investment Settlements Payables	61,236	243,004
Total Liabilities	**212,921**	**366,107**
Net Assets Held for Pension Benefits	**$ 2,081,525**	**$ 1,808,903**

Statements of Changes in Net Assets Held for Pension Benefits

FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	(in thousands of dollars) 2004	2003
Net Revenues and Other Additions		
Investment Income (Loss):		
Interest and Dividend Income	$ 35,486	$ 57,686
Net Appreciation (Depreciation) in Fair Value of Investments	298,720	17,893
Net Investment Income (Loss)	334,206	75,579
University Contribution	48,521	17,962
Total Net Revenues and Other Additions	**382,727**	**93,541**
Expenses and Other Deductions		
Administrative Expenses	9,920	9,590
Payments to Retirees and Beneficiaries	100,185	110,284
Total Expenses and Other Deductions	**110,105**	**119,874**
Increase (Decrease) in Net Assets Held for Pension Benefits	**272,622**	**(26,333)**
Net Assets Held for Pension Benefits, Beginning of Year	**1,808,903**	**1,835,236**
Net Assets Held for Pension Benefits, End of Year	**$ 2,081,525**	**$ 1,808,903**

See notes to the combined financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity and Component Unit Disclosures—The University of Missouri System (the "University"), a Federal land grant institution, conducts education, research and public service and related activities principally at its four campuses in Columbia, Kansas City, Rolla and St. Louis, which include the University of Missouri Hospitals and Clinics and related heath care facilities. The University also administers a statewide cooperative extension service with centers located in each county in the State. The governing body of the University is the Board of Curators of the University of Missouri. While the University is a legally separate entity, it is a component unit of the State of Missouri (the "State") because it is financially accountable to the State.

As required by accounting principles generally accepted in the United States of America, these financial statements present the combined financial position and combined financial activities of the University ("the primary unit") and its component units. The component units are included in the University's financial reporting entity because of the significance of their financial relationship with the University. The notes to the combined financial statements relate only to the primary unit and do not include component units amounts, as these amounts are immaterial to the financial statements as a whole.

The Related Organizations column in the Combined Statements of Net Assets and the Combined Statements of Revenues, Expenses and Changes in Net Assets includes the financial data of the University's component units. The University of Missouri–Columbia Medical Alliance and Missouri Care L.C., a health maintenance organization, are reported in a separate column to emphasize that they are not-for-profit subsidiaries legally separate from the University.

Effective July 1, 2003, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Statement amends Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Generally, it requires reporting, as discretely presented component units, organizations that raise and hold economic resources for the direct benefit of a governmental unit. The University has determined that currently there are no significant organizations that meet the criteria of a component unit as provided in GASB Statement No. 39.

The University operates the University of Missouri Retirement, Disability and Death Benefit Plan (the "Plan"), which is a single employer, defined benefit plan. The assets of the Plan are held in trust and are restricted for use only to pay for benefits and expenses of the Plan. Separate statements, including Statements of Net Assets Held for Pension Benefits and Statements of Changes in Net Assets Held for Pension Benefits, are included for the Plan. The notes to the combined financial statements include information on the Plan.

Accrual Accounting and Basis for Reporting – The combined financial statements of the University are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The University applies all applicable GASB pronouncements and Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

The University has adopted GASB Statement No. 35, *Basic Financial Statement–and Management's Discussion and Analysis–for Public Colleges and Universities*, as amended by GASB Statements No. 37 and No. 38. GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities. Accordingly, the University's resources are classified for accounting and reporting purposes into the following four net asset categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted:**

  Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds. In fiscal years 2004 and 2003, the University received $18,506,000 and $20,254,000, respectively, in nonexpendable gifts. The University's policy permits any realized and unrealized appreciation on the endowments to remain with the endowment after the 5% spending distribution discussed in Note 3.

  Expendable – Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Curators or may otherwise be limited by contractual agreements with outside parties. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

The accompanying combined financial statements have been prepared on an accrual basis. The University reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by funds received from external parties for goods or services.

The University's policy for defining operating activities as reported on the Combined Statements of Revenues, Expenses and Changes in Net Assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including Federal and State appropriations, gifts and investment income.

Cash, Cash Equivalents and Investments – Cash and cash equivalents consist of the University's bank deposits and investments with original maturities of three months or less. Investment assets are carried at fair value based primarily on market quotations. Purchases and sales of investments are accounted for on the trade date basis. Investment settlements receivable and investment settlements payable represent investment transactions occurring on or before June 30, which settle after such date. Investment income is recorded on the accrual basis. Net unrealized gains (losses) are included in investment and endowment income in the Combined Statements of Revenues, Expenses and Changes in Net Assets. Derivative instruments such as forward foreign currency contracts are recorded at fair value. The University enters into forward foreign currency contracts to reduce the risk related to fluctuations in currency exchange rates in their international investments. These contracts are marked to market and the changes in their market value are recorded in investment and endowment income on the Combined Statements of Revenues, Expenses and Changes in Net Assets.

Pledges Receivable – The University receives unconditional promises to give (pledges) through private donations from corporations, alumni and various other supporters of the University. Revenue is recognized when a pledge is received and all eligibility requirements, including time requirements, are met. These pledges have been recorded as pledges receivable on the Combined Statements of Net Assets and as private gift revenue on the Combined Statements of Revenues, Expenses and Changes in Net Assets, at the present value of the estimated future cash flows. An allowance has been made for uncollectible pledges based upon management's expectations regarding the collection of the pledges and the University's historical collection experience.

Inventories – These assets are stated at the lower of cost or market. Cost is determined on an average cost basis, with the exception of the University Hospitals and Clinics inventories, where cost is determined using the first-in, first-out method.

Capital Assets – These assets are carried, if purchased, at cost or, if donated, at fair value at date of gift. Depreciation of plant physical properties is provided on a straight-line basis over the estimated useful lives (three to forty years) of the respective assets. The University has capitalized works of art and continues to add to these collections. As these collections generally consist of historical artifacts and artworks, they are considered inexhaustible and have not been subject to depreciation. The net interest expense incurred during the construction of debt-financed facilities is included in the capitalization of the related facilities.

