2007 Financial Report

UNIVERSITY OF MISSOURI

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UNIVERSITY OF MISSOURI

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The following Management's Discussion and Analysis ("MD&A") provides an overview of the financial position and activities of the University of Missouri (the "University") for the fiscal years ended June 30, 2007 and 2006, and should be read in conjunction with the financial statements and notes. This overview is required by Governmental Accounting Standards Board ("GASB") principles, GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.*

UNIVERSITY ACCOUNTING AND FINANCIAL REPORTING

This report includes five financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows for the University of Missouri System and Aggregate Discretely Presented Component Units; and the Statement of Net Assets Held for Pension Benefits and the Statement of Changes in Net Assets Held for Pension Benefits for the University of Missouri Retirement Trust. The financial statements of the University are prepared in accordance with U.S. generally accepted accounting principles as prescribed by GASB. A summary of significant accounting policies followed by the University is included in Note 1 to the financial statements of this report. A more detailed unaudited financial report that includes information on each campus is available at the University of Missouri, 118 University Hall, Columbia, MO 65211.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities 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, 2007, 2006 and 2005, is as follows (in thousands of dollars):

	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2005
Assets:			
Current Assets	$ 971,247	$ 751,564	$ 816,846
Long-Term Investments -			
Endowed and Quasi-Endowed Investments	880,884	854,365	744,372
Other Investments	593,781	597,013	387,926
Capital Assets, Net	2,039,069	1,926,942	1,795,513
Other Noncurrent Assets	77,765	83,357	86,702
Total Assets	$ 4,562,746	$ 4,213,241	$ 3,831,359
Liabilities:			
Current Liabilities	$ 553,956	$ 489,987	$ 404,328
Noncurrent Liabilities	705,584	728,273	622,997
Total Liabilities	1,259,540	1,218,260	1,027,325
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,379,098	1,263,187	1,226,962
Restricted -			
Nonexpendable	738,153	624,821	555,658
Expendable	370,616	366,036	335,469
Unrestricted	815,339	740,937	685,945
Total Net Assets	3,303,206	2,994,981	2,804,034
Total Liabilities and Net Assets	$ 4,562,746	$ 4,213,241	$ 3,831,359

TOTAL ASSETS

Total Assets increased 8.3%, or $349.5 million, to $4.6 billion as of June 30, 2007, compared to June 30, 2006. This compares to a 10.0% increase in **Total Assets** from fiscal year end 2005 to 2006. This growth reflects the University's continued efforts to strengthen its capital position and is primarily attributable to increases in **Long-Term Investments,** the expansion of **Capital Assets** across all of the campuses, and, in fiscal year 2006, an increase in **Cash and Cash Equivalents.**

CASH AND CASH EQUIVALENTS

The University held **Cash and Cash Equivalents** of $466.5 million at the end of fiscal year 2007, an increase of $150.7 million over June 30, 2006. This compares to a $25.2 million decrease in fiscal year 2006 from the prior 2005 fiscal year end. The higher balance at fiscal year end 2007 was due to several factors including a heavier weighting in short-term commercial paper as a result of large deposits received at year end that were invested in short-term instruments, and accumulation of the annual endowment distribution for fiscal year 2007 required by the Board of Curators spending policy as discussed in Note 3 of the financial statements.

INVESTMENTS

Long-Term and Short-Term Investment holdings of $1.7 billion as of June 30, 2007, increased 3.1% over the prior year. This compares to a 19.3% increase from fiscal year end 2005 to 2006. Long-Term Investments in the University's endowment funds, comprised primarily of the Balanced and Fixed Income Pools, increased $159.0 million in fiscal year 2007 due to receipt of gifts and positive total returns in the pools. The University's long-term investment in its General Pool decreased $116.5 million in fiscal year 2007 largely due to the investment in short-term commercial paper. Performance of the University's various investment pools for the year ended June 30, 2007, was as follows:

Long-Term and Short-Term Investments			
	Asset Distribution	Total Return	Benchmark Index Return
General Pool	$ 550,443,000	6.0%	5.5%
Balanced Pool	973,832,000	18.0%	18.7%
Fixed Income Pool	57,220,000	5.9%	6.0%
Other Investments	83,424,000	N/A	N/A

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

RECEIVABLES

In fiscal year 2007, an increase in **Accounts Receivable** of $37.9 million was a direct result of increased student tuition and fees.

In fiscal years 2006 and 2005, heightened efforts to diversify resources through fund raising continued on all four campuses with three of the four campuses significantly increasing their original capital campaign goals. These efforts directly resulted in increases in total **Pledges Receivable** (current and long-term).

CAPITAL ASSETS

Net capital asset additions during fiscal years 2007 and 2006 of $231.2 million and $242.3 million, respectively, are offset by $119.1 million in depreciation in fiscal year 2007 and $110.9 million in fiscal year 2006 resulting in net changes in **Capital Assets** of $112.1 million and $131.4 million, respectively, in fiscal years 2007 and 2006. Major additions to **Capital Assets** during fiscal year 2007 are shown in the following table. Refer to Note 7 for additional information.

Major Expenditures Related to Capital Assets Additions During Fiscal Year Ended June 30, 2007		
Campus	**Expenditures**	**Source of Funding**
Columbia:		
Tara Apartments	$ 16,257,000	Plant and Future Bond Proceeds
Taylor Renovation	12,401,000	Plant
Hatch Hall Renovation	14,816,000	Future Bond Proceeds
Brady Renovation	5,556,000	Future Bond Proceeds
Kansas City:		
Health Sciences	$ 43,871,000	State Appropriations and Gifts
Hospital Hill Parking Structure	16,043,000	Bond Proceeds and Plant
Rolla:		
Residence Hall 2	$ 13,604,000	Future Bond Proceeds
St. Louis:		
South Campus Residential Hall	$ 1,159,000	Bond Proceeds
South Campus Garage (CIP)	2,340,000	Plant

LIABILITIES

Total Liabilities increased $41.3 million as of June 30, 2007 over June 30, 2006 and $190.9 million in fiscal year 2006 as compared to June 30, 2005. Significant changes in **Current Liabilities** at fiscal year end 2007 include an increase in **Collateral for Securities on Loan** as a result of a strong stock market providing an increased market value of securities available to lend out; and an increase in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, which settle after such date.

DEBT

Bonds Payable, net of premium/discount and deferred losses on defeasance, decreased $14.7 million from fiscal year end 2006 to 2007 resulting from principal payments on outstanding bonds. **Bonds Payable,** net of premium/discount and deferred losses on defeasance, increased $101.9 million from fiscal year end 2005 to 2006. In fiscal year 2007, no additional long-term debt was issued compared to $108.9 million of new debt and $191.8 million of debt to advance refund and defease existing debt in fiscal year 2006.

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

	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2005
System Facilities Revenue Bonds	$ 645,825	$ 660,585	$ 400,025
Health Facilities Revenue Bonds			165,200
Unamortized Premium/Discount and Loss on Defeasance	6,960	6,869	312
	652,785	667,454	565,537
Capital Lease Obligations	9,354	9,779	10,171
	$ 662,139	$ 677,233	$ 575,708

NET ASSETS

The **Net Assets** of the University increased in total by $308.2 million in fiscal year 2007 and $190.9 million in fiscal year 2006, 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:

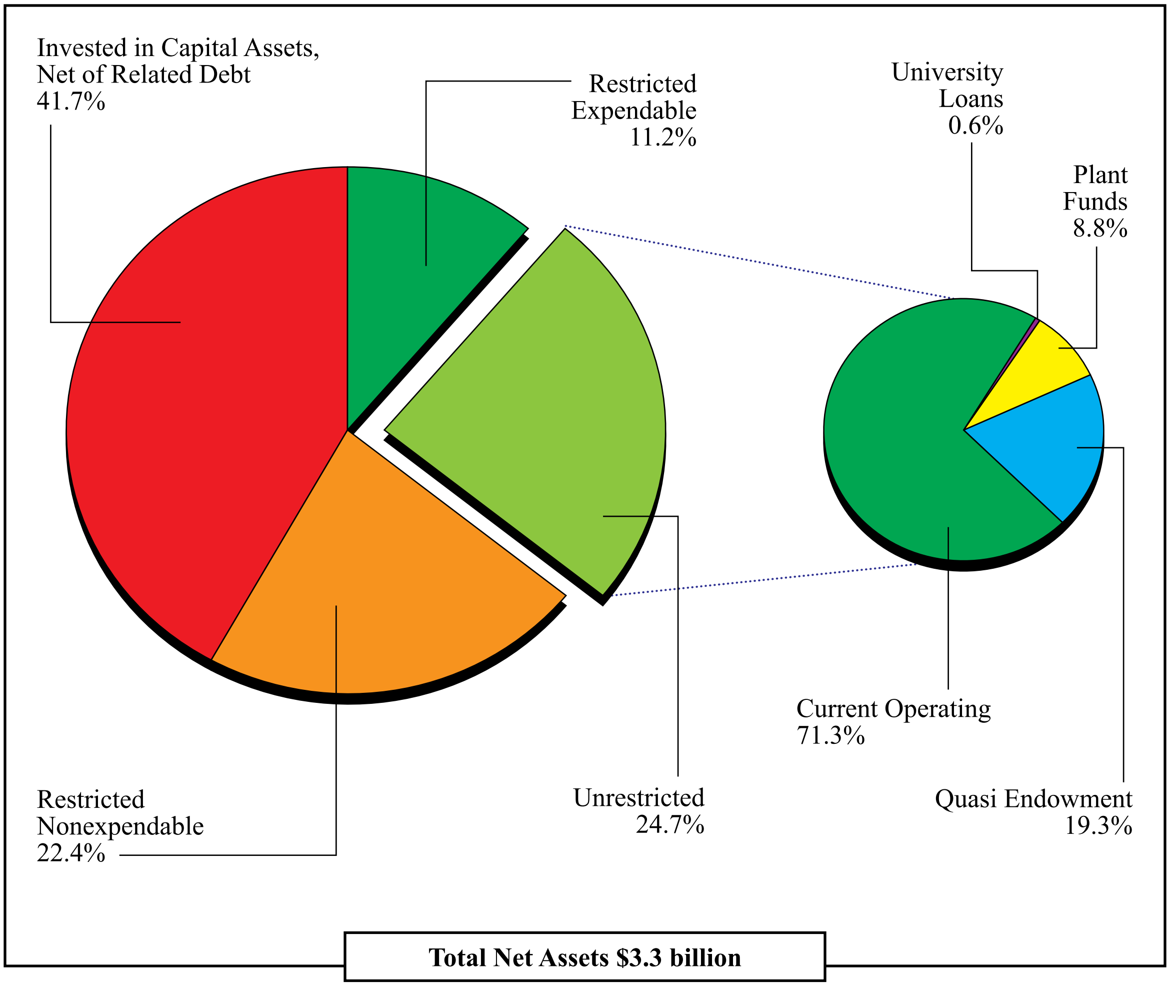
- **Invested in Capital Assets, Net of Related Debt,** represents capital holdings, net of accumulated depreciation and outstanding debt financing related to the acquisition, construction or improvement of those assets. The increases of $115.9 million in fiscal year 2007 to $1.38 billion as of June 30, 2007, and $36.2 million in fiscal year 2006 to $1.26 billion as of June 30, 2006, are due to the investment in buildings, equipment and infrastructure.

- **Restricted Nonexpendable Net Assets** are subject to externally imposed stipulations that they be maintained permanently by the University. This category of net assets represents the historical value (corpus) of gifts to the University's permanent endowment. The increases of 18.1%, or $113.3 million, during fiscal year 2007 to $738.2 million as of June 30, 2007, and 12.4%, or $69.2 million, during fiscal year 2006 to $624.8 million as of June 30, 2006, are primarily a result of additional gifts to the endowment plus an increase in market value.

- **Restricted Expendable Net Assets** are subject to externally imposed stipulations governing their use. Restricted Expendable Net Assets of $370.6 million as of June 30, 2007 and $366.0 million as of June 30, 2006 increased 1.3% and 9.1% year to year, respectively. As of June 30, 2007 compared to June 30, 2006, this category includes net assets restricted for operations and endowment purposes of $270.2 million compared to $267.5 million; facilities of $24.6 million compared to $23.7 million; and student loan programs of $75.8 million compared to $74.8 million.

- **Unrestricted Net Assets** of $815.3 million increased 10.0%, or $74.4 million, at fiscal year end 2007 over the prior year compared to a 8.0% increase from fiscal year end 2005 to 2006. This category of net assets is not subject to externally imposed stipulations, although may be designated for specific purposes by action of management or the Board of Curators. Unrestricted Net Assets are used primarily for the instructional and public service missions and general operations of the University, and as of June 30, 2007 and 2006, consist of $580.9 million and $495.3 million, respectively, for these purposes. Unrestricted Net Assets designated for capital projects consist of $72.0 million and $108.3 million, respectively, as of June 30, 2007 and 2006, and $4.9 million and $3.9 million, respectively, for student loan programs. In addition, Unrestricted Net Assets include funds functioning as endowment of $157.5 million as of June 30, 2007 and $133.4 million as of June 30, 2006.

