

COLLEGE OF CHARLESTON

CHARLESTON, SOUTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

FOR THE YEAR ENDED JUNE 30, 2008

**PREPARED BY
THE OFFICE OF THE CONTROLLER
COLLEGE OF CHARLESTON**

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CHARLESTON, SOUTH CAROLINA**



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**COLLEGE OF CHARLESTON
COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008**

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COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



INTRODUCTORY SECTION

October 31, 2008

Dear Friends of the College of Charleston,

It is my pleasure to provide you this report of the financial performance of the College of Charleston for the fiscal year ending June 30, 2008.

The College continues to maintain fiscal stability through the efforts of our faculty and staff, who are committed to always improving our institution's efficiency and accountability. Their remarkable work contributes directly to our fiscal soundness and is instrumental in the acquisition of the resources required for the College to meet its educational mission and push the institution to greater heights.



In Fall 2007, our students were welcomed to a new home for our School of Education, Health, and Human Performance — a 24,000-square-foot facility, which was honored with the Committee to Save the City's Three Sisters Award for its distinguished architecture. We also welcomed students to our new state-of-the-art George Street and Liberty Street residence halls, which, combined, hold 640 students. The complex also includes a new dining hall, Liberty Street Fresh Foods, which offers an astounding array of dining choices.

For our student-athletes in the baseball and softball programs, we renovated our Patriots Point Athletics Complex in Mt. Pleasant, increasing our seating for the baseball stadium, adding a hospitality deck, improving our training rooms and creating a 3,000-square-foot indoor practice facility. For our golfers, we opened the Stono Ferry Learning Center and Practice Range. And for our basketball and volleyball programs, the College is putting the finishing touches on the new Carolina First Arena, an athletics complex near the heart of campus in downtown, which will open in mid-November.

As for our other projects, we continue to make great progress. The Marion and Wayland H. Cato Jr. Center for the Arts — an expansion of our School of the Arts' Albert Simons Center for the Arts — is nearing completion and will be finished in spring 2009. We broke ground on our new science center last fall and are on schedule for completion by December 2009. And we recently started work on a new facility for our prestigious Grice Marine Laboratory, located on James Island.

With all of our buildings, we have considered our environmental impact. In January, I signed the American College and University Presidents Climate Commitment and joined a growing number of schools across the country that are working to make positive changes to the environment. As an institution, we are taking steps to make our facilities more energy efficient and to reduce the amount of waste generated. Our custodial

department has switched from traditional cleaners to “green” non-toxic products, and our dining services department has switched to 100 percent biodegradable takeout containers and removed more than 3,000 trays from our main dining facility — saving detergent, energy and almost 90,000 gallons of water per semester.

But the College is much more than bricks and mortar. The heart of the College is our academic offerings. People across the state and around the country are recognizing that the College of Charleston is a special place with talented faculty, outstanding students and exciting programs.

Again this year, the College ranked as one of the nation’s best institutions for undergraduate education, student life and affordability in the following college guides: *U.S. News & World Report*, Princeton Review’s *The Best 368 Colleges*, Princeton Review’s *America’s Best Value Colleges*, *Newsweek*, Barron’s *Best Buys in College Education*, *Kiplinger’s Personal Finance Magazine*, *2008 Fiske Guide to College* and *Forbes* magazine’s inaugural ranking of America’s best colleges.

The continued strength of our national rankings is a reflection of the College community’s passion for quality education and the public’s growing awareness of the cost benefits associated with the distinctive undergraduate experience offered at the College. As we expand and improve our academic and co-curricular offerings, the caliber of students and faculty continue to increase, along with our nationwide reputation for excellence.

This year, we received a record number of freshman applications — a total of 12,195, up from 11,056 last year. This includes a 6.2 percent increase in applications from in-state students and an 11.6 percent increase from out-of-state students. We expect, however, to maintain our undergraduate population at about 10,000 students, which allows us to keep our class sizes small and our student-faculty ratio at 13 to 1. Ultimately, this means that the College will continue to deliver its unique personalized educational experience — something that sets us apart from universities around the country.