Deferred Revenue – These balances consist of summer session student fees and amounts received from grant and contract sponsors which have not yet been earned. Revenues and related expenditures in connection with the summer session in progress at June 30 are deferred until the following fiscal year. Grant and contract revenues are recognized only to the extent expended.

Interest Rate Swap Agreements – The University enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from those agreements, no amounts are recorded in the financial statements.

Scholarship Allowance – Tuition and fees and related housing, dining and bookstore revenues are presented net of scholarships and fellowships applied to student accounts, while scholarships, fellowships and other payments made directly to students are presented as scholarship and fellowship expenses.

Patient Medical Services – Patient medical services revenues are reported net of contractual allowances and bad debt. Patient medical services are primarily provided through University of Missouri Hospitals and Clinics, Ellis Fischel Cancer Research Center, Columbia Regional Hospital, Missouri Rehabilitation Center and University Physicians.

Use of Estimates – The preparation of combined financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements – In March 2003, the GASB issued GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. The statement modifies certain disclosure requirements of GASB Statement No. 3 and is effective for the University beginning July 1, 2004. The University is currently evaluating the effect that the Statement will have on the basic combined financial statements.

In November 2003, the GASB issued GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for impairment of capital assets, as well as clarifying and establishing accounting requirements for insurance recoveries. Impairment of a capital asset may be the result of physical damage, technology changes, obsolescence, and construction stoppage. If impairment is determined to exist, the capital asset must be revalued and disclosed in accordance with the provisions of the Statement. The Statement is effective for the University beginning July 1, 2005. The University is currently evaluating the effect that the Statement will have on the basic combined financial statements.

Reclassifications – Certain prior year amounts have been reclassified to conform to current year presentation.

2. SALE OF ASSETS

On July 1, 2002, the University Hospitals and Clinics sold medical equipment to the Institute for Outpatient Surgery LLC ("IOS") in exchange for $1,860,000 in cash, release of certain employee benefit liabilities and a 36% initial interest in IOS with a fair value of approximately $1,400,000. As a result of the transaction, University Hospitals and Clinics recognized a total gain of approximately $2,232,000 of which $702,000 was deferred at the time of sale. During the years ended June 30, 2004 and 2003, approximately $140,000 was recognized each year. The deferred gain as of June 30, 2004 and 2003 was $421,000 and $562,000, respectively. The investment in IOS is accounted for under the equity method of accounting. As of June 30, 2004 and 2003, the University Hospitals and Clinics' percentage ownership in IOS was approximately 30%.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments for the University are managed in three major categories:

Pooled General Investments – The general investment pools, managed by the University, averaged a total return of .87% and 5.82%, including unrealized gains and losses, for the years ended June 30, 2004 and 2003, respectively.

Pooled Endowment Investments – Endowment and similar funds are pooled for investment purposes when appropriate and permissible. The investment objective is to achieve long-term total returns sufficient to preserve principal, after adjusting for inflation, and to meet the endowment spending targets. The endowment pools, managed by outside managers, are the balanced pool and the fixed income pool and earned a total return of 17.4% and 0.0%, respectively, including unrealized gains and losses, for the year ended June 30, 2004, and 4.1% and 11.4%, respectively, for the year ended June 30, 2003.

The Board of Curators has adopted a total return philosophy in determining the spendable return for the endowments and similar funds. The spending formula distributes annually 5% of a trailing 12-quarter average of the endowment's total market value, with the understanding that this spending rate over the long term will not exceed total real return (net of inflations) from investments. To achieve uniformity in amounts to spend from one year to the next, the actual amount available to spend in any given year will not be less than 96% or more than 106% of the prior year's expenditure.

Retirement Investments – Retirement investments emphasize diversification across asset classes and growth of principal. There were no investments, other than U.S. Government obligations, in any one organization in excess of 5% of total retirement fund assets. The retirement investments earned a total return of 18.5%, including unrealized gains and losses, for the year ended June 30, 2004, and 4.1% for the year ended June 30, 2003.

Total Cash, Cash Equivalents and Investments – The University's cash and cash equivalents include bank deposits and repurchase agreements of $8,613,000 and $6,014,000 for the years ended June 30, 2004 and 2003, respectively. The entire bank balance of deposits is covered by FDIC insurance or U.S. Treasury securities that are pledged as collateral and segregated by the Federal Reserve Bank in a pledge account. The collateral is administered by the University's depository institutions and pledged in the University's name. The remaining balance in cash and cash equivalents represents investments maturing in three months or less.

Investments, including cash equivalents but excluding real estate and farm properties, have been categorized to give an indication of the level of credit risk assumed by the University at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the Entity or an agent in its name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the Entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution, or by its trust department or agent but not in the Entity's name. Mutual funds and money market investments are not required to be categorized.

The balances as of June 30, 2004 and 2003, (in thousands of dollars) are summarized as follows:

University

	2004				2003			
	Category			Carrying	Category			Carrying
	1	2	3	Amount	1	2	3	Amount
Cash and Cash Equivalents	$ 30,297	$ -	$ 125,370	$ 155,667	$ 49,961	$ -	$ 180,746	$ 230,707
US Government obligations	598,812			598,812	483,786			483,786
Corporate Bonds and Notes	211,866			211,866	203,147			203,147
Corporate Stock	427,771			427,771	346,104			346,104
Total	$ 1,268,746	$ -	$ 125,370	1,394,116	$ 1,082,998	$ -	$ 180,746	1,263,744
Mutual Funds				2,790				2,617
Real Estate				42,689				57,945
Other				63,124				37,896
Securities Lending Collateral				61,196				44,148
Total Cash, Cash Equivalents and Investments				$ 1,563,915				$ 1,406,350