The distribution of the Net Asset balances, including additional details on unrestricted net assets by fund type, as of June 30, 2007, are as follows:



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

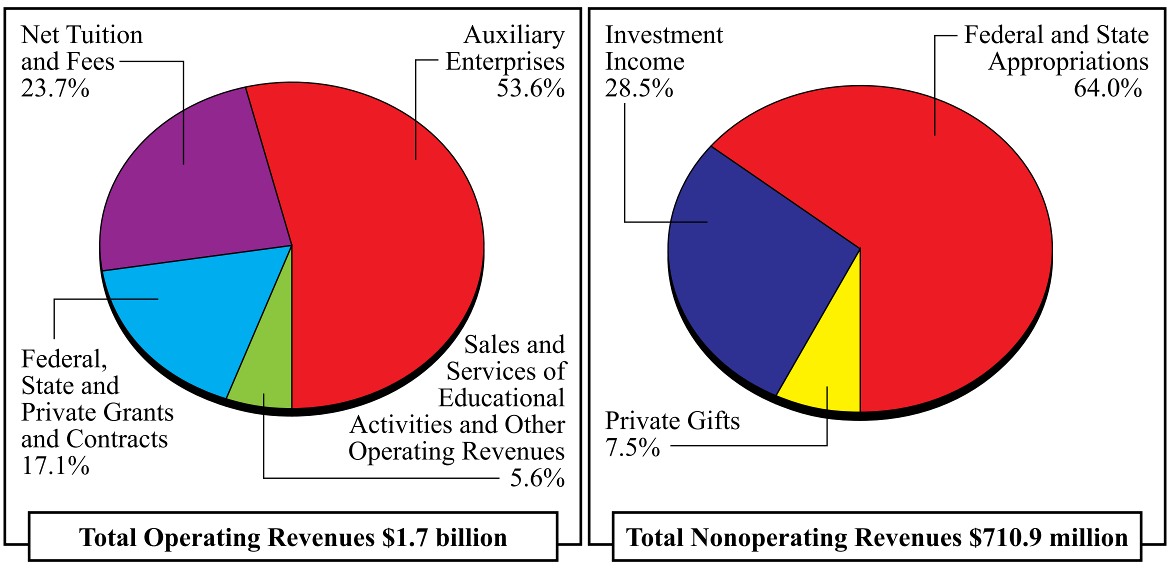
The Statement of Revenues, Expenses and Changes in Net Assets presents the University's results of operations. The Statement distinguishes revenues and expenses between operating and nonoperating categories, and provides a view of the University's operating margin (in thousands of dollars).

	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2005
Operating Revenues:			
Net Tuition and Fees	$ 401,305	$ 374,926	$ 355,516
Grants and Contracts	288,443	287,001	293,885
Patient Medical Services	648,802	620,577	566,394
Other Auxiliary Enterprises	258,790	241,517	236,217
Other Operating Revenues	94,950	75,592	80,797
Total Operating Revenues	1,692,290	1,599,613	1,532,809
Operating Expenses:			
Salaries, Wages and Staff Benefits	1,374,790	1,293,150	1,214,209
Supplies, Services and Other Operating Expenses	609,824	610,269	596,395
Other Operating Expenses	157,671	146,014	133,197
Total Operating Expenses	2,142,285	2,049,433	1,943,801
Operating Loss	(449,995)	(449,820)	(410,992)
State Appropriations	440,855	428,893	430,127
Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	(9,140)	(20,927)	19,135
Nonoperating Revenues (Expenses):			
Investment and Endowment Income, Net	202,633	111,675	89,236
Private Gifts	53,268	64,483	76,293
Other Nonoperating Revenues (Expenses)	(16,849)	(15,679)	(8,982)
Net Nonoperating Revenues	239,052	160,479	156,547
Income before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item	229,912	139,552	175,682
State Capital Appropriations	18,138	8,503	4,686
Capital Gifts and Grants	12,941	16,285	13,056
Private Gifts for Endowment Purposes	27,917	26,607	31,562
Extraordinary Item	19,317		
Increase in Net Assets	308,225	190,947	224,986
Net Assets, Beginning of Year	2,994,981	2,804,034	2,579,048
Net Assets, End of Year	$ 3,303,206	$ 2,994,981	$ 2,804,034

TOTAL REVENUES

Total **Operating Revenues** increased 5.8%, or $92.7 million, over fiscal year 2006 to $1.7 billion in fiscal year 2007 compared to a 4.4%, or $66.8 million increase in fiscal year 2006 over 2005. These fluctuations are due to increases in tuition, patient medical services and revenues related to certain auxiliary operations. **Nonoperating Revenues** include funding sources such as State Appropriations, 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. Nonoperating Revenues increased 55.9% or $84.9 million over fiscal year 2006 due to an increase in investment and endowment income. Nonoperating Revenues were essentially flat in fiscal year 2006 compared to fiscal year 2005.

The following is a graphic illustration of revenues by source, including both operating and nonoperating revenue streams for fiscal year 2007.



OPERATING REVENUES

Tuition and Fees, net of **Scholarship Allowances,** which includes University resources used to reduce fees charged to students for related services, increased 7.0% or $26.4 million in fiscal year 2007 over fiscal year 2006 and 5.5% or $19.4 million in fiscal year 2006 over fiscal year 2005. The increases in both fiscal year 2007 and 2006 were due to Board-approved increases in resident and non-resident tuition and related enrollment fees of 5.0% and 3.5%, respectively, and increases in enrollments.

As a research institution, the University receives a substantial amount of funding through **Federal, State and Private Grants and Contracts**. The University experienced a slight increase in overall sponsored funding from $287.0 million in fiscal year 2006 to $288.4 million in fiscal year 2007. While Federal grant funding decreased during fiscal year 2007, increases occurred in State grant funding and private grants and contracts.

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 $28.2 million or 4.5% in fiscal year 2007 over fiscal year 2006. Of this increase, $16.3 million relates to the operations of the University Physicians and $11.9 million relates to UHC. In fiscal year 2006, these revenues increased $54.2 million or 9.6% over fiscal year 2005 of which $16.3 million related to the operations of the University Physicians and $37.9 million to UHC.

NONOPERATING REVENUES

In fiscal year 2007, the University received an increase of 2.8% or $12.0 million in **State Appropriations** compared to no increase in the prior two years.

Investment and Endowment Income includes interest and dividend income as well as realized and unrealized gains and losses. Investment and Endowment Income increased $90.9 million, from $111.7 million in fiscal year 2006 to $202.6 million in fiscal year 2007. Contributing factors include an increase in the rate of return on the Balanced Pool from 13% in fiscal year 2006 to 18% in fiscal year 2007 and an increase in realized and unrealized net gains of $70.9 million. This compares to a $22.4 million increase in investment and endowment income in fiscal year 2006 compared to 2005 and an increase in realized and unrealized net gains of $12.8 million.

PRIVATE GIFTS AND GRANTS

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 2007 of $94.1 million compare to $107.2 million in fiscal year 2006 and $117.4 million in fiscal year 2005. Private Gifts and Grants can fluctuate significantly from year to year due to the receipt of special gifts from donors as part of on-going capital campaigns.

CAPITAL CONTRIBUTIONS

In fiscal years 2007, 2006 and 2005, **State Capital Appropriations,** of $18.1, $8.5 and $4.7 million, respectively, consisted primarily of funding for the Health Sciences Center on the Kansas City campus.

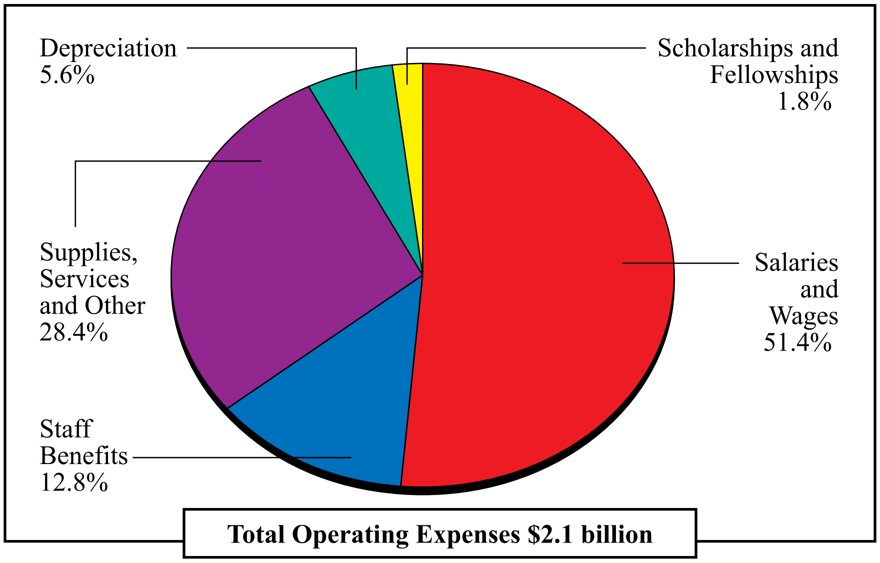
EXTRAORDINARY ITEMS

The University received net proceeds of $19.3 million resulting from the sale of Missouri Care, L.C., a discretely presented component unit of the University. The transaction was recorded as an extraordinary item in the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2007. Refer to Note 20 for additional information.

OPERATING EXPENSES

Total Operating Expenses increased $92.9 million or 4.5% in fiscal year 2007 compared to 2006 and $105.6 million or 5.4% in fiscal year 2006 compared to 2005.

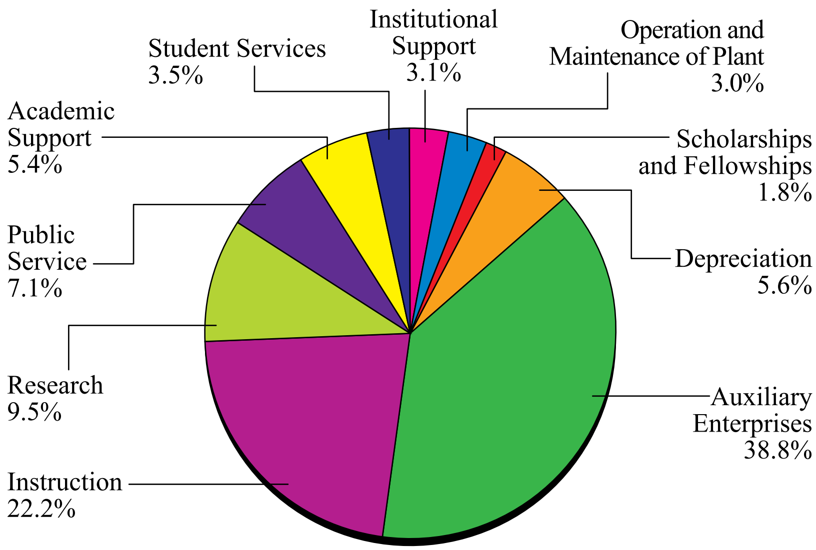
The following is a graphic illustration of total expenses by object of expenditure for fiscal year 2007:



During fiscal years 2007 and 2006, **Salaries and Wages** increased approximately 5.5% and 5.8%, respectively, over the prior fiscal year primarily due to Board approved merit increases for employees and increases in full-time equivalent employees. Staff Benefits showed corresponding increases of 9.7% and 9.6% year over year related to employer costs associated with the University's medical, dental and life premiums, as well as retirement contributions.

In fiscal year 2007, the University's expenses related to **Supplies, Services and Other Operating** costs of $609.8 million decreased slightly by $445 thousand, compared to $610.3 million in fiscal year 2006. This compares to a 2.3% or $13.9 million increase in fiscal year 2006 over fiscal year 2005. In fiscal years 2007 and 2006, costs of goods sold that relate directly to increases in auxiliary revenue, increased $4.5 million and $7.0 million, respectively.

In addition to their natural classification, it is also informative to review operating expenses by function. The core missions of instruction, research and public service account for the largest proportion of expenses at 38.8% for fiscal year 2007. Auxiliary Enterprises include the University of Missouri Hospitals and Clinics and constitute the next highest proportion at 38.8% of expenses for fiscal year 2007. The following graphic illustration presents total expenses by function for fiscal year 2007.



Total Operating Expenses $2.1 billion

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the fiscal year. The following summarizes sources and uses of cash and cash equivalents into the four categories

	Fiscal Year 2007	Fiscal Year 2006	Fiscal Year 2005
Net Cash Used in Operating Activities	$ (384,652)	$ (291,055)	$ (295,534)
Net Cash Provided by Noncapital Financing Activities	567,782	537,497	538,505
Net Cash Used in Capital and Related Financing Activities	(246,404)	(145,976)	(218,463)
Net Cash Provided by (Used in) Investing Activities	214,024	(125,700)	99,628
Net Increase (Decrease) in Cash and Cash Equivalents	150,750	(25,234)	124,136
Cash and Cash Equivalents, Beginning of Year	315,765	340,999	216,863
Cash and Cash Equivalents, End of Year	$ 466,515	$ 315,765	$ 340,999

defined by GASB for the three years ended June 30, 2007 (in thousands of dollars):

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. In fiscal year 2007, cash used in operating activities of $384.7 million increased $93.6 million over $291.1 million in fiscal year 2006. This increase in use of cash was primarily impacted by increases in cash used for salaries, staff benefits and supplies, services and other expenses. In fiscal year 2006, cash used in operating activities decreased $4.4 million from fiscal year 2005.

The University's most significant source of cash, **Net Cash Provided by Noncapital Financing Activities,** includes funds provided by State and Federal appropriations and noncapital private gifts. This funding source of $567.8 million for fiscal year 2007 and $537.5 million for fiscal year 2006 directly offsets uses of funds.

Net Cash Used in Capital and Related Financing Activities of $246.4 million in fiscal year 2007 increased $100.4 million over fiscal year 2006. In fiscal year 2007, the University expended funds used for capital expansion across all campuses from bonds issued in fiscal year 2006. Net Cash Used in Capital and Related Financing Activities decreased $72.5 million in fiscal year 2006 from fiscal year 2005 due to the issuance of bonds.