Retirement

	2004				2003			
	Category			Carrying	Category			Carrying
	1	2	3	Amount	1	2	3	Amount
Cash and Cash Equivalents	$ 41,956	$ -	$ -	$ 41,956	$ 39,116	$ -	$ -	$ 39,116
US Government obligations	292,881			292,881	330,907			330,907
Corporate Bonds and Notes	108,304			108,304	146,322			146,322
Corporate Stock	1,333,402			1,333,402	1,113,903			1,113,903
Total	$ 1,776,543	$ -	$ -	1,776,543	$ 1,630,248	$ -	$ -	1,630,248
Real Estate				138,485				195,436
Other				212,778				114,153
Securities Lending Collateral				149,917				121,358
Total Cash, Cash Equivalents and Investments				$ 2,277,723				$ 2,061,195

Securities Lending Transactions – The University participates in a securities lending program to augment income. The program is administered by the University's custodial agent bank, which lends equity, government and corporate securities for a predetermined period of time to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. Government securities, defined letters of credit or other collateral approved by the University. Loans of domestic securities are initially collateralized at 102% of the fair value of securities lent. Loans of international securities are initially collateralized at 105% of the fair value of securities lent. The University has minimized its exposure to credit risk from borrower default by having the custodial agent bank determine daily that required collateral meets a minimum of 100% of the market value of securities on loan for domestic securities lent and 105% for international securities lent.

The University continues to receive interest and dividends during the loan period, as well as a fee from the borrower. In addition, the maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2004, the University has no credit risk exposure since the collateral held exceeds the value of the securities lent. The University is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

The provisions of GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions* provide that cash and securities received as collateral as a result of a securities lending transaction, which the University can pledge or sell without a borrower default, should be recorded as assets on the Combined Statements of Net Assets with a related liability for the return of the collateral.

In addition, at June 30, 2004 and 2003, letters of credit and security collateral, not meeting the criteria for inclusion in the Combined Statements of Net Assets, totaled $1,776,000 and $12,685,000, respectively, for the Retirement Trust and $941,000 and $5,617,000, respectively, for the University. At June 30, 2004, the aggregate fair value of the securities lent was $145,735,000 for the Retirement Trust and $60,000,000 for the University. The aggregate fair value of the collateral received was $151,692,000 for the Retirement Trust and $62,138,000 for the University.

Foreign Currency Transactions – The University and the Retirement Trust invest a significant portion of their portfolios in international investments (14.0% and 29.1%, respectively, in fiscal year 2004). To reduce the risk related to fluctuations in currency exchange rates, the University has entered into forward foreign currency contracts throughout the year. As of June 30, 2004 and 2003, 4.0% or $61,571,000 and 3.5% or $48,959,000, respectively, of the University's total portfolio is invested in forward foreign currency contracts. As of June 30, 2004 and 2003, 8.7% or $199,007,000 and 8.1% or $166,013,000, respectively, of the Retirement Trust's total portfolio is invested in forward foreign currency contracts. These contracts are marked to market and the changes in their market value are recorded in investment and endowment income on the Combined Statements of Revenues, Expenses and Changes in Net Assets.

4. FUNDS HELD IN TRUST BY OTHERS

At June 30, 2004 and 2003, Funds Held in Trust by Others (principally endowment funds) aggregated $67,349,000 and $77,386,000, respectively, at fair value. Since only the income earned is available to the University, these funds are not included in the accompanying Combined Statements of Net Assets. Distributions received by the University for the years ended June 30, 2004 and 2003, aggregated $1,716,000 and $1,829,000, respectively.

5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2004 and 2003, are summarized as follows (in thousands of dollars):

	2004	2003
Grants and contracts	$ 34,037	$ 46,300
State appropriations and state bond funds	37,821	2,249
Student fees and other academic charges	49,257	48,625
University Hospitals and Clinics patient services, net of contractual allowances	65,825	53,974
University Physicians patient services, net of contractual allowances	15,819	13,454
Subtotal	202,759	164,602
Less provision for loss on accounts receivable:		
University Hospitals and Clinics patient services allowances	12,544	10,685
University Physicians patient services allowances	879	999
Other	4,848	4,365
Subtotal	18,271	16,049
	$ 184,488	$ 148,553

6. NOTES RECEIVABLE

Notes receivable consist of resources available for financial loans to students. These resources are provided through Federal loan programs and University loan programs generally funded by external sources. Notes receivable at June 30, 2004 and 2003, are summarized as follows (in thousands of dollars):

	2004	2003
Federal health profession loans	$ 12,983	$ 13,912
Carl D. Perkins National loans	28,228	27,571
University loan programs	14,273	13,796
Subtotal	55,484	55,279
Less provision for loss on notes receivable	1,566	2,462
	$ 53,918	$ 52,817

7. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2004 and 2003, is summarized as follows (in thousands of dollars):

	2004 Beginning Balance	Additions	Retirements	2004 Ending Balance
Land	$ 53,989	$ 1,118	$ 2,084	$ 53,023
Infrastructure	169,354	9,441	3,309	175,486
Buildings and improvements	1,555,321	145,412	2,932	1,697,801
Construction in progress	146,845	47,757		194,602
Equipment	417,046	36,394	40,541	412,899
Artwork and historical artifacts	16,298	81		16,379
Library books	182,345	10,677		193,022
	2,541,198	250,880	48,866	2,743,212
Less accumulated depreciation	896,076	82,726	43,576	935,226
	$ 1,645,122	$ 168,154	$ 5,290	$ 1,807,986

	2003 Beginning Balance	Additions	Retirements	2003 Ending Balance
Land	$ 46,407	$ 7,905	$ 323	$ 53,989
Infrastructure	157,581	12,348	575	169,354
Buildings and improvements	1,416,639	145,251	6,569	1,555,321
Construction in progress	167,212	(20,367)		146,845
Equipment	391,588	39,160	13,702	417,046
Artwork and historical artifacts	9,408	6,943	53	16,298
Library books	174,250	8,095		182,345
	2,363,085	199,335	21,222	2,541,198
Less accumulated depreciation	828,548	78,558	11,030	896,076
	$ 1,534,537	$ 120,777	$ 10,192	$ 1,645,122

The estimated cost to complete construction in progress at June 30, 2004, is $498,273,000 of which $53,823,000 is available from unrestricted net assets. The remaining costs are expected to be funded from $31,839,000 of State appropriations, $107,913,000 of gifts, $17,012,000 of grants, $193,703,000 of bond proceeds, and $93,983,000 of other University funds.

Capital assets include a building facility under a capital lease of $8,332,000 and related accumulated depreciation of $1,979,000 and $1,562,000 at June 30, 2004 and 2003, respectively.

8. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2004 and 2003, are summarized as follows (in thousands of dollars):

	2004	2003
Accrued salaries, wages and related benefits	$ 34,541	$ 37,102
Accrued vacation	39,852	40,032
Accrued self insurance claims	68,996	58,275
Interest payable	3,866	3,073
	$ 147,255	$ 138,482

9. BONDS AND NOTES PAYABLE

As of June 30, 2004 and 2003, $576,674,000 and $465,265,000, respectively, of bonds and notes were outstanding, net of unamortized premium/discount and loss on defeasance of $171,000 and $3,968,000, respectively. These outstanding bonds are comprised of $408,295,000 and $297,210,000 in System Facilities Revenue Bonds and $168,550,000 and $171,750,000 in Health Facilities Revenue Bonds at June 30, 2004 and 2003, respectively. The bonds are payable, both as to principal and interest, from net income or designated revenues from the related financed activities. These bonds bear interest at fixed and variable rates ranging from 1.10% to 5.75% per annum and mature at various dates through November 2034. Interest on the variable rate System Facilities Revenue Bonds is paid at the Bond Market Association™ daily bond rate. Due to operating results at the University of Missouri Hospitals and Clinics and related health care facilities, $13,351,000 in funds were held in escrow at June 30, 2003, in accordance with Bond covenants. These funds are reflected as restricted cash and cash equivalents in the Combined Statements of Net Assets. Prior year financial results met bond covenant standards and enabled the funds held in escrow to be released during fiscal year 2004.

The remaining note payable of $273,000 at June 30, 2003, was collateralized by a purchase money deed of trust covering physical properties with a net book value of $2,200,000 as of June 30, 2003. Interest was payable annually at a rate of 5.75%. The final principal and interest payment of $288,000 was made in January 2004.

Bonds and Notes Payable activity by series of issuance for the years ended June 30, 2004 and 2003, was as follows (in thousands of dollars):

	2004 Beginning Balance	Issuance	Payments	Defeasance	Amortization	2004 Ending Balance
System Facilities Revenue Bonds:						
Series 1993	$ 37,810	$ -	$ (1,030)	$ (36,780)	$ -	$ -
Series 1997	5,135		(925)			4,210
Series 1998	56,365		(2,200)			54,165
Series 2000	74,325		(2,495)			71,830
Series 2001	83,575		(650)			82,925
Series 2002	40,000					40,000
Series 2003		155,165				155,165
Less Unamortized Premium/Discount	(199)	4,102		368	(100)	4,171
Less Loss on Defeasance	(1,631)			(1,143)	410	(2,364)
Health Facilities Revenue Bonds:						
Series 1996A	110,355		(1,320)			109,035
Series 1998A	61,395		(1,880)			59,515
Less Unamortized Premium/Discount	(1,260)				54	(1,206)
Less Loss on Defeasance	(878)				106	(772)
Note Payable	273		(273)			
	465,265	$ 159,267	$ (10,773)	$ (37,555)	$ 470	576,674
Less Current Portion	10,773					11,620
	$ 454,492					$ 565,054

	2003 Beginning Balance	Issuance	Payments	Defeasance	Amortization	2003 Ending Balance
System Facilities Revenue Bonds:						
Series 1993	$ 38,810	$ -	$ (1,000)	$ -	$ -	$ 37,810
Series 1997	6,020		(885)			5,135
Series 1998	58,475		(2,110)			56,365
Series 2000	76,695		(2,370)			74,325
Series 2001	84,200		(625)			83,575
Series 2002	40,000					40,000
Less Unamortized Premium/Discount	(230)				31	(199)
Less Loss on Defeasance	(2,007)				376	(1,631)
Health Facilities Revenue Bonds:						
Series 1996A	111,620		(1,265)			110,355
Series 1998A	63,195		(1,800)			61,395
Less Unamortized Premium/Discount	(1,314)				54	(1,260)
Less Loss on Defeasance	(983)				105	(878)
Note Payable	531		(258)			273
	475,012	$ -	$ (10,313)	$ -	$ 566	465,265
Less Current Portion	10,313					10,773
	$ 464,699					$ 454,492

As of June 30, 2004, the total of principal and interest (in thousands of dollars) due on bonds and notes during the next five years and in subsequent five-year periods is as follows:

Fiscal Year	Principal	Interest
2005	$ 11,620	$ 24,857
2006	13,485	24,315
2007	14,155	23,713
2008	14,785	23,082
2009	15,480	22,420
2010-2014	78,505	101,466
2015-2019	92,530	82,972
2020-2024	111,945	60,184
2025-2029	141,350	31,636
2030-2034	82,990	7,752
	$ 576,845	$ 402,397

Future interest payment requirements for variable rate debt are determined using the rate in effect at June 30, 2004, of 1.10%. The future interest payments also include estimated payments on the interest rate swap agreement, as discussed below, at a fixed rate of 3.95%, net of the funds received from the counterparty to the transaction at a rate effective at June 30, 2004, of 1.06%.