In fiscal year 2007, **Net Cash Provided by Investing Activities** was $214.0 million compared to **Net Cash Used in Investing Activities** of $125.7 million in fiscal year 2006. The University's investment pool experienced significant growth in long-term investments as of June 30, 2007, resulting in more cash available from investment earnings. In fiscal year 2006, **Net Cash Used in Investing Activities** was $125.7 million compared to **Net Cash Provided by Investing Activities** of $99.6 million in fiscal year 2005, a decrease in cash flows from investing activities of $225.3 million.

ECONOMIC OUTLOOK

The University of Missouri continues to provide quality service to students, patients and citizens across the state of Missouri and to strengthen its financial position through positive operating results. The University received a 2.8% increase in state appropriations for operations for fiscal year 2007 and a 4.3% increase for fiscal year 2008. The University is optimistic about future increases in state funding for higher education in light of the continuing strong growth in state revenues and the recognition by State government leadership of the importance of investing in higher education.

Fiscal year 2007 was the fourth year in a row where gross tuition and fees surpassed state appropriations as the largest source of non-healthcare operating revenues. This is projected to continue in fiscal year 2008 and beyond. Tuition rates increased 5% in fiscal year 2007 and 3.8% in fiscal year 2008. This increase coupled with continued enrollment growth on all four campuses has contributed to the University's ability to maintain positive operating results. Both headcount and full-time equivalent enrollment continue to reach historic highs. From fall 2001 to fall 2006, the University of Missouri full-time equivalent enrollments grew 16% and accounted for more than 80% of the increase in enrollments at the state's four-year higher education institutions. The University of Missouri, as the state's research and land-grant institution of higher education, enrolls the state's top students.

The University faces increases in unavoidable costs such as health care benefits, retirement contributions, the implementation of GASB 45, insurance, opening new buildings, and other increases in the cost of ongoing operations. Examples include increased costs of utilities and travel due to increased energy costs, increased costs for information systems including licenses, maintenance and implementing new student information systems, increased costs of compliance, and additional required maintenance and repair expenditures. These increased costs in conjunction with rising enrollments and the need to maintain affordability pose a budgetary challenge for the University. To meet this challenge, in fiscal year 2006 President Elson Floyd charged University leadership with identifying a 10%, or $12 million, reduction in administrative costs for reallocation to academic priorities by fiscal year 2008. The University exceeded its goal by identifying over $20 million for reallocation. The results of this initiative will support the University's commitment to access and affordability into the future. In addition, the Board requested a 1% efficiency reallocation be included in the fiscal year 2008 budget plans. The resulting reallocation funded higher priority investments including market adjustments for key faculty and staff and new investments in academic priorities on the campuses. Dr. Gordon Lamb continues to provide strong leadership to the University as Interim President, while a national search is underway to identify a new President.

Senate Bill 389 passed by the general assembly in June 2007 will have an impact on higher education in Missouri in the coming years. The Legislation includes additional authority for the Department of Higher Education, limits on increases in tuition rates, additional reporting requirements, additional funding for student aid for Missouri students, and new capital funding for higher education. The University of Missouri is scheduled to receive $68 million for 14 projects.

The University of Missouri Health System continues to improve its operating revenues and financial position in fiscal year 2007. As in prior years, the Health System is committed to improving patient care, expanding patient volumes, and managing the costs of healthcare. Physician recruitment efforts continue to be a focus, together with building relationships with the community physicians. The State's funding for operations and enhancements has helped in providing for uncompensated care and graduate medical education. An overall fee increase of 5% was implemented in fiscal year 2007 and pricing revisions continue as needed. Management continues to focus on the revenue cycle while providing increasing efforts on patient satisfaction and quality.

The University continues to strengthen and diversify its funding sources through effective endowment management, increased private giving and high Federal research funding. Investment performance of the endowment has consistently exceeded the long-term benchmark return ensuring additional resources for University initiatives in the future. Three of the four campuses have significantly increased original capital campaign goals due to the positive response from donors. The University of Missouri-Columbia campus is one of a few public universities with a campaign goal of $1.0 billion. Coupled with the University's growth in Federal funding is its success in recovering more of the facilities and administrative costs associated with sponsored research through the successful negotiation of a significant increase in its Facilities and Administrative (F & A) cost rate for fiscal year 2007 through fiscal year 2009.

With the addition of economic development as a fourth mission of the University and the appointment of a vice president for research and economic development, the University has accelerated its partnerships with the state of Missouri and the private sector in support of economic initiatives that build on the University's research strength. A new research park, Discovery Ridge, and a new incubator are under construction at the University of Missouri-Columbia campus and a new business technology park is under construction at the University of Missouri-St Louis campus. Anchor tenants from the private sector have been secured for both parks. The University's technology transfer operation has been reorganized and strengthened to ensure that the breakthroughs that are achieved in the laboratory benefit the citizenry as rapidly as possible.

Improvement in the state's economy with associated increases in state support, strong demand demonstrated by growing enrollments, highly successful capital campaigns, and robust research funding are all factors in the positive economic outlook for the University of Missouri. These factors combined with prudent financial and operational management point to continuing financial strength.

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Independent Auditor's Report

The Board of Curators
University of Missouri:

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the University of Missouri Retirement Trust of the University of Missouri, a component unit of the State of Missouri, as of and for the years ended June 30, 2007 and 2006, which collectively comprise the University of Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University of Missouri's management. Our responsibility is to express opinions on these 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Missouri's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the University of Missouri Retirement Trust of the University of Missouri as of June 30, 2007 and 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2007 on our consideration of the University of Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 13, the Schedule of Employer Contributions on page 51, and the Schedule of Funding Progress on page 52 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

St. Louis, Missouri
November 5, 2007

(in thousands of dollars)

	University		Discretely Presented Component Units	
	2007	**2006**	**2007**	**2006**
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 164,919	$ 146,169	$ 2,358	$ 9,972
Restricted Cash and Cash Equivalents	301,596	169,596		
Short-Term Investments	104,032	75,830		
Restricted Short-Term Investments	86,222	87,983		
Accounts Receivable, Net	235,975	198,087	19,262	23,361
Pledges Receivable, Net	12,980	11,562		
Investment Settlements Receivable	3,617	6,266		
Notes Receivable, Net	14,599	14,848		
Due From (To) Component Units and Retirement	(4,062)	(3,976)	4,109	3,737
Inventories	33,121	31,886	2,331	2,552
Prepaid Expenses and Other Current Assets	18,248	13,313	2,137	1,486
Total Current Assets	**971,247**	**751,564**	**30,197**	**41,108**
Noncurrent Assets:				
Restricted Cash and Cash Equivalents			4,213	5,253
Pledges Receivable, Net	23,000	29,437		
Notes Receivable, Net	45,425	44,052		
Deferred Charges and Other Assets	9,340	9,868	1,377	1,360
Restricted Other Assets			4,904	2,831
Long-Term Investments	707,333	708,052	21,957	28,744
Restricted Long-Term Investments	767,332	743,326		
Capital Assets, Net	2,039,069	1,926,942	75,614	74,296
Total Noncurrent Assets	**3,591,499**	**3,461,677**	**108,065**	**112,484**
Total Assets	**$ 4,562,746**	**$ 4,213,241**	**$ 138,262**	**$ 153,592**
Liabilities				
Current Liabilities:				
Accounts Payable	$ 101,330	$ 114,302	$ 4,134	$ 5,063
Accrued Liabilities	114,976	111,646	8,874	16,677
Deferred Revenue	64,030	60,814		
Funds Held for Others	77,148	67,840		
Investment Settlements Payable	41,021	19,582		
Collateral for Securities on Loan	138,014	100,618		
Capital Lease Obligations	462	425	30	89
Bonds Payable	16,975	14,760	935	900
Total Current Liabilities	**553,956**	**489,987**	**13,973**	**22,729**

(in thousands of dollars)

	University		Discretely Presented Component Units	
	2007	**2006**	**2007**	**2006**
Noncurrent Liabilities:				
Capital Lease Obligations	8,892	9,354	71	40
Bonds Payable	635,810	652,694	37,060	37,995
Deferred Revenue	2,162	2,460		
Other Noncurrent Liabilities	58,720	63,765	635	200
Total Noncurrent Liabilities	**705,584**	**728,273**	**37,766**	**38,235**
Total Liabilities	**1,259,540**	**1,218,260**	**51,739**	**60,964**
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,379,098	1,263,187	38,006	35,814
Restricted:				
Nonexpendable -				
Endowment	738,153	624,821		
Expendable -				
Scholarships, Research, Instruction and Other	270,238	267,514	4,904	2,831
Loans	75,785	74,825		
Capital Projects	24,593	23,697		
Unrestricted	815,339	740,937	43,613	53,983
Total Net Assets	**3,303,206**	**2,994,981**	**86,523**	**92,628**
Total Liabilities and Net Assets	**$ 4,562,746**	**$ 4,213,241**	**$ 138,262**	**$ 153,592**

See notes to the financial statements.

(in thousands of dollars)

	University		Discretely Presented Component Units	
	2007	**2006**	**2007**	**2006**
Operating Revenues:				
Tuition and Fees (Net of Provision for Doubtful Accounts of $4,810 in 2007 and $5,323 in 2006)	$ 537,832	$ 501,347	$ -	$ -
Less: Scholarship Allowances	136,527	126,421		
Net Tuition and Fees	401,305	374,926	-	-
Federal Grants and Contracts	187,130	199,436		
State and Local Grants and Contracts	47,045	41,255		
Private Grants and Contracts	54,268	46,310		
Sales and Services of Educational Activities	22,346	18,267		
Auxiliary Enterprises -				
Patient Medical Services, Net	648,802	620,577	217,796	204,752
Housing and Dining Services (Net of Scholarship Allowance of $490 in 2007 and $426 in 2006)	66,828	61,548		
Bookstores	56,930	54,308		
Other Auxiliary Enterprises (Net of Scholarship Allowance of $6,343 in 2007 and $5,634 in 2006)	135,032	125,661		
Notes Receivable Interest Income, Net of Fees	378	25		
Other Operating Revenues	72,226	57,300		
Total Operating Revenues	**1,692,290**	**1,599,613**	**217,796**	**204,752**
Operating Expenses:				
Salaries and Wages	1,101,867	1,044,462	51,911	48,506
Staff Benefits	272,923	248,688	11,450	12,269
Supplies, Services and Other Operating Expenses	609,824	610,269	144,449	129,778
Scholarships and Fellowships	38,602	35,090		
Depreciation	119,069	110,924	10,132	8,823
Total Operating Expenses	**2,142,285**	**2,049,433**	**217,942**	**199,376**
Operating Income (Loss)	**(449,995)**	**(449,820)**	**(146)**	**5,376**
State Appropriations	440,855	428,893		
Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	**(9,140)**	**(20,927)**	**(146)**	**5,376**
Nonoperating Revenues (Expenses):				
Federal Appropriations	14,105	14,203		
Investment and Endowment Income, Net of Fees	202,633	111,675	1,500	1,363
Private Gifts	53,268	64,483		10
Interest Expense	(29,497)	(28,563)	(1,813)	(1,534)
Other Nonoperating Revenues (Expenses)	(1,457)	(1,319)	1,378	1,006
Net Nonoperating Revenues	**239,052**	**160,479**	**1,065**	**845**

(in thousands of dollars)

	University		Discretely Presented Component Units	
	2007	**2006**	**2007**	**2006**
Income before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item	**229,912**	**139,552**	**919**	**6,221**
State Capital Appropriations	18,138	8,503		
Capital Gifts and Grants	12,941	16,285		
Private Gifts for Endowment Purposes	27,917	26,607		
Extraordinary Items:				
Net Proceeds from Sale of Missouri Care	19,317		(19,317)	
Gain from Sale of Missouri Care			12,293	
Increase (Decrease) in Net Assets	**308,225**	**190,947**	**(6,105)**	**6,221**
Net Assets, Beginning of Year	**2,994,981**	**2,804,034**	**92,628**	**86,407**
Net Assets, End of Year	**$ 3,303,206**	**$ 2,994,981**	**$ 86,523**	**$ 92,628**

See notes to the financial statements.

	(in thousands of dollars) 2007	2006
Cash Flows from Operating Activities:		
Tuition and Fees	$ 385,288	$ 386,141
Federal, State and Private Grants and Contracts	274,560	288,822
Sales and Services of Educational Activities and Other Auxiliaries	160,880	145,647
Patient Care Revenues	641,648	618,193
Student Housing Fees	65,917	61,762
Bookstore Collections	56,764	54,312
Payments to Suppliers	(633,578)	(574,419)
Payments to Employees	(1,096,086)	(1,040,834)
Payments for Benefits	(272,923)	(248,688)
Payments for Scholarships and Fellowships	(38,602)	(35,090)
Student Loans Issued	(12,291)	(16,718)
Student Loans Collected	11,102	11,443
Student Loan Interest and Fees	443	1,074
Other Receipts, Net	72,226	57,300
Net Cash Used in Operating Activities	**(384,652)**	**(291,055)**
Cash Flows from Noncapital Financing Activities:		
State Appropriations	440,855	428,893
Federal Appropriations	13,554	14,203
Private Gifts	58,287	62,956
Endowment and Similar Funds Gifts	27,917	26,607
Other Receipts (Payments)	17,861	(1,319)
Deposits of Affiliates	9,308	6,157
Net Cash Provided by Noncapital Financing Activities	**567,782**	**537,497**
Cash Flows from Capital and Related Financing Activities:		
Capital State Appropriations	18,798	8,678
Capital Gifts and Grants	12,941	16,285
Purchase of Capital Assets	(234,535)	(247,092)
Proceeds from Issuance of Capital Debt, Net		314,852
Principal Payments on Capital Debt	(14,760)	(13,485)
Proceeds from Capital Project Notes	115,900	80,700
Payments on Capital Project Notes	(115,000)	(80,000)
Payments on Capital Lease	(425)	(392)
Escrow Deposit on Defeasance		(199,447)
Payments on Cost of Debt Issuance		(610)
Interest Payments on Capital Debt	(29,323)	(25,465)
Net Cash Used in Capital and Related Financing Activities	**(246,404)**	**(145,976)**
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	72,469	60,541
Purchase of Investments, Net of Sales and Maturities	141,469	(187,600)
Other Investing Actitities	86	1,359
Net Cash Provided by (Used in) Investing Activities	**214,024**	**(125,700)**
Net Increase (Decrease) in Cash and Cash Equivalents	**150,750**	**(25,234)**
Cash and Cash Equivalents, Beginning of Year	**315,765**	**340,999**
Cash and Cash Equivalents, End of Year	**$ 466,515**	**$ 315,765**

	(in thousands of dollars) 2007	2006
Reconciliation of Operating Loss Used in Operating Activities:		
Operating Loss	$ (449,995)	$ (449,820)
Adjustments to Net Cash Used in Operating Activities -		
Depreciation Expense	119,069	110,924
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(37,998)	(13,056)
Inventory, Prepaid Expenses and Other Assets	(2,831)	3,543
Notes Receivable	(1,124)	(2,347)
Accounts Payable	(13,872)	21,770
Accrued Liabilities	(1,270)	12,288
Deferred Revenue	3,369	25,643
Net Cash Used in Operating Activities	**$ (384,652)**	**$ (291,055)**
Supplemental Disclosure of Noncash Activities:		
Net Increase in Fair Value of Investments	$ 78,303	$ 1,657
Noncash Gifts	$ 18,929	$ 21,342

See notes to the financial statements.

Statement of Net Assets Held for Pension Benefits

AS OF JUNE 30, 2007 AND 2006

	(in thousands of dollars) 2007	2006
Assets		
Cash and Cash Equivalents	$ 92,391	$ 94,501
Collateral for Securities Lending	382,023	271,217
Due (to) from the University of Missouri System	(46)	239
Investment Settlements Receivable	23,659	28,026
Investments:		
Government Obligations	388,609	389,504
Corporate Bonds and Notes	181,967	108,699
Corporate Stocks	2,269,794	1,904,159
Other	104,832	66,375
Total Assets	**3,443,229**	**2,862,720**
Liabilities		
Accounts Payable and Accrued Liabilities	2,850	2,363
Collateral for Securities Lending	382,023	271,217
Investment Settlements Payable	127,322	94,399
Total Liabilities	**512,195**	**367,979**
Net Assets Held for Pension Benefits	**$ 2,931,034**	**$ 2,494,741**

Statement of Changes in Net Assets Held for Pension Benefits

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	(in thousands of dollars) 2007	2006
Net Revenues and Other Additions		
Investment Income:		
Interest and Dividend Income, Net of Fees	$ 62,749	$ 54,338
Net Appreciation in Fair Value of Investments	415,263	243,545
Net Investment Income	478,012	297,883
University Contribution	74,736	64,399
Total Net Revenues and Other Additions	**552,748**	**362,282**
Expenses and Other Deductions		
Administrative Expenses	2,043	1,760
Payments to Retirees and Beneficiaries	114,412	111,094
Total Expenses and Other Deductions	**116,455**	**112,854**
Increase in Net Assets Held for Pension Benefits	**436,293**	**249,428**
Net Assets Held for Pension Benefits, Beginning of Year	**2,494,741**	**2,245,313**
Net Assets Held for Pension Benefits, End of Year	**$ 2,931,034**	**$ 2,494,741**

See notes to the financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNIVERSITY OF MISSOURI

Organization – The University of Missouri (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 health care facilities. The University also administers a statewide cooperative extension service with centers located in each county in the State. The University is a component unit of the State of Missouri (the "State") and is governed by an appointed nine-member Board of Curators. As a component unit of the State, the University is exempt from federal income tax under Section 115 of the Internal Revenue Code.

Reporting Entity – As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board ("GASB"), the financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or the nature and significance of their relationships with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete.

The following entities are considered component units of the University according to the criteria in GASB Statement No. 14, *The Financial Reporting Entity* and are discretely presented in the University's financial statements.

- 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 ("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. CRMC is a discretely presented component unit of the Medical Alliance and CRMC is a not-for-profit organization that follows generally accepted accounting principles under the Financial Accounting Standards Board ("FASB"). The purpose of the Medical Alliance is to develop a network of healthcare providers to support the missions of the University of Missouri Healthcare. The University appoints the Board of Directors of the Medical Alliance and can impose its will on the organization.

- 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. Missouri Care L.C. is organized exclusively for charitable purposes, in particular, to benefit its sole member, the Curators of the University of Missouri. The University appoints the Board of Directors of Missouri Care L.C. and can impose its will on the organization. Refer to Note 20 for information relating to the sale of Missouri Care L.C. on January 31, 2007.

Complete financial statements for Missouri Care L.C. are available at the University of Missouri, 118 University Hall, Columbia, MO 65211. Financial statements for Medical Alliance are not available.

Retirement, Disability and Death Benefit Plan – 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. The Plan is reported as a fiduciary fund of the University.

Financial Statement Presentation – In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University is required to follow all applicable GASB pronouncements. In addition, the University applies all applicable FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

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. The financial statement presentation provides a comprehensive entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows replacing the fund-group perspective previously required.

Basis of Accounting – The University's financial statements have been prepared using the economic resource focus and the accrual basis. The University reports as a Business Type Activity, as defined by GASB Statement No. 34. 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 Statement 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 revenue as defined by GASB Statement No. 34. Nonoperating revenues include revenues from activities that have the characteristics of nonexchange transactions, such as State and Federal appropriations and investment income.

The University of Missouri Retirement Trust is a pension trust fund which accounts for the activity of the University of Missouri Retirement, Disability, and Death Benefit Plan. The financial statements of the trust fund have been prepared using the accrual basis of accounting.

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 Statement 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 Statement 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 Statement of Net Assets and as private gift revenue on the Statement of Revenues, Expenses and Changes in Net Assets, at the present value of the estimated future cash flows. An allowance of $4,038,000 and $3,739,000 as of June 30, 2007 and 2006, respectively, 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 expense is computed using the straight-line method over the estimated useful lives of the respective assets – generally ten to forty years for buildings and improvements, eight to twenty-five years for infrastructure, seven to fifteen years for equipment and twenty years for library materials. Net interest expense incurred during the construction of debt-financed facilities is included in the capitalization of the related facilities. 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, as well as land, and have not been subject to depreciation. The University does not capitalize collections of historical treasures held for public exhibition, education, research and public service. These collections are not disposed of for financial gain. Accordingly, such collections are not recognized or capitalized for financial statement purposes. Proceeds from the sale, exchange, or other disposal of any item belonging to a collection of historical treasures must be applied to the acquisition of additional items for the same collection.

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

Net Assets – The University's net assets are classified for financial reporting in the following net asset categories:

- Invested in capital assets, net of related debt: This component of net assets includes capital assets, net of accumulated depreciation and outstanding principal debt balances related 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. 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. 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. Unrestricted net assets are used for expenses for academics and general operation of the University.

Tuition and Fees, Net of Scholarship Allowances – Tuition and fees and related housing, dining and other auxiliary enterprises 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, Net – 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 (collectively, the "University of Missouri Healthcare").

The University of Missouri Healthcare has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges and per diem payments. Patient medical services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as estimates are refined and final settlements are determined. Patient medical services revenue is also shown net of estimated uncollectible accounts.

Amounts receivable under Medicare and Medicaid reimbursements agreements are subject to examination and certain retroactive adjustments by the related programs. These adjustments increased net patient services revenues by $4,907,000 and $9,755,000 for the years ended June 30, 2007 and 2006, respectively.

A percentage breakdown of gross patient accounts receivable by major payer classification of the University of Missouri Healthcare for the years ended June 30, 2007 and 2006, is as follows:

	2007	2006
Medicare	29%	26%
Commercial Insurance	9%	10%
Medicaid	18%	22%
Self Pay and Other	20%	14%
Managed Care Agreements	24%	28%
	100%	100%

The gross to net patient medical services revenue detail is reflected below for fiscal years 2007 and 2006. The Statement of Revenues, Expenses and Changes in Net Assets reflect net patient medical services revenue as follows (in thousands of dollars):

	2007	2006
Patient Medical Services Revenue, Gross	$ 1,320,091	$ 1,218,078
Less Deductions for Contractuals	(618,699)	(545,108)
Less Bad Debt Deductions	(52,590)	(52,393)
Patient Medical Services Revenue, Net	$ 648,802	$ 620,577

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

New Accounting Pronouncements – The GASB issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*, effective for fiscal years beginning after December 15, 2006. The statements provide standards for measurement, recognition and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and supplementary information. The University has not yet determined the effect that adoption of GASB Statement No. 45 may have on the financial statements.

The GASB issued GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, effective for fiscal years beginning after December 15, 2006. The statement establishes criteria that will be used to determine whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement also includes a provision that entities should not revalue assets that are transferred between the financial reporting entity components. The University has not yet determined the effect that adoption of GASB Statement No. 48 may have on the financial statements.

The GASB issued GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. The statement addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current and potential effects of existing pollution by participating in activities such as site assessments and cleanups. The statement requires note disclosures about the nature of the remediation and the size of the obligation along with the methods and assumptions used in evaluating the potential obligation. The University has not yet determined the effect adoption of GASB Statement No. 49 may have on their financial statements.

The GASB issued GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, effective for fiscal years beginning after June 15, 2007. The statement aligns the financial reporting requirements for pensions with those of other post employment benefits. The statement enhances information in note disclosures and required supplementary information by pension plans. The University has not yet determined the effect that adoption of GASB Statement No. 50 may have on the financial statements.

The GASB issued GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for fiscal years beginning after June 15, 2009. The statement requires all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The statement also requires that an intangible asset be recognized in the statement of net assets, only if it is considered identifiable. The University has not yet determined the effect that adoption of GASB Statement No. 51 may have on the financial statements.

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

Use of Estimates – The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Nature of Operations – The Curators of the University of Missouri, for and on behalf of the University of Missouri Healthcare, and CRMC entered into an Affiliation Agreement dated August 5, 1997. Pursuant to the Affiliation Agreement, the University created the Medical Alliance. The Medical Alliance then became the sole member of CRMC. The Medical Alliance's purpose is to develop a network of healthcare providers to support the missions of the University of Missouri Healthcare.

CRMC operates as a two-hospital system, which consists of the Southwest Campus and Madison Campus complemented by community medical clinics. CRMC primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Jefferson City, Missouri. It also operates medical clinics in the surrounding communities. The operating results of both facilities and clinics are included in the financial statements. CRMC is served by a group of admitting physicians which account for a significant portion of CRMC's net revenues. Additionally, CRMC is also associated with the Capital Region Medical Foundation, which is intended to support the interest of CRMC and does so by raising and holding funds for the benefit of CRMC.

Net Assets – The Medical Alliance's net assets are classified for financial reporting in the following net asset categories:

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

- Restricted:

  Expendable – Net assets whose use by the Medical Alliance is subject to externally imposed stipulations that can be fulfilled by actions of the Medical Alliance 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 Directors. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Medical Alliance's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Capital Assets – Capital Assets are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset following guidelines of the American Hospital Association. Equipment under capital lease obligations is amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Net Patient Medical Service Revenue – Net patient medical service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

2. CASH AND CASH EQUIVALENTS

Cash & Cash Equivalents – University – The University's cash and cash equivalents include bank deposits, repurchase agreements and investments with original maturities of three months or less.

Custodial Credit Risk – Deposits – University – The custodial credit risk for deposits is the risk that in the event of bank failure, the University's deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The following chart presents cash and cash equivalent deposits balances as of June 30, 2007 and 2006 (in thousands of dollars):

2007	Uninsured and Uncollateralized	Unsecured and Collateralized with Securities held by Pledging Institution's Trust Department Not in the University's Name	Collateralized and Fully Insured Bank Balances	Total Carrying Value
Cash and Cash Equivalent Deposits	$ -	$ -	$ 175,272	$ 175,272
Total	$ -	$ -	$ 175,272	$ 175,272

2006	Uninsured and Uncollateralized	Unsecured and Collateralized with Securities held by Pledging Institution's Trust Department Not in the University's Name	Collateralized and Fully Insured Bank Balances	Total Carrying Value
Cash and Cash Equivalent Deposits	$ -	$ -	$ 135,366	$ 135,366
Total	$ -	$ -	$ 135,366	$ 135,366

Custodial Credit Risk – Deposits – University of Missouri Retirement Trust – The University of Missouri Retirement Trust held deposits, consisting of cash and cash equivalents in the amount of $440,332,000 and $330,181,000 as of June 30, 2007 and 2006, respectively. These balances are fully secured and collateralized and are not exposed to custodial credit risk.