On November 13, 2003, the University issued $155,165,000 of System Facilities Revenue Bonds, consisting of $118,080,000 in Series 2003A bonds at the interest cost of 4.72% and $37,085,000 of Series 2003B bonds at the interest cost of 4.19%. Proceeds from the issuance of the Series 2003A bonds were used to finance construction of new housing facilities on the Columbia, Kansas City and Rolla campuses, various other projects and the cost of issuance. Proceeds from the issuance of the Series 2003B bonds were used to advance refund and defease the University of Missouri System Facilities Revenue Bonds, Series 1993 in the amount of $36,780,000 and to finance certain costs of issuance.

A $1,143,000 loss in connection with the defeasance of the Series 1993 Bonds is included as a reduction of debt outstanding and will be amortized over the remaining life of the original Series 1993 Bonds. The defeasance decreased aggregate debt service payments by $5,288,000 resulting in an economic gain (difference between the present values of the old and new debt service payments) to the University of $3,525,000.

On July 16, 2002, the University entered into a thirty-year interest rate swap agreement on $40,000,000, notional amount, of its variable rate System Facilities Revenue Bonds. Based on the swap agreement, the University owes interest calculated at a fixed rate of 3.95% to the counterparty to the swap. In return, the counterparty owes the University interest based on a variable rate set weekly. The $40,000,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

The University continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the University effectively pays a fixed rate on the debt. The University will revert to variable rates if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in the University making or receiving a termination payment.

As of June 30, 2004, the swap had a fair value of ($1,359,000), which represents the cost to the University to terminate the swap. The fair value was developed using the zero coupon method and proprietary models, and was prepared by the counterparty, J.P. Morgan Chase Bank, a major U.S. financial institution. The zero coupon method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each net settlement of the swap.

As of June 30, 2004, the University was not exposed to credit risk on the termination payment because the swap had a negative fair value and the University would have owed the payment. However, should interest rates change and the fair value of the swap become positive, the University would be exposed to credit risk. The swap counterparty was rated AA- by Fitch Ratings and Standard & Poor's and Aa3 by Moody's Investors Service as of June 30, 2004. In the event a ratings downgrade occurs, the counterparty may be required to provide collateral if the University's overall exposure exceeds predetermined levels. Permitted collateral investments include U.S. Treasuries, U.S. government agencies, cash and commercial paper rated A1/P1 by Standard & Poor's and Moody's, respectively. Collateral may be held by the University or by a third party custodian.

The swap exposes the University to basis risk should the weekly BMA rate paid by the counterparty fall below the daily interest rate due on the bonds. This basis risk can be the result of a downgrade of the University's rating, daily rates becoming higher than weekly rates, or the pricing of the University's bonds by the remarketing agent at rates higher than the BMA index.

At June 30, 2004 and 2003, in-substance defeased bonds aggregating $53,620,000 and $55,157,000, respectively, are outstanding.

10. SHORT-TERM BORROWINGS

On July 1, 2004, the University sold $168,000,000 of capital project notes at an effective interest rate of 1.5%. The notes will be repaid in full by June 30, 2005. There were no capital project notes sold by the University during the year ended June 30, 2004.

During the year ended June 30, 2003, the University sold $85,000,000 of capital project notes at an effective interest rate of 1.6%. The maximum amount of notes outstanding during the year was $85,000,000 and all were repaid in full by June 30, 2003.

11. LEASE OBLIGATIONS AND COMMITMENTS

The University leases various facilities and equipment through operating and capital leases. Facilities under capitalized leases are recorded at the present value of future minimum lease payments. The future minimum payments on all significant leases with initial or remaining terms of one year or more at June 30, 2004, are as follows (in thousands of dollars):

Fiscal Year	Capital	Operating
2005	$ 1,215	$ 2,322
2006	1,215	1,217
2007	1,215	589
2008	1,215	415
2009	1,215	369
2010-2014	6,075	687
2015-2019	6,075	487
2020-2024	303	
Total future minimum payments	18,528	$ 6,086
Less: amount representing interest	7,996	
Present value of future minimum lease payments	$ 10,532	

Total rental expenditures for operating leases for the years ended June 30, 2004 and 2003, were $12,087,000 and $12,375,000, respectively.

In addition to the above lease obligations, the University Hospitals and Clinics have outstanding commitments for the acquisition, usage and ongoing support of certain software for its patient clinical systems. As of June 30, 2004, these commitments totaled $26,113,000 and will be paid in the following amounts: $4,936,000 in 2005, $4,351,000 in 2006, $3,959,000 in years 2007-2010 and $990,000 in 2011.

Description of Sublease Arrangement with IOS – Concurrent with the sale of assets to IOS on July 1, 2002, the University Hospitals and Clinics entered into an agreement with IOS whereby IOS subleased certain building space from the Hospitals and Clinics for a period of approximately 17 years at current market rates. The Hospitals and Clinics recorded the transaction as a direct financing lease and recorded a minimum lease payment to be received of $6,375,000, unearned rental income of $3,233,000 and a write-off of $3,142,000 of building and improvements related to the sublease. The future minimum lease payments to be received under this sublease as of June 30, 2004, are as follows (in thousands of dollars):

Total minimum lease payments to be received:	
Current	$ 370
Noncurrent	5,266
Total	5,636
Less: unearned rental income	2,676
Present value of future minimum lease payments	$ 2,960

During 2004 and 2003, the University Hospitals and Clinics received $287,000 and $270,000, respectively, of rental income from IOS. At June 30, 2004, minimum lease payments for each of the five succeeding fiscal years are as follows: $90,000 in 2005, $100,000 in 2006, $109,000 in 2007, $120,000 in 2008, $132,000 in 2009 and $2,409,000 thereafter.

12. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and various medically related benefit programs for employees. The University funds these losses through a combination of self-insured retentions and commercially purchased insurance. The amount of self-insurance funds and commercial insurance maintained are based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The liability for self-insurance claims at June 30, 2004 and 2003 of $68,996,000 and $58,275,000, respectively, represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 3.25% to 3.70% for fiscal year 2004 and 3.75% to 4.65% for fiscal year 2003, based on expected future investment yield assumptions. Changes in this liability (in thousands of dollars) during fiscal years 2004 and 2003 were as follows:

Fiscal Year	Beginning of Year	New Claims and Changes in Estimates	Claim Payments	End of Year
2004	$ 58,275	$ 137,746	$ 127,025	$ 68,996
2003	49,855	122,277	113,857	58,275

13. CONTINGENCIES

In December 2002 the Circuit Court of St. Louis County, Missouri rendered a decision in a case filed in January, 1998, finding that the University had violated a statute enacted in 1872 which provided that youth over the age of 16 and resident of the State of Missouri could attend the University without payment of tuition for undergraduate education. The court decided only the liability phase of the case and did not consider what would be an appropriate remedy or if in fact there should be any finding of damages. The University appealed the Court's decision to the Eastern District Court of Appeals in St. Louis, which transferred the appeal to the Supreme Court of Missouri. The Supreme Court dismissed the appeal as being premature and remanded the case to the Circuit Court of St. Louis County for a trial and determination of what remedy, if any, is appropriate. The statute was amended in 2001 to authorize the charging of tuition. The litigation, therefore, concerns students enrolled prior to the fall semester of 2001. The Circuit Court of St. Louis County entered an order appointing a Special Commissioner to conduct discovery and non-binding mediation in this case. Mediation has not, to date, resolved the litigation and discovery will proceed. The University filed a motion for reconsideration with the Circuit Court which was denied, and, on June 1, 2004, filed a petition for writ of prohibition in the Supreme Court of Missouri, which was denied on June 22, 2004. The University believes that it has reasonable defenses to all of the claims asserted in the case and that the University will ultimately prevail in the litigation, however, in the event of an adverse decision, the University believes that if the Court determines that monetary refunds or damages is the appropriate remedy, the estimated loss could reach several hundred million dollars.

14. RETIREMENT, DISABILITY AND DEATH BENEFIT PLAN

Plan Description – The University of Missouri Retirement, Disability and Death Benefit Plan (the "Plan") is a single employer, defined benefit plan for all qualified employees. As authorized by State statute, the University's Board of Curators administers the Plan and establishes its terms. Separate financial statements and supplemental schedules are not prepared for the Plan.

Total University payrolls were $919,418,000 and $892,415,000 for the years ended June 30, 2004 and 2003, respectively, of which $720,973,000 and $701,617,000 were covered by the Plan for the respective periods. At June 30, 2004 and 2003, membership in the Plan consisted of:

	2004	2003
Active members:		
Vested	8,689	8,355
Nonvested	7,656	7,435
Pensioners	6,429	6,547
Former employees with deferred pensions	2,281	2,038
Total	25,055	24,375

Benefit Provisions – All full-time employees are eligible for benefits after five years of credited service. The annual lifetime annuity payable to a vested employee who retires at age 65 or later is calculated as 2.2% times the number of years of service times the compensation base. Compensation base is defined as the individual's average compensation for the five consecutive highest salary years. Academic members who render summer teaching and research service receive an additional credit for such service. Pension adjustments may be approved at certain times, which increase the benefits paid existing pensioners.

Full benefits are available to members who retire at age 65 or after. Vested employees may retire prior to age 65, provided they are at least age 55 with at least ten years of credited service, or age 60 with five years of credited service. Benefits are reduced for those who retire early, unless they retire at age 62 or later with at least 25 years of credited service. At retirement, up to 30% of the value of the retirement annuity can be taken in a lump sum; also the single life annuity can be exchanged for an actuarially equivalent annuity option (elected from an array of annuities with joint and survivor, period certain, and guaranteed annual increase features).

Vested employees who terminate prior to eligibility for retirement may elect to have 100% of the actuarial equivalent of their benefit transferred to an Individual Retirement Annuity or into another employer's qualified plan that accepts such rollovers. If the actuarial equivalent is less than $20,000, it may be taken in the form of a lump sum payment.

The value of the accrued benefit to a vested employee at termination or at retirement is subject to a minimum value as provided by the Plan's cash balance feature. This feature computes an accrual equal to 5% of the employee's eligible compensation invested at 7.5% per annum.

The Plan includes a provision allowing vested employees, who become disabled, to continue to accrue service credit until they retire, and a provision which prescribes a pre-retirement death benefit for vested employees.

Contributions – The University's contributions to the Plan are equal to the actuarially determined contribution requirement, as a percent of payroll, which averaged 6.7% and 2.6% for the years ended June 30, 2004 and 2003, respectively. The Plan is funded 100% by University contributions and does not require employee contributions. The contribution rate is updated annually, at the beginning of the University's fiscal year on July 1, to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1, and the adoption of any Plan amendments during the interim.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(in thousands of dollars)

	Annual Required Contribution			
Fiscal Year	As % of Payroll	In Dollars	Percentage Contributed	Net Pension Obligation
1998	5.9%	$ 33,303	100%	$ 0
1999	6.0%	36,044	100%	0
2000	5.8%	37,036	100%	0
2001	4.4%	29,272	100%	0
2002	3.6%	25,319	100%	0
2003	2.6%	17,962	100%	0
2004	6.7%	48,521	100%	0

The annual required contribution for the year ended June 30, 2004, was determined as part of the October 1, 2002, actuarial valuation, using the entry age normal actuarial cost method.

The annual required contribution for the year ended June 30, 2003, was determined as part of the October 1, 2001, actuarial valuation, using the entry age normal actuarial cost method.

Significant assumptions used in the valuations for the years ended June 30, 2004 and 2003 were:

	2004	2003
• Assumed annual rate of return on investments	8.0%	8.0%
• Projected annual average salary increases for academic and administrative employees	5.2%	5.2%
• Projected annual average salary increases for clerical and service employees	4.5%	4.5%
• Future retiree ad hoc increases or cost of living adjustments	0.0%	0.0%

The actuarial value of assets is based on the cost of the Plan's underlying assets. Although a net pension obligation did not exist as of June 30, 2004, any future liabilities incurred would be amortized over 20 years using the level dollar method on an open basis.