3. INVESTMENTS

UNIVERSITY OF MISSOURI

Investments - The investment policies of the University are established by its governing board, the Board of Curators. The policies are established to ensure that the University funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri. The University is authorized to use outside managers for its investments and may pool funds for investment purposes. The present policy further provides that short-term funds of the University may be invested in the following investment instruments: repurchase agreements collateralized by U.S. Government issues and U.S. Government Agency issues; U.S. Government securities (including principal or interest payments that have been "stripped" from U.S. Treasury instruments), U.S. Government Agency securities and U.S. Government guaranteed securities, including but not limited to direct obligations of the U.S. Government, Federal Farm Credit Banks, Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Resolution Funding Corporation and Student Loan Marketing Association; investment grade (A or better) corporate bonds; variable rate securities of authorized investment instruments; collateralized certificates of deposit at banks with which the University has a depository agreement; commercial paper with credit ratings of A-1+ or A-1 by Standard & Poor's and P-1 by Moody's; bankers' acceptances; and other similar short-term investment instruments of like or better quality. On December 15, 2006, the Board of Curators expanded the short-term investments policy to include investments in the University's Balanced Pool and absolute return funds. Investments for the University are managed in two major categories:

Pooled General Investments – The general investment pools, managed by the University, averaged a total return of 6.04% and 2.47%, including unrealized gains and losses, for the years ended June 30, 2007 and 2006, 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 18.0% and 5.9%, respectively, including unrealized gains and losses, for the year ended June 30, 2007, and 13.0% and 1.3%, respectively, for the year ended June 30, 2006.

If the donor has not provided specific instructions or restrictions, state law permits the Board of Curators to appropriate for expenditure an amount of net appreciation, realized and unrealized, of the investments of endowment funds as the Board considers to be prudent. When administering the power to spend net appreciation, the Board is required to consider the University's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Any net appreciation expended is required to be spent for the purposes for which the endowment was established. The net appreciation on investments of donor-restricted endowments authorized for expenditure in fiscal year 2007 is approximately $83,411,000.

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. However, 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.

At June 30, 2007 and 2006, the University held investments, by investment type, as follows (in thousands of dollars):

	Carrying Value as of June 30, 2007	Carrying Value as of June 30, 2006
Government Obligations	$ 665,499	$ 736,554
Corporate Bonds and Notes	197,756	206,948
Corporate Stocks	734,390	637,243
Commercial Paper	3,140	
Other	64,134	34,446
Total Short-Term and Long-Term Investments	1,664,919	1,615,191
Government Obligations	45,519	31,909
Corporate Bonds and Notes	13,474	16,858
Commercial Paper	232,090	130,765
Repurchase Agreements	160	867
Total Cash and Cash Equivalents	291,243	180,399
Total Investments	$ 1,956,162	$ 1,795,590

Custodial Credit Risk – The custodial credit risk for investments is the risk that in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of the investments. In accordance with University policy, the University minimizes its custodial credit risk on deposits by establishing limitations on the types of instruments held with qualifying institutions. Repurchase agreements must be collateralized by U.S. Government issues and/or U.S. Government Agency issues. Certificates of deposit must be collateralized and held at a bank with which the University has a depository agreement. The University's investment in commercial paper of $235,230,000 and $130,765,000 at June 30, 2007 and 2006, respectively, is uninsured and uncollaterialized. The University's investment in repurchase agreements of $160,000 and $867,000 at June 30, 2007 and 2006, respectively, is held by the investment's counterparty, not in the name of the University. All of the remaining University investments are insured and registered and are held by the University or an agent in its name.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's Pooled General Investments consist primarily of fixed income securities, with a specific limitation that no more than 15% of the pool consists of variable rate securities. As a means of ensuring the safety of principal invested in the Pooled Endowment Investments, the University's investment policy requires diversification of the investment portfolio.

At June 30, 2007 and 2006, the maturities of the University's investments are as follows (in thousands of dollars):

	As of June 30, 2007				
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Carrying Value
U.S. Agency Obligations	$ 106,777	$ 342,038	$ 26,723	$ 33,713	$ 509,251
U.S. Treasury Obligations	14,881	18,589	16,163	9,392	59,025
Foreign Government Obligations	1,373	35,165	29,329	31,356	97,223
U.S. Corporate Bonds & Notes	17,467	133,900	11,088	22,178	184,633
Foreign Corporate Bonds & Notes	446	2,111	2,194	8,372	13,123
Total	$ 140,944	$ 531,803	$ 85,497	$ 105,011	$ 863,255

	As of June 30, 2006				
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Carrying Value
U.S. Agency Obligations	$ 91,035	$ 424,406	$ 38,082	$ 11,850	$ 565,373
U.S. Treasury Obligations	5,277	48,127	20,367	12,162	85,933
Foreign Government Obligations	995	47,403	14,356	22,494	85,248
U.S. Corporate Bonds & Notes	42,354	119,680	18,774	10,622	191,430
Foreign Corporate Bonds & Notes	681	5,185	3,802	5,850	15,518
Total	$ 140,342	$ 644,801	$ 95,381	$ 62,978	$ 943,502

Credit Risk – The credit risk of investments is the risk that the issuer or other counterparty will not meet its obligations. This credit risk is typically measured by the credit quality ratings of investments in debt securities as described by a national recognized statistical rating organization such as Standard and Poor's (S&P) and Moody's. For portions of the University's investments, specifically the Endowment Fund, the University's policy states that investments in corporate bonds and other fixed income securities must have an S&P rating of A or better.

However, the University has elected to use Moody's Investors Service investment ratings in the following table. Several securities within the Pooled Endowment have Moody's ratings of Baa and Standard and Poor's ratings in the A range (A-, A, & A+), which places those bonds within the parameters specified in the University's policy.

The following represents the University's investment exposure to credit risk, based on Moody's investment ratings (in thousands of dollars):

	As of June 30, 2007					
	Aaa	Aa	A	Baa	Unrated	Total
U.S. Agency Obligations	$ 472,255	$ 125	$ -	$ -	$ 36,871	$ 509,251
U.S. Treasury Obligations	59,025					59,025
Foreign Government Obligations	62,795	136	23,813	1,748	8,731	97,223
U.S. Corporate Bonds & Notes	17,096	87,262	65,998	3,877	10,400	184,633
Foreign Corporate Bonds & Notes	2,468	832	3,223	368	6,232	13,123
Total	$ 613,639	$ 88,355	$ 93,034	$ 5,993	$ 62,234	$ 863,255

	As of June 30, 2006					
	Aaa	Aa	A	Baa	Unrated	Total
U.S. Agency Obligations	$ 483,672	$ 53,214	$ -	$ -	$ 28,487	$ 565,373
U.S. Treasury Obligations	85,933					85,933
Foreign Government Obligations	63,098	284	18,820	1,204	1,842	85,248
U.S. Corporate Bonds & Notes	28,376	69,060	88,401	726	4,867	191,430
Foreign Corporate Bonds & Notes	7,447	1,105	3,580	1,004	2,382	15,518
Total	$ 668,526	$ 123,663	$ 110,801	$ 2,934	$ 37,578	$ 943,502

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a foreign investment. University policy allows 15-25% of the investment portfolio to be invested in international investments (14.8% and 13.2% denominated in foreign currency in fiscal years 2007 and 2006, respectively). 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, 2007 and 2006, 5.1% or $84,367,000 and 3.6% or $57,851,000, respectively, of the University's total investment 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 Statement of Revenues, Expenses and Changes in Net Assets.

The following represents the University's exposure to foreign currency risk as of June 30, 2007 and 2006 (in thousands of dollars):

Foreign Currency Risk
International Investment Securities at Fair Value
(in thousands of dollars)

Currency	Cash and Cash Equivalents	Foreign Government Obligations	Foreign Corporate Bonds and Notes	Corporate Stocks	2007 Total	2006 Total
Australian Dollar	$ 8	$ 552	$ -	$ 6,075	$ 6,635	$ 3,624
British Pound Sterling	22	25,738	1,343	13,344	40,447	33,310
Canadian Dollar	30	1,533		8,907	10,470	7,156
Chilean Peso				35	35	34
Chinese Yan Renminbi				3,327	3,327	781
Danish Krone	3		263	545	811	568
Euro	3,704	35,608	8,472	57,647	105,431	81,601
Hong Kong Dollar	76			5,895	5,971	4,523
Hungarian Forint		1,180			1,180	
Israeli Shekel		1,798			1,798	328
Japanese Yen	276	18,186	3,045	34,114	55,621	64,159
Malaysian Ringgit		734		1,186	1,920	
Mexican New Peso	74	1,748			1,822	1,262
New Taiwan Dollar				183	183	187
New Zealand Dollar				(3,318)	(3,318)	3
Norwegian Krone	1	146		893	1,040	794
Polish Zloty	63	2,600		(452)	2,211	550
South African Comm Rand				405	405	1,438
Singapore Dollar		2,452		1,710	4,162	1,375
South Korean Won		980		686	1,666	1,434
Swedish Krona	43	3,968		2,263	6,274	5,750
Swiss Franc	105			17,716	17,821	15,234
Total	$ 4,405	$ 97,223	$ 13,123	$ 151,161	$ 265,912	$ 224,111

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools).

For University funds invested through the Pooled General Investments category the following restrictions apply: 1) Corporate Bonds should not exceed 20% of the portfolio; 2) Variable Rate securities should not exceed 15% of the portfolio; and 3) Investments in obligations of the U.S. Government, U.S. Government Agency issues or U.S. Government guaranteed securities is unlimited. The investment policy for short-term funds was amended by the Board of Curators on December 15, 2006 to permit the following new investment categories: the University's Balanced Pool and absolute return funds.

For University funds invested through the Pooled Endowment Investments category, target asset mixes are assessed and evaluated to ensure diversification. The investment policy allows for a portfolio consisting of no more than 37% U.S. equity, 24% international equity, 12.5% emerging markets equity, 10% private equity, 10% absolute return funds, 12.5% real estate, 22% global fixed income, and 12% Treasury Inflation-Protected Securities (TIPS).

Portions of the Pooled Endowment Investments are invested in a fixed income fund, called the Fixed Income Pool, which, due to donor restrictions, can only be invested in fixed income securities. Investments in this portfolio consist of U.S. Government, U.S. Government Agency issues, corporate fixed income, commercial paper and repurchase agreements.

As of June 30, 2007, of the University's total cash and investments, 16.1% are issues of the Federal Home Loan Bank (FHLB) and 7.5% are issues of Federal National Mortgage Association (FNMA).

As of June 30, 2006, of the University's total cash and investments, 14.8% are issues of the Federal Home Loan Bank (FHLB), 8.3% are issues of the Federal National Mortgage Association (FNMA), and 6.1% are issues of the Federal Home Loan Mortgage Corporation (FHLMC).

Securities Lending Transactions – The University participates in an external investment pool 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 fair value of securities on loan for domestic securities lent and 105% for international securities lent. The fair value of collateral held for securities on loan totaled $138,014,000 and $100,618,000 at June 30, 2007 and 2006, respectively.

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, 2007 and 2006, 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.

In addition, at June 30, 2007 and 2006, letters of credit and security collateral, not meeting the criteria for inclusion in the Statement of Net Assets, totaled $11,607,000 and $3,993,000, respectively. At June 30, 2007 and 2006, the aggregate fair value of the securities lent and related collateral received was $144,351,000 and $100,873,000, respectively.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Investments – The investment policies of Medical Alliance are established by its board of directors. The policies are established to ensure that Medical Alliance funds are managed in accordance with the "Prudent Man Rule."

At June 30, 2007 and 2006, Medical Alliance held the following investments (in thousands of dollars):

	2007	2006
Internally Designated for Capital Improvements:		
Mortgage-backed securities	$ 5,690	$ 11,294
Money Market Accounts	8,804	10,170
Interest Receivable	77	91
U.S. Treasury Obligations	74	74
Certificates of Deposit	8,577	8,350
Subtotal	23,222	29,979
Held by Trustee Under Indenture Agreement:		
Money Market Accounts	4,209	4,194
Interest Receivable	4	4
Less Portion Required for Current Obligations	(1,264)	(1,235)
	$ 26,171	$ 32,942

UNIVERSITY OF MISSOURI RETIREMENT TRUST

Investments – Retirement Trust – The Board of Curators of the University of Missouri establishes the investment policies for the Retirement Trust. Retirement investments emphasize diversification across asset classes, dominated by equity securities, in order to maximize total investment returns. While pursuing this objective, the Retirement Trust maintains its fiduciary duties applicable to investments set forth in Section 105.688 of the Revised Statutes of Missouri. The Retirement Trust investments earned a total return of 19.7%, including unrealized gains and losses, for the year ended June 30, 2007, and 13.7% for the year ended June 30, 2006.

At June 30, 2007 and 2006, the Retirement Trust held investments, by investment type, as follows (in thousands of dollars):

	Carrying Value as of June 30, 2007	Carrying Value as of June 30, 2006
Government Obligations	$ 388,609	$ 389,504
Corporate Bonds and Notes	181,967	108,699
Corporate Stocks	2,269,794	1,904,159
Commercial Paper	1,169	
Other	103,663	66,375
Total Short-Term and Long-Term Investments	2,945,202	2,468,737
Government Obligations	11,807	1,903
Corporate Bonds and Notes	870	4,349
Commercial Paper	21,404	29,285
Total Cash Equivalents	34,081	35,537
Total Investments	$ 2,979,283	$ 2,504,274

Custodial Credit Risk – The custodial credit risk for investments is the risk that in the event of failure of the counterparty to a transaction, the Retirement Trust will not be able to recover the value of the investments that are in the possession of an outside party. The investment in commercial paper of $22,573,000 and $29,285,000 at June 30, 2007 and 2006, respectively, is uninsured and uncollateralized. The remainder of the Retirement Trust's investments are insured or registered and are held by the Retirement Trust or an agent in its name.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of ensuring the safety of principal invested, the Retirement Trust's investment policy requires diversification of the investment portfolio.