The schedule of funding progress is as follows:

SCHEDULE OF FUNDING PROGRESS
(in thousands of dollars)

Date	Actuarial Value of Assets	Accrued Liability	Funding Excess/ (Unfunded Liability)	Funded Ratio	Covered Payroll	Funding Excess/ (Unfunded Liability) as a % of Covered Payroll
10/1/97	$ 1,359,159	$ 1,266,397	$ 92,762	107.3%	$ 543,357	17.1%
10/1/98	1,487,269	1,425,583	61,686	104.3%	578,035	10.7%
10/1/99	1,740,756	1,531,205	209,551	113.7%	623,318	33.6%
10/1/00	1,906,678	1,686,684	219,994	113.0%	646,198	34.0%
10/1/01	2,119,047*	1,813,018	306,029	116.9%	696,163	44.0%
10/1/02	1,949,794	1,937,617	12,177	100.6%	654,575	1.9%
10/1/03	2,067,727	2,030,613	37,114	101.8%	687,681	5.4%

**The actuarial value of asset methodology changed effective October 1, 2001, from the book value method, adjusted, if necessary, to be within 20% of market, to the expected return asset valuation method, adjusted, if necessary, to be within 20% of market.*

15. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 14, the University provides postretirement medical, dental and life insurance benefits to employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or, who retire after attaining age 60 with five or more years of service. As of June 30, 2004 and 2003, 5,475 and 5,694 retirees met those eligibility requirements.

For employees retiring prior to September 1, 1990, the University contributes toward premiums at the same rate as for active employees; 2/3 of the premium for medical benefits and 1/2 of the dental plan premium. For employees who retired under the terms of the Retirement and Death Benefit Plan on September 1, 1990 or thereafter, the University contributes toward premiums on the basis of the employee's length of service and age at retirement.

The University makes available two group term life insurance options. Option A coverage is equal to the retiree's salary at the date of retirement and graded adjustments in coverage made at the attainment of specific age levels. This coverage is paid in full by the University. Option B coverage is equal to two times the retiree's salary at the date of retirement with graded adjustments in coverage made at the attainment of specific age levels. The University pays approximately 91% of the cost of Option B coverage. Group term life insurance will end on January 1 following the retiree's 70th birthday.

Postemployment medical, dental and life insurance benefits are also provided to those long-term disability claimants who were vested in the University's retirement plan at the date their disability began, provided the onset date of their disability was on or after September 1, 1990. As of June 30, 2004 and 2003, 214 and 204 long-term disability claimants met those eligibility requirements.

The University makes available two long-term disability options to its employees. Option A coverage is equal to 60% of the employee's salary on the date the disability began, with full integration with benefits from other sources. Option B coverage is equal to 66 2/3% of the employee's salary, integrated with other benefits so that benefits from all sources will not exceed 85% of the employee's salary. Both options have a 149-day waiting period and provide benefits to age 65. The University pays for the full cost of Option A coverage; employees enrolled in Option B pay for the additional cost of Option B over Option A.

The terms and conditions governing the postemployment benefits to which employees are entitled are in the sole authority and discretion of the University's Board of Curators.

Postemployment benefit costs, other than long-term disability, are funded on a current basis and amounted to $16,647,000 and $13,021,000 for the years ended June 30, 2004 and 2003, respectively. Long-term disability costs are recognized during the period in which the employee becomes eligible to receive disability benefits and amounted to $4,380,000 and $3,161,000 for the years ended June 30, 2004 and 2003, respectively.

16. SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The University has two segments that meet the reporting requirements of GASB Statement No. 35.

The outstanding debt of the University consists of System Facility Revenue Bonds and Health Facilities Revenue Bonds. The System Facility Revenue Bonds are issued in accordance with a Resolution adopted by the Board of Curators in October 1993. The Resolution provides that the bonds are payable from the gross income and revenues derived from the related facilities including student fees, housing, dining, bookstore and parking revenues and various other University revenues.

The Health Facilities Revenue Bonds are limited obligation bonds secured by revenues of the Health System. The Health System consists of the University of Missouri Hospitals and Clinics, which includes the University of Missouri Hospital, Ellis Fischel Cancer Center, Rusk Rehabilitation Center and the Children's Hospital; the University Physicians Medical Practice Plan, which includes faculty of the University of Missouri–Columbia School of Medicine; and the Missouri Rehabilitation Center.

Summary financial information for the System Facility and the Health Facilities Revenue Bonds as of June 30, 2004 and 2003, is as follows (in thousands of dollars):