At June 30, 2007 and 2006, the maturities of the Retirement Trust's investments are as follows (in thousands of dollars):

	As of June 30, 2007				
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Carrying Value
U.S. Agency Obligations	$ -	$ 6,984	$ 7,362	$ 92,336	$ 106,682
U.S. Treasury Obligations	12,561	5,399	15,853	12,258	46,071
Foreign Government Obligations	6,443	86,530	58,219	84,664	235,856
U.S. Corporate Bonds & Notes	10,261	43,477	17,672	75,001	146,411
Foreign Corporate Bonds & Notes	2,231	6,486	6,222	20,617	35,556
Total	$ 31,496	$ 148,876	$ 105,328	$ 284,876	$ 570,576

	As of June 30, 2006				
	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Carrying Value
U.S. Agency Obligations	$ 2,707	$ 2,246	$ 2,359	$ 34,684	$ 41,996
U.S. Treasury Obligations	312	56,402	32,281	17,533	106,528
Foreign Government Obligations	4,814	126,630	43,870	65,666	240,980
U.S. Corporate Bonds & Notes	1,558	23,442	11,336	24,816	61,152
Foreign Corporate Bonds & Notes	2,336	18,229	10,721	16,261	47,547
Total	$ 11,727	$ 226,949	$ 100,567	$ 158,960	$ 498,203

Credit Risk – The credit risk of investments is the risk that the issuer or other counterparty will not meet its obligations. This credit risk is measured by the credit quality ratings of investments in debt securities as described by a nationally recognized statistical rating organization such as Standard and Poor's (S&P) and Moody's. The University's policy on investments for the Retirement Trust states that investments in corporate bonds and other fixed income securities must have a rating of A or better.

However, the University's Retirement Trust has elected to use Moody's Investors Service investment ratings in the following table. Several securities within the Retirement Trust have Moody's ratings of Baa and Standard and Poor's ratings in the A range (A-, A, & A+), which places those bonds within the parameters specified by University's policy on investments for the Retirement Trust.

The following represents the Retirement Trust's investment exposure to credit risk, based on Moody's investment ratings as of June 30, 2007 and 2006 (in thousands of dollars):

	As of June 30, 2007					
	Aaa	Aa	A	Baa	Unrated	Total
U.S. Agency Obligations	$ 106,308	$ 374	$ -	$ -	$ -	$ 106,682
U.S. Treasury Obligations	46,071					46,071
Foreign Government Obligations	141,514	4,218	61,354	4,439	24,331	235,856
U.S. Corporate Bonds & Notes	71,213	28,911	22,685	1,949	21,653	146,411
Foreign Corporate Bonds & Notes	6,637	3,071	10,164	721	14,963	35,556
Total	$ 371,743	$ 36,574	$ 94,203	$ 7,109	$ 60,947	$ 570,576

	As of June 30, 2006					
	Aaa	Aa	A	Baa	Unrated	Total
U.S. Agency Obligations	$ 247	$ 462	$ -	$ -	$ 41,287	$ 41,996
U.S. Treasury Obligations					106,528	106,528
Foreign Government Obligations	177,260	4,690	52,931	3,055	3,044	240,980
U.S. Corporate Bonds & Notes	21,841	13,742	14,761	1,971	8,837	61,152
Foreign Corporate Bonds & Notes	17,979	6,356	11,732	3,272	8,208	47,547
Total	$ 217,327	$ 25,250	$ 79,424	$ 8,298	$ 167,904	$ 498,203

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may occur due to the amount of investments in a single issuer (not including investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools). The Retirement Trust investment policy allows for a portfolio consisting of no more than 37% U.S. equity, 24% international equity, 12.5% emerging markets equity, 10% private equity, 10% absolute return funds, 12.5% real estate, 22% global fixed income, and 12% TIPS. At June 30, 2007 and 2006, the Retirement Trust portfolio did not contain any investments from a single issuer which exceeded 5% of the total portfolio.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a foreign investment. The Retirement Trust invests a significant portion of its portfolio in international investments (31.1% and 28.5% denominated in foreign currency in fiscal years 2007 and 2006, respectively). To reduce the risk related to fluctuations in currency exchange rates, the Retirement Trust has entered into forward foreign currency contracts throughout the year. As of June 30, 2007 and 2006, 9.4% or $276,217,000 and 8.4% or $206,451,000, respectively, of the Retirement Trust's investment portfolio is invested in forward foreign currency contracts. These contracts are marked to market and the changes in their market value are recorded in net appreciation (depreciation) in fair value of investments in the Statement of Changes in Net Assets Held for Pension Benefits. The following represents the Retirement Trust's exposure to foreign currency risk as of June 30, 2007 and 2006 (in thousands of dollars):

Foreign Currency Risk
International Investment Securities at Fair Value
(in thousands of dollars)

Currency	Cash and Cash Equivalents	Foreign Government Obligations	Foreign Corporate Bonds and Notes	Corporate Stocks	2007 Total	2006 Total
Australian Dollar	$ 118	$ 1,823	$ -	$ 22,008	$ 23,949	$ 9,433
British Pound Sterling	112	66,726	4,758	50,864	122,460	81,437
Canadian Dollar	202	4,311		32,858	37,371	27,497
Chilean Peso				105	105	103
Chinese Yan Renminbi				9,790	9,790	2,157
Danish Krone	31		841	1,143	2,015	1,487
Euro	7,203	74,112	25,382	208,510	315,207	255,755
Hong Kong Dollar	29			15,552	15,581	11,965
Hungarian Forint		2,812			2,812	
Israeli Shekel		5,025			5,025	895
Japanese Yen	1,139	47,054	4,575	100,864	153,632	183,017
Malaysian Ringgit		1,879		4,269	6,148	
Mexican New Peso	187	4,440			4,627	3,204
New Taiwan Dollar				501	501	511
New Zealand Dollar	16	595		(10,453)	(9,842)	14
Norwegian Krone	2	472		2,022	2,496	1,787
Polish Zloty	207	6,745		(1,445)	5,507	1,482
South African Comm Rand				943	943	2,965
Singapore Dollar	23	6,781		4,506	11,310	3,442
South Korean Won		3,131		1,887	5,018	4,195
Swedish Krona	99	9,950		6,165	16,214	14,044
Swiss Franc	632			45,257	45,889	35,696
Total	$ 10,000	$ 235,856	$ 35,556	$ 495,346	$ 776,758	$ 641,086

Securities Lending Transactions – The Retirement Trust participates in an external investment pool securities lending program to augment income. The program is administered by the Retirement Trust'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 Retirement Trust. 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 Retirement Trust 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 fair value of securities on loan for domestic securities lent and 105% for international securities lent. The fair value of collateral held for securities on loan totaled $382,023,000 and $271,217,000 at June 30, 2007 and 2006, respectively.

The Retirement Trust 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, 2007, the Retirement Trust has no credit risk exposure since the collateral held exceeds the value of the securities lent. The Retirement Trust is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

In addition, at June 30, 2007 and 2006, letters of credit and security collateral, not meeting the criteria for inclusion in the Statement of Net Assets Held for Pension Benefits, totaled $38,795,000 and $7,836,000, respectively, for the Retirement Trust. At June 30, 2007 and 2006, the aggregate fair value of the securities lent and related collateral received was $404,849,000 and $268,965,000, respectively.

4. FUNDS HELD IN TRUST BY OTHERS

At June 30, 2007 and 2006, Funds Held in Trust by Others (principally endowment funds) aggregated $74,200,000 and $73,252,000, respectively, at fair value. Due to time restrictions or a legal event that has not occurred, these funds are not available to the University and are not included in the accompanying Statement of Net Assets. Income earned and distributed to the University for the years ended June 30, 2007 and 2006, aggregated $2,807,000 and $1,864,000, respectively.

5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2007 and 2006, are summarized as follows (in thousands of dollars):

	2007	2006
Grants and Contracts	$ 81,801	$ 65,811
Federal Appropriations	551	
State Appropriations and State Bond Funds		660
Student Fees and Other Academic Charges	73,422	59,858
University Hospitals and Clinics Patient Services, Net of Contractual Allowances	102,187	99,297
University Physicians Patient Services, Net of Contractual Allowances	18,038	15,339
Subtotal	275,999	240,965
Less Provisions for Loss on Accounts Receivable:		
Grants and Contracts Allowance	1,000	1,776
University Hospitals and Clinics Patient Services Allowances	28,286	30,653
University Physicians Patient Services Allowances	5,928	5,126
Student Fees and Other Academic Charges	4,810	5,323
Subtotal	40,024	42,878
	$ 235,975	$ 198,087

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, 2007 and 2006, are summarized as follows (in thousands of dollars):

	2007	2006
Federal Health Profession Loans	$ 14,321	$ 14,645
Carl D. Perkins National Loans	28,419	29,793
University Loan Programs	20,604	17,953
Subtotal	63,344	62,391
Less Provision for Loss on Notes Receivable	3,320	3,491
	$ 60,024	$ 58,900

7. CAPITAL ASSETS

UNIVERSITY OF MISSOURI

Capital assets activity for the years ended June 30, 2007 and 2006, is summarized as follows (in thousands of dollars):

	2007 Beginning Balance	Additions/ Transfers	Retirements	2007 Ending Balance
Capital Assets, Nondepreciable:				
Land	$ 60,114	$ 6,018	$ 92	$ 66,040
Artwork and Historical Artifacts	11,279	296		11,575
Construction in Progress	109,753	(3,973)		105,780
Total Capital Assets, Nondepreciable	181,146	2,341	92	183,395
Capital Assets, Depreciable:				
Buildings and Improvements	2,037,574	159,726	8,893	2,188,407
Infrastructure	206,681	10,820	18	217,483
Equipment	477,235	54,180	23,056	508,359
Library Materials	210,838	7,468		218,306
Total Capital Assets, Depreciable	2,932,328	232,194	31,967	3,132,555
Less Accumulated Depreciation:				
Buildings and Improvements	698,100	56,712	7,730	747,082
Infrastructure	74,925	8,890	7	83,808
Equipment	290,184	47,085	20,983	316,286
Library Materials	123,323	6,382		129,705
Total Accumulated Depreciation	1,186,532	119,069	28,720	1,276,881
Total Capital Assets, Depreciable, Net	1,745,796	113,125	3,247	1,855,674
Total Capital Assets, Net	$ 1,926,942	$ 115,466	$ 3,339	$ 2,039,069

	2006 Beginning Balance	Additions/ Transfers	Retirements	2006 Ending Balance
Capital Assets, Nondepreciable:				
Land	$ 54,265	$ 5,870	$ 21	$ 60,114
Artwork and Historical Artifacts	11,134	153	8	11,279
Construction in Progress	129,325	(19,572)		109,753
Total Capital Assets, Nondepreciable	194,724	(13,549)	29	181,146
Capital Assets, Depreciable:				
Buildings and Improvements	1,870,058	180,260	12,744	2,037,574
Infrastructure	187,717	19,000	36	206,681
Equipment	445,454	52,041	20,260	477,235
Library Materials	201,498	9,340		210,838
Total Capital Assets, Depreciable	2,704,727	260,641	33,040	2,932,328
Less Accumulated Depreciation:				
Buildings and Improvements	654,176	53,515	9,591	698,100
Infrastructure	67,397	7,564	36	74,925
Equipment	265,336	43,551	18,703	290,184
Library Materials	117,029	6,294		123,323
Total Accumulated Depreciation	1,103,938	110,924	28,330	1,186,532
Total Capital Assets, Depreciable, Net	1,600,789	149,717	4,710	1,745,796
Total Capital Assets, Net	$ 1,795,513	$ 136,168	$ 4,739	$ 1,926,942

The estimated cost to complete construction in progress at June 30, 2007, is $473,259,000 of which $148,223,000 is available from unrestricted net assets. The remaining costs are expected to be funded from $78,638,000 of State appropriations, $26,804,000 of gifts, $24,557,000 of grants, and $195,037,000 of bond proceeds.

Capital assets include a building facility under a capital lease of $8,332,000 and related accumulated depreciation of $3,229,000 and $2,812,000 at June 30, 2007 and 2006, respectively.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Capital assets at June 30, 2007 and 2006 are summarized as follows (in thousands of dollars):

	2007	2006
Land and Improvements	$ 6,605	$ 6,594
Buildings	98,934	97,744
Movable Equipment	60,359	52,936
Construction in Progress	4,296	2,379
	170,194	159,653
Less Accumulated Depreciation	94,580	85,357
Total Capital Assets, Net	$ 75,614	$ 74,296

8. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2007 and 2006, are summarized as follows (in thousands of dollars):

	2007	2006
Accrued Salaries, Wages and Related Benefits	$ 40,534	$ 37,461
Accrued Vacation	40,013	36,310
Accrued Self Insurance Claims	30,067	33,067
Interest Payable	4,362	4,808
	$ 114,976	$ 111,646

9. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities at June 30, 2007 and 2006, are summarized as follows (in thousands of dollars):

Fiscal Year 2007	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
Accrued Vacation	$ 46,292	$ 40,510	$ (37,801)	$ 49,001	$ (40,013)	$ 8,988
Accrued Self-Insurance Claims	86,850	139,294	(146,345)	79,799	(30,067)	49,732
	$ 133,142	$ 179,804	$ (184,146)	$ 128,800	$ (70,080)	$ 58,720

Fiscal Year 2006	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
Accrued Vacation	$ 43,291	$ 36,957	$ (33,956)	$ 46,292	$ (36,310)	$ 9,982
Accrued Self-Insurance Claims	78,190	152,042	(143,382)	86,850	(33,067)	53,783
	$ 121,481	$ 188,999	$ (177,338)	$ 133,142	$ (69,377)	$ 63,765

10. BONDS PAYABLE

UNIVERSITY OF MISSOURI

As of June 30, 2007 and 2006, $652,785,000 and $667,454,000, respectively, of bonds were outstanding, net of unamortized premium/discount and loss on defeasance of $6,960,000 and $6,869,000, respectively. These outstanding bonds are comprised of $652,785,000 and $667,454,000 in System Facilities Revenue Bonds at June 30, 2007 and 2006, 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 2.0% to 5.8% per annum and mature at various dates through November 2035. Interest on the variable rate System Facilities Revenue Bonds is paid at the Bond Market Association™ daily bond rate.