	System Facility Revenue Bonds		Health Facilities Revenue Bonds	
	2004	2003	2004	2003
Condensed Statements of Net Assets				
Assets:				
Current assets	$ 118,525	$ 79,680	$ 107,277	$ 95,891
Noncurrent assets	434,539	340,484	370,741	364,430
Total assets	$ 553,064	$ 420,164	$ 478,018	$ 460,321
Liabilities:				
Current liabilities	$ 31,006	$ 25,277	$ 51,689	$ 56,400
Noncurrent liabilities	401,832	288,080	231,070	235,041
Total liabilities	432,838	313,357	282,759	291,441
Net assets:				
Invested in capital assets, net of related debt	47,332	44,769	44,189	49,391
Restricted -				
Nonexpendable			543	596
Expendable	8,447	632	1,429	14,648
Unrestricted	64,447	61,406	149,098	104,245
Total net assets	120,226	106,807	195,259	168,880
Total liabilities and net assets	$ 553,064	$ 420,164	$ 478,018	$ 460,321
Condensed Statements of Revenues, Expenses and Changes in Net Assets				
Operating revenues	$ 120,030	$ 110,546	$ 488,060	$ 422,001
Operating expenses:				
Depreciation	11,045	10,939	24,552	24,464
All other operating expenses	99,100	88,740	444,018	401,251
Total operating expenses	110,145	99,679	468,570	425,715
Operating income (loss)	9,885	10,867	19,490	(3,714)
Nonoperating revenues (expenses)	(10,776)	(6,754)	15,990	21,291
Excess (deficit) of revenues over expenses	(891)	4,113	35,480	17,577
Transfer (to) from other University units	14,310	(15,993)	(9,101)	(9,336)
Increase (decrease) in net assets	13,419	(11,880)	26,379	8,241
Net assets, beginning of year	106,807	118,687	168,880	160,639
Net assets, end of year	$ 120,226	$ 106,807	$ 195,259	$ 168,880
Condensed Statements of Cash Flows				
Net cash flows provided by operating activities	$ 21,280	$ 24,395	$ 19,408	$ 36,957
Net cash flows provided by (used in) investing activities	(1,752)	543	(5,558)	(15,679)
Net cash flows provided by (used in) capital and related financing activities	15,733	(61,733)	(28,851)	(36,198)
Net cash flows provided by non-capital financing activities			13,455	12,444
Net increase (decrease) in cash and cash equivalents	35,261	(36,795)	(1,546)	(2,476)
Cash and cash equivalents, beginning of year	70,238	107,033	14,566	17,042
Cash and cash equivalents, end of year	$ 105,499	$ 70,238	$ 13,020	$ 14,566

17. OPERATING EXPENSES BY FUNCTION

The operating expenses of the University are presented based on natural expenditure classifications. The University's operating expenses by functional classification are as follows:

Year Ended June 30, 2004
(in thousands of dollars)

Functional Classification	Salaries and Wages	Staff Benefits	Supplies, Services and Other Operating Expenses	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 287,990	$ 61,467	$ 52,247	$ -	$ -	$ 401,704
Research	102,305	20,593	80,580			203,478
Public Service	66,639	16,604	53,544			136,787
Academic Support	58,458	16,722	21,029			96,209
Student Services	32,982	7,043	24,120			64,145
Institutional Support	72,583	18,116	(10,024)			80,675
Operation and Maintenance of Plant	28,617	7,463	6,566			42,646
Auxiliary Enterprises	269,844	66,170	288,619			624,633
Scholarships and Fellowships				25,755		25,755
Depreciation					82,726	82,726
Total Operating Expenses	$ 919,418	$ 214,178	$ 516,681	$ 25,755	$ 82,726	$ 1,758,758

Year Ended June 30, 2003
(in thousands of dollars)

Functional Classification	Salaries and Wages	Staff Benefits	Supplies, Services and Other Operating Expenses	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 280,408	$ 47,564	$ 75,740	$ -	$ -	$ 403,712
Research	98,020	15,592	63,623			177,235
Public Service	67,933	13,795	53,686			135,414
Academic Support	58,507	13,375	23,901			95,783
Student Services	31,818	5,324	12,565			49,707
Institutional Support	68,013	13,601	(15,691)			65,923
Operation and Maintenance of Plant	29,712	6,148	3,895			39,755
Auxiliary Enterprises	258,004	51,528	255,874			565,406
Scholarships and Fellowships				26,209		26,209
Depreciation					78,558	78,558
Total Operating Expenses	$ 892,415	$ 166,927	$ 473,593	$ 26,209	$ 78,558	$ 1,637,702

18. RELATED ORGANIZATIONS

The Related Organizations column in the combined financial statements includes the financial data of the University of Missouri–Columbia Medical Alliance and Missouri Care L.C.

The University of Missouri–Columbia Medical Alliance (the "Medical Alliance"), a not-for-profit corporation, provides an integrated health care delivery system for mid-Missouri by establishing affiliations with various medical facilities. Capital Region Medical Center in Jefferson City, Missouri, operates as an affiliate of the Medical Alliance and provides inpatient, outpatient and emergency care services to the surrounding community.

Missouri Care L.C. is a not-for-profit health maintenance organization which provides services to patients in central Missouri under a certification from the Missouri Department of Social Services. Missouri Care L.C. has contracted with the University of Missouri Healthcare System as a major provider of health care services to the organization's members.

The amounts shown in the Combined Statements of Revenues, Expenses and Changes in Net Assets–Related Organizations column that relate to the Medical Alliance, including Capital Region Medical Center, and Missouri Care L.C., as of June 30, 2004 and 2003, are shown below (in thousands of dollars):

	2004			2003		
	Medical Alliance	Missouri Care L.C.	Total	Medical Alliance	Missouri Care L.C.	Total
Total Operating Revenues	$ 108,621	$ 41,314	$ 149,935	$ 106,880	$ 37,440	$ 144,320
Operating Expenses:						
Salaries and wages	44,246		44,246	41,793		41,793
Staff benefits	10,692		10,692	10,273		10,273
Supplies, services and other operating expenses	42,265	41,355	83,620	43,551	36,890	80,441
Depreciation	7,251	45	7,296	7,040		7,040
Total Operating Expenses	104,454	41,400	145,854	102,657	36,890	139,547
Operating Income Before Nonoperating Revenues (Expenses) and Transfers	4,167	(86)	4,081	4,223	550	4,773
Nonoperating Revenues (Expenses) and Transfers:						
Investment income	300		300	274		274
Private gifts	203		203	206		206
Interest expense	(1,236)		(1,236)	(1,220)		(1,220)
Net Other Nonoperating Revenues (Expenses) Before Transfers	(733)		(733)	(740)		(740)
Transfers from Related Organizations	85		85	281		281
Increase (Decrease) in Net Assets	3,519	(86)	3,433	3,764	550	4,314
Net Assets, Beginning of Year	71,468	4,743	76,211	67,704	4,193	71,897
Net Assets, End of Year	$ 74,987	$ 4,657	$ 79,644	$ 71,468	$ 4,743	$ 76,211

Financial statements for the Capital Region Medical Center, an affiliate of the Medical Alliance, and Missouri Care L.C. are available upon request.

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