Bonds Payable activity by series of issuance for the years ended June 30, 2007 and 2006, was as follows (in thousands of dollars):

	2007 Beginning Balance	Issuance	Payments	Defeasance	Amortization	2007 Ending Balance
System Facilities Revenue Bonds:						
Series 1997	$ 2,210	$ -	$(1,075)	$ -	$ -	$ 1,135
Series 1998	19,335		(2,495)			16,840
Series 2000	66,410		(2,985)			63,425
Series 2001	81,515		(755)			80,760
Series 2002	40,000					40,000
Series 2003	150,435		(3,155)			147,280
Series 2006	300,680		(4,295)			296,385
Less Unamortized Premium/Discount	17,814				(810)	17,004
Less Loss on Defeasance	(10,945)				901	(10,044)
	667,454	$ -	$ (14,760)	$ -	$ 91	652,785
Less Current Portion	14,760					16,975
	$ 652,694					$ 635,810

	2006 Beginning Balance	Issuance	Payments	Defeasance	Amortization	2006 Ending Balance
System Facilities Revenue Bonds:						
Series 1997	$ 3,235	$ -	$ (1,025)	$ -	$ -	$ 2,210
Series 1998	51,875		(2,390)	(30,150)		19,335
Series 2000	69,195		(2,785)			66,410
Series 2001	82,235		(720)			81,515
Series 2002	40,000					40,000
Series 2003	153,485		(3,050)			150,435
Series 2006	-	300,680				300,680
Less Unamortized Premium/Discount	4,061	14,172			(419)	17,814
Less Loss on Defeasance	(1,931)			(9,643)	629	(10,945)
Health Facilities Revenue Bonds:						
Series 1996A	107,655		(1,440)	(106,215)		-
Series 1998A	57,545		(2,075)	(55,470)		-
Less Unamortized Premium/Discount	(1,152)			1,152		-
Less Loss on Defeasance	(666)			666		-
	565,537	$314,852	$ (13,485)	$ (199,660)	$ 210	667,454
Less Current Portion	13,485					14,760
	$ 552,052					$ 652,694

As of June 30, 2007, the total of principal and interest (in thousands of dollars) due on bonds during the next five years and in subsequent five-year periods is as follows:

Fiscal Year	Principal	Interest	Net Payments (Funds Received) on Swap Agreement
2008	$ 16,975	$ 29,100	$ 88
2009	17,720	28,371	88
2010	18,550	27,550	97
2011	18,530	26,698	84
2012	17,100	25,870	84
2013-2017	98,945	116,366	440
2018-2022	118,455	90,434	444
2023-2027	149,225	58,768	444
2028-2032	126,280	24,315	440
2033-2036	64,045	2,694	284
	$ 645,825	$ 430,166	$ 2,493

Future interest payment requirements for variable rate debt are determined using the rate in effect at June 30, 2007, of 3.86%. The above 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, 2007, of 3.73%.

On February 7, 2006, the University issued $300,680,000 of System Facilities Revenue Bonds, consisting of $260,975,000 in Series 2006A bonds at the interest cost of 3.1% and $39,705,000 of Series 2006B bonds with variable rates. Proceeds from the issuance of the Series 2006 A and B bonds were used to finance construction of new housing facilities on the Columbia, Kansas City and St. Louis campuses, various other projects and the cost of issuance. A portion of the proceeds from the issuance of the Series 2006A bonds was used to advance refund and defease a portion of the St. Louis campus debt issued in the University of Missouri System Facilities Revenue Bonds, Series 1998 in the amount of $30,150,000 and Health Facilities Revenue Bonds, Series 1996 and Series 1998 of $161,685,000 and to finance certain costs of issuance.

A $9,643,000 loss in connection with the defeasance of the System Facilities Series 1998 Bonds and Health Facilities 1996 and 1998 Series is included as a reduction of debt outstanding and will be amortized over the remaining life of the original System Facilities Series 1998 and Health Facilities 1996 and 1998 Series. The defeasance decreased aggregate debt service payments by $22,597,000 resulting in an economic gain (difference between the present values of the old and new debt service payments) to the University of $15,905,000.

On June 14, 2005, the University entered into an interest rate swap agreement on $134,425,000, notional amount, to hedge the interest rate risk associated with future Tax-Exempt Bonds. Under the terms of the swap, the University made payments based on a fixed rate of 3.353% and received payments from the counterparty based on a floating rate of 70% of LIBOR. Net payments commenced on December 1, 2005 and continued on a monthly basis until the swap terminated on January 19, 2006. The 2006A and 2006B System Facilities Revenue Bonds were issued on February 7, 2006.

On the termination date, interest rates had risen, enabling the University to receive a net payment of $1,038,111 from the counter party, thereby reducing the amount needed to be borrowed and lowering debt service to the same level had the bonds been issued on the date to which the swap was agreed.

In addition, the University maintains a thirty-year interest rate swap agreement on $40,000,000, notional amount, of its variable rate System Facilities Revenue Bonds. The purpose of the interest rate swap agreement is to convert variable rate debt to fixed rate debt. 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, 2007, the swap had a fair value of ($376,428), 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, 2007, 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 Standard & Poor's and Aaa by Moody's Investors Service as of June 30, 2007. 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, 2007 and 2006, in-substance defeased bonds aggregating $96,320,000 and $242,550,000, respectively, are outstanding.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Bonds payable activity by series of issuance for the years ended June 30, 2007 and 2006, was as follows (in thousands of dollars):

	2007 Beginning Balance	Issuance	Payments	2007 Ending Balance
Health Facilities Revenue Bonds Series 1998, dated December 1, 1998 and maturing November 1, 2028, payable in graduated installments from November 1, 1999 to November 1, 2028, bearing interest ranging from 3.35% to 5.30%	$ 21,760	$ -	$ (525)	$ 21,235
Health Facilities Revenue Bonds Series 2004, dated June 1, 2004 and maturing November 1, 2029, payable in graduated installments from November 1, 2005 to November 1, 2029, bearing interest ranging from 2.25% to 5.75%	17,135		(375)	16,760
	38,895	$ -	$ (900)	37,995
Less current maturities	(900)			(935)
	$ 37,995			$ 37,060

	2006 Beginning Balance	Issuance	Payments	2006 Ending Balance
Health Facilities Revenue Bonds Series 1998, dated December 1, 1998 and maturing November 1, 2028, payable in graduated installments from November 1, 1999 to November 1, 2028, bearing interest ranging from 3.35% to 5.30%	$ 22,265	$ -	$ (505)	$ 21,760
Health Facilities Revenue Bonds Series 2004, dated June 1, 2004 and maturing November 1, 2029, payable in graduated installments from November 1, 2005 to November 1, 2029, bearing interest ranging from 2.25% to 5.75%	17,500		(365)	17,135
	39,765	$ -	$ (870)	38,895
Less current maturities	(870)			(900)
	$ 38,895			$ 37,995

In June 2004, Medical Alliance issued $17,500,000 of tax-exempt Health Facilities Revenue Bonds Series 2004 through the Health and Educational Facilities Authority of the State of Missouri. The bonds proceeds are being used primarily to pay or reimburse the costs of acquiring, constructing and equipping certain health facilities of Medical Alliance and to fund the future debt service requirement fund for these Series 2004 bonds.

Similar to the Series 1998 bonds, the Series 2004 bonds were issued pursuant to the Master Trust Indenture dated December 1, 1998, as supplemented on June 1, 2004. Under the terms of the Master Trust Indenture (the "Master Indenture"), Medical Alliance is required to make payments of principal, premium, if any, and interest on the bonds. The Series 1998 and 2004 bonds are secured by the unrestricted receivables of Medical Alliance. In addition, the Master Indenture contains certain restrictions on the operations and activities of Medical Alliance, including, among other things, covenants restricting the incurrence of additional indebtedness and the creation of liens on property, except as permitted by the Master Indenture.

The Master Indenture has mandatory sinking fund redemption requirements in which funds are required to be set aside beginning in 2014 and 2025 for the Series 1998 bonds and Series 2004 bonds, respectively.

Interest expense incurred on the bonds during the years ended June 30, 2007 and 2006 was $1,999,000 and $2,033,000, respectively, of which $196,000 and $855,000 were capitalized during the years ended June 30, 2007 and 2006, respectively.

As of June 30, 2007, the total of principal and interest (in thousands of dollars) due on bonds during the next five years and in subsequent five-year periods is as follows:

	Principal	Interest
Year ending June 30:		
2008	$ 935	$ 1,957
2009	970	1,917
2010	1,010	1,874
2011	1,055	1,828
2012	1,105	1,779
2013-2017	6,365	8,015
2018-2022	8,160	6,166
2023-2027	10,570	3,683
2028-2030	7,825	677
	$ 37,995	$ 27,896

11. SHORT-TERM BORROWINGS

During the years ended June 30, 2007 and 2006, the University sold $115,000,000 and $80,000,000 of capital project notes at an effective interest rate of 3.7% and 2.6%, respectively. The maximum amount of notes outstanding during fiscal year 2007 was $115,000,000 and all were repaid in full by June 30, 2007. The maximum amount of notes outstanding during fiscal year 2006 was $80,000,000 and all were repaid in full by June 30, 2006. Proceeds from the issuance of the capital project notes were used to fund various construction projects. Capital project note activity for the years ended June 30, 2007 and 2006 is as follows (in thousands of dollars):

	Fiscal Year	Beginning of Year	Issuance	Payments	End of Year
Capital Project Notes, Series FY 2006-2007	2007	$ -	$ 115,000	$ (115,000)	$ -
Capital Project Notes, Series FY 2005-2006	2006	-	80,000	(80,000)	-

12. 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.

Capital lease obligations activity for the years ended June 30, 2007 and 2006, is as follows (in thousands of dollars):

Fiscal Year	Beginning of Year	Additions	Payments	End of Year	Current Portion
2007	$ 9,779	$ -	$ (425)	$ 9,354	$ 462
2006	10,171	-	(392)	9,779	425

The future minimum payments on all significant leases with initial or remaining terms of one year or more at June 30, 2007, are as follows (in thousands of dollars):

Fiscal Year	Capital	Operating
2008	$ 1,374	$ 3,218
2009	1,374	2,309
2010	1,374	1,363
2011	1,374	1,095
2012	1,374	827
2013-2017	6,870	2,869
2018-2021	3,092	
Total Future Minimum Payments	16,832	$ 11,681
Less: Amount Representing Interest	7,478	
Present Value of Future Minimum Lease Payments	$ 9,354	

Total rental expenditures for operating leases for the years ended June 30, 2007 and 2006, were $16,724,000 and $15,350,000, respectively.

In addition to the above lease obligations, the University has outstanding commitments for the acquisition, usage and ongoing support of certain software for its patient clinical systems. As of June 30, 2007, these commitments totaled $12,869,000 and will be paid in the following amounts: $3,960,000 in year 2008, $3,960,000 in year 2009 and $4,949,000 in years 2010–2012.

Description of Sublease Arrangement with Institute for Outpatient Surgery ("IOS") – Concurrent with the sale of assets to IOS on July 1, 2002, the University entered into an agreement with IOS whereby IOS subleased certain building space from the University for a period of approximately 17 years at current market rates. The University 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, 2007, are as follows (in thousands of dollars):

Total Minimum Lease Payments to be Received:	
Current	$ 418
Noncurrent	4,703
Total	5,121
Less: Unearned Rental Income	(2,460)
Present Value of Future Minimum Lease Payments Receivable	$ 2,661

During fiscal years 2007 and 2006, the University received $309,000 and $319,000, respectively, of rental income from IOS.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

The Medical Alliance leases certain computer and medical equipment through operating and capital leases. Equipment under capitalized leases is recorded at the present value of future minimum lease payments.

Capital lease obligations activity for the years ended June 30, 2007 and 2006, is as follows (in thousands of dollars):

Fiscal Year	Beginning of Year	Additions	Payments	End of Year	Current Portion
2007	$ 129	$ 61	$ (89)	$ 101	$ 30
2006	$ 207	$ 34	$ (112)	$ 129	$ 89

The future minimum payments on all significant leases with initial or remaining terms of one year or more at June 30, 2007, are as follows (in thousands of dollars):

Fiscal Year	Capital	Operating
2008	$ 36	$ 321
2009	31	278
2010	27	150
2011	21	115
2012		90
2013-2017		315
Total Future Minimum Payments	115	$ 1,269
Less: Amount Representing Interest	14	
Present Value of Future Minimum Lease Payments	$ 101	

Total rental expenditures for operating leases for the years ended June 30, 2007 and 2006, were $550,000 and $568,000, respectively.

13. 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, 2007 and 2006 of $79,799,000 and $86,850,000, respectively, represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 3.70% to 4.30% for fiscal year 2007 and 4.15% to 4.30% for fiscal year 2006, based on expected future investment yield assumptions. Additionally, at June 30, 2007, there is a range of self-insurance claims outstanding, from $3,500,000 to $4,600,000, which the University has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the financial statements because the loss is not both probable and estimable. Changes in this liability (in thousands of dollars) during fiscal years 2007 and 2006 were as follows:

Fiscal Year	Beginning of Year	New Claims and Changes in Estimates	Claim Payments	End of Year
2007	$ 86,850	$ 139,294	$ (146,345)	$ 79,799
2006	78,190	148,993	(140,333)	86,850
2005	68,996	155,415	(146,221)	78,190

14. CONTINGENCIES

The University does not have any contingencies that are probable and estimable as of June 30, 2007.

15. RETIREMENT, DISABILITY AND DEATH BENEFIT PLAN

Basis of Accounting – The University of Missouri Retirement, Disability, and Death Benefit Plan (the "Plan") financial statements included herein are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Description – 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 $1,101,867,000 and $1,044,462,000 for the years ended June 30, 2007 and 2006, respectively, of which $860,021,000 and $814,150,000 were covered by the Plan for the respective periods. At June 30, 2007 and 2006, membership in the Plan consisted of:

	2007	2006
Active members:		
Vested	10,015	9,809
Nonvested	7,439	7,481
Pensioners	6,695	6,530
Former Employees with Deferred Pensions	2,757	2,662
Total	26,906	26,482

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 8.7% and 7.9% for the years ended June 30, 2007 and 2006, 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
Required Supplementary Information - Unaudited
(in thousands of dollars)

	Annual Required Contribution			
Fiscal Year	As % of Payroll	In Dollars	Percentage Contributed	Net Pension Obligation
2002	3.6%	$ 25,319	100%	$ -
2003	2.6%	17,962	100%	-
2004	6.7%	48,521	100%	-
2005	6.4%	49,075	100%	-
2006	7.9%	64,399	100%	-
2007	8.7%	74,736	100%	-

The annual required contribution for the year ended June 30, 2007, was determined as part of the October 1, 2005, actuarial valuation, using the entry age normal actuarial cost method.

The annual required contribution for the year ended June 30, 2006, was determined as part of the October 1, 2004, actuarial valuation, using the entry age normal actuarial cost method.

Significant assumptions used in the valuations for the years ended June 30, 2007 and 2006 were:

	2007	2006
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, 2007, 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
Required Supplementary Information - Unaudited
(in thousands of dollars)

Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funding Excess/ (Unfunded Liability)	Funded Ratio	Covered Payroll	Funding Excess/ (Unfunded Liability) as a % of Covered Payroll
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 %
10/1/04	2,075,032	2,144,738	(69,706)	96.8%	753,266	(9.3)%
10/1/05	2,125,656	2,271,230	(145,574)	93.6%	795,758	(18.3)%
10/1/06	2,325,264	2,400,807	(75,543)	96.9%	846,884	(8.9)%

** 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.*

An ad hoc cost of living adjustment was approved beginning September 1, 2005, which resulted in an $8,615,000 increase in the unfunded liability and an $847,000 or .11% increase in annual employer contributions.

16. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 15, 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, 2007 and 2006, 5,579 and 5,504 retirees, respectively, 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. Coverage for group term life insurance ends 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, 2007 and 2006, 231 and 232 long-term disability claimants, respectively, 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 at 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 the amounts recorded as expense of $14,318,000 and $14,310,000 for the years ended June 30, 2007 and 2006, respectively, are on a pay-as-you-go basis. Long-term disability costs are recognized during the period in which the employee becomes eligible to receive disability benefits and amounted to $1,779,000 and $3,080,000 for the years ended June 30, 2007 and 2006, respectively.

17. SEGMENT INFORMATION

A segment is an identifiable activity reported within 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 one segment that meets the reporting requirements of GASB Statement No. 37.

As of June 30, 2007, the outstanding debt of the University consists of System Facility 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.

During fiscal year 2006, the University defeased the debt previously reported within the Health Facilities Revenue 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. Refer to Note 10 for additional information.

Summary financial information for the System Facility Revenue Bonds as of June 30, 2007 and 2006, is as follows (in thousands of dollars):

	System Facility Revenue Bonds 2007	System Facility Revenue Bonds 2006
Condensed Statement of Net Assets		
Assets:		
Current Assets	$ 254,967	$ 253,893
Capital Assets, Net	817,585	788,095
Noncurrent Assets	180,695	176,022
Total Assets	$ 1,253,247	$ 1,218,010
Liabilities:		
Current Liabilities	$ 146,927	$ 150,330
Noncurrent Liabilities	646,864	664,508
Total Liabilities	793,791	814,838
Net Assets:		
Invested in Capital Assets, Net of Related Debt	160,375	125,675
Restricted -		
Nonexpendable	622	574
Expendable	10,460	8,117
Unrestricted	287,999	268,806
Total Net Assets	459,456	403,172
Total Liabilities and Net Assets	$ 1,253,247	$ 1,218,010
Condensed Statement of Revenues, Expenses and Changes in Net Assets		
Operating Revenues:		
Net Patient Revenue	$ 620,241	$ 593,807
Net Tuition and Fees	13,846	13,906
Bookstore	56,929	54,308
Housing and Related Food Service	66,730	61,480
Parking	14,035	13,942
Other Operating Revenue	20,774	17,976
Total Operating Revenues	792,555	755,419
Operating Expenses:		
Depreciation	51,175	44,482
All Other Operating Expenses	728,410	668,524
Total Operating Expenses	779,585	713,006
Operating Income	12,970	42,413
Nonoperating Revenues	9,368	4,180
Income Before Transfers	22,338	46,593
Transfer From Other University Units	33,946	231,868
Increase in Net Assets	56,284	278,461
Net Assets, Beginning of Year	403,172	124,711
Net Assets, End of Year	$ 459,456	$ 403,172
Condensed Statement of Cash Flows		
Net Cash Flows Provided by Operating Activities	$ 53,283	$ 96,706
Net Cash Flows Provided by (Used In) Investing Activities	5,925	(37,476)
Net Cash Flows Used In Capital and Related Financing Activities	(125,948)	(46,841)
Net Cash Flows Provided by Noncapital Financing Activities	58,341	21,466
Net Increase (Decrease) in Cash and Cash Equivalents	(8,399)	33,855
Cash and Cash Equivalents, Beginning of Year	122,009	88,154
Cash and Cash Equivalents, End of Year	$ 113,610	$ 122,009

18. 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:

For the Year Ended June 30, 2007
(in thousands of dollars)

Functional Classification	Salaries and Wages	Staff Benefits	Supplies, Services and Other Operating Expenses	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 338,850	$ 82,249	$ 54,267	$ -	$ -	$ 475,366
Research	107,630	23,532	73,259			204,421
Public Service	75,135	20,041	56,559			151,735
Academic Support	66,993	15,896	33,386			116,275
Student Services	40,597	9,639	24,561			74,797
Institutional Support	83,168	23,325	(39,421)			67,072
Operation and Maintenance of Plant	31,655	9,188	22,589			63,432
Auxiliary Enterprises	357,839	89,053	384,624			831,516
Scholarships and Fellowships				38,602		38,602
Depreciation					119,069	119,069
Total Operating Expenses	$1,101,867	$272,923	$ 609,824	$ 38,602	$ 119,069	$ 2,142,285

For the Year Ended June 30, 2006
(in thousands of dollars)

Functional Classification	Salaries and Wages	Staff Benefits	Supplies, Services and Other Operating Expenses	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 322,294	$ 76,232	$ 56,608	$ -	$ -	$ 455,134
Research	105,505	22,782	79,217			207,504
Public Service	71,656	18,782	54,819			145,257
Academic Support	64,765	11,788	30,488			107,041
Student Services	38,265	8,753	25,287			72,305
Institutional Support	78,837	21,246	(21,653)			78,430
Operation and Maintenance of Plant	31,412	8,790	21,898			62,100
Auxiliary Enterprises	331,728	80,315	363,605			775,648
Scholarships and Fellowships				35,090		35,090
Depreciation					110,924	110,924
Total Operating Expenses	$1,044,462	$248,688	$ 610,269	$ 35,090	$ 110,924	$ 2,049,433

19. DISCRETELY PRESENTED COMPONENT UNITS

The Discretely Presented Component Units columns in the financial statements include the financial data of the Medical Alliance and Missouri Care L.C.

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 Discretely Presented Component Units columns of the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets relate to the Medical Alliance, including Capital Region Medical Center, and Missouri Care L.C. In the Statement of Net Assets, Medical Alliance is presented as of June 30, 2007 and 2006 and Missouri Care L.C. as of January 31, 2007 and December 31, 2006, for fiscal years ended June 30, 2007 and 2006, respectively, to coincide with its calendar year end. In the Statement of Revenues, Expenses and Changes in Net Assets, Medical Alliance is presented for the years ended June 30, 2007 and 2006, and Missouri Care L.C. for the thirteen months ended January 31, 2007 and for the twelve months ended December 31, 2006, as reported in the University's financial statements for fiscal year ended June 30, 2007. The Condensed Statement of Net Assets and Condensed Statement of Revenues, Expenses and Changes in Net Assets for these periods are shown below (in thousands of dollars):

	2007			2006		
	Medical Alliance	Missouri Care L.C.	Total	Medical Alliance	Missouri Care L.C.	Total
Condensed Statement of Net Assets						
Assets:						
Current Assets	$ 30,197	$ -	$ 30,197	$ 26,587	$ 14,521	$ 41,108
Capital Assets, Net	75,614		75,614	74,296		74,296
Noncurrent Assets	32,451		32,451	37,133	1,055	38,188
Total Assets	$ 138,262	$ -	$ 138,262	$ 138,016	$ 15,576	$ 153,592
Liabilities:						
Current Liabilities	$ 13,973	$ -	$ 13,973	$ 15,172	$ 7,557	$ 22,729
Noncurrent Liabilities	37,766		37,766	38,235		38,235
Total Liabilities	51,739	-	51,739	53,407	7,557	60,964
Net Assets:						
Invested in Capital Assets, Net of Related Debt	38,006		38,006	35,814		35,814
Restricted -						
Expendable	4,904		4,904	2,831		2,831
Unrestricted	43,613		43,613	45,964	8,019	53,983
Total Net Assets	86,523	-	86,523	84,609	8,019	92,628
Total Liabilities and Net Assets	$ 138,262	$ -	$ 138,262	$ 138,016	$ 15,576	$ 153,592

	2007			2006		
	Medical Alliance	Missouri Care L.C.	Total	Medical Alliance	Missouri Care L.C.	Total
Condensed Statement of Revenues, Expenses and Changes in Net Assets						
Operating Revenues:						
Net Patient Revenue	$ 138,258	$ -	$ 138,258	$ 126,118	$ -	$ 126,118
Other Operating Revenue		79,538	79,538		78,634	78,634
Total Operating Revenues	138,258	79,538	217,796	126,118	78,634	204,752
Operating Expenses:						
Salaries and Wages	51,911		51,911	48,506		48,506
Staff Benefits	11,450		11,450	12,269		12,269
Supplies, Services and Other Operating Expenses	63,916	80,533	144,449	53,425	76,353	129,778
Depreciation	10,132		10,132	8,823		8,823
Total Operating Expenses	137,409	80,533	217,942	123,023	76,353	199,376
Operating Income (Loss)	849	(995)	(146)	3,095	2,281	5,376
Nonoperating Revenues (Expenses):						
Investment Income	1,500		1,500	1,363		1,363
Private Gifts			-	10		10
Interest Expense	(1,813)		(1,813)	(1,534)		(1,534)
Other Nonoperating Revenues (Expenses)	1,378		1,378	1,006		1,006
Extraordinary Item:						
Net Proceeds from Sale of Missouri Care		(19,317)	(19,317)			
Gain from Sale of Missouri Care		12,293	12,293			
Net Nonoperating Revenues (Expenses)	1,065	(7,024)	(5,959)	845		845
Increase (Decrease) in Net Assets	1,914	(8,019)	(6,105)	3,940	2,281	6,221
Net Assets, Beginning of Year	84,609	8,019	92,628	80,669	5,738	86,407
Net Assets, End of Year	$ 86,523	$ -	$ 86,523	$ 84,609	$ 8,019	$ 92,628

20. EXTRAORDINARY ITEMS

On January 31, 2007, Missouri Care L.C., a discretely-presented component unit of the University, sold certain assets to Schaller Anderson Acquisition, Incorporated, who assumed the liabilities of Missouri Care L.C. as part of the sales agreement. Missouri Care L.C. contracted with the University of Missouri Healthcare System as a major provider of health care services to the organization's members. Missouri Care L.C. was organized exclusively for charitable purposes, in particular, to benefit its sole member, the Curators of the University of Missouri. The University received net proceeds of $19.3 million resulting from the sale which was recorded as an extraordinary item in the Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2007. An extraordinary gain of approximately $12.3 million was recorded by Missouri Care as a result of the sale.

21. SUBSEQUENT EVENTS

On July 2, 2007, the University sold $160,000,000 of capital project notes at an effective interest rate of 3.7%. The notes will be repaid in full by June 30, 2008. Proceeds from the issuance of the capital project notes will be used to fund various construction projects of the University.

On July 26, 2007, the University issued $365,220,000 of System Facilities Revenue Bonds, consisting of $262,970,000 in Series 2007A bonds at the interest cost of 4.0% to 5.0% and $102,250,000 of Series 2007B bonds with variable rates. Proceeds from the issuance of the Series 2007 A and B bonds were used to finance construction of new housing facilities on the Columbia and Rolla campuses, various other projects and the cost of issuance. A portion of the proceeds from the issuance of the Series 2007B bonds was used to advance refund and defease a portion of the Series 2003 bonds.

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