Another factor that sets us apart is our faculty. Many of them are leaders in their respective fields of study and receive national recognition for their research, published findings and general expertise. This past year, we had five of our best teacher-scholars earn Fulbright awards: Jack DiTullio (biology), who studied climate change in Italy; Mary Beth Heston (art history), who researched the Ramayana Murals in India; Joyce Barrett (communication), who worked with the government of Burkina Faso on crisis communication; Steve Litvin (hospitality and tourism management), who studied sustainable tourism development in Canada; and Brian Lanahan (teacher education), who researched democracy education in Bosnia’s youngest citizens. And our entire creative writing faculty were all published during the same year, which included Bret Lott’s latest novel, *Ancient Highway*, released by Random House.

In order to support our faculty and students, our institution began a College-wide strategic planning process that included an intensive self-study. We conducted focus group meetings with more than 300 individuals to solicit their ideas on ways to improve the College. These groups included students, administrators, business and community leaders, legislators, donors, alumni, faculty and staff. Each of the 123 administrative and

academic units of the College conducted a SWOT analysis to determine the strengths, weaknesses, opportunities and threats for each unit and the College as a whole. Throughout this process, I've encouraged our participants to dream big. They have.

After the first of the year, we'll share our plans for an envisioned future and begin to pull together the specifics. The finished plan will define the College's direction and priorities and financial model for the College's next era.

Of course, attracting and securing resources necessary to maintain and advance our vision remains a major challenge for this institution, especially in light of state budget cuts and our troubling economic times. To that end, the development of this new strategic plan and a new, more participative formal budgeting process are essential to our institution's future, and I can safely say that the College is well under way in these efforts.

Private funding is also a major priority for the College, and we will continue to explore all available avenues of philanthropy and private giving. As we pursue these new opportunities, our operations will stay streamlined, our programs will maintain focus and the outstanding quality of our student experience will remain uncompromised.

In closing, I believe that the success of the College should be measured in terms of both our contributions toward our specific academic goals and our general contributions to the life and culture of the Lowcountry and the state of South Carolina.

To that end, the College continues its track record of success. And we owe that success to the hard work and support of the people across the entire College of Charleston community, and we can look forward to even more progress and opportunities in the future — for our students, faculty, staff and the state community.

Sincerely,



P. George Benson
President

LETTER OF TRANSMITTAL

November 5, 2008

To President Benson,
Members of the Board of Trustees, and
Citizens of South Carolina

FORMAL TRANSMITTAL REQUIREMENTS

We proudly present to you the Comprehensive Annual Financial Report (CAFR) for the College of Charleston for the year ended June 30, 2008. This report contains the financial statements as well as other information useful to those we serve and to whom we are accountable. The annual report encompasses three major sections, the Introduction, Financial, and Statistical, as well as all disclosures necessary for the reader to gain an understanding of the College's financial operations.

The ***Introductory Section***, offers insight regarding the organization, structure and scope of operations of the College. It also provides a message from the President, this transmittal letter, listings of the members of the Board of Trustees, the Business and Finance Officers, and an organizational chart of the institution. The ***Financial Section*** presents management's discussion and analysis (MD&A) which, when read in conjunction with the financial statements and the notes to the financial statements, provide a more complete picture of the financial health of the institution. In addition to the financial statements and accompanying notes, this section includes the report of the independent auditors. The ***Statistical Section*** is the chief source of information regarding the College's economic condition. It is organized around five objectives which cover information on financial trends, revenue capacity, debt capacity, demographics and economics, and operations.

Legal Requirement

As a lump-sum agency of the State of South Carolina, the College is required to provide a complete set of audited financial statements by October of each year for incorporation into the state-wide Comprehensive Annual Financial Report. This report fulfills that requirement for the period ending June 30, 2008.

Assumption of Responsibility

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, is assumed by the College of Charleston. We believe that, to the best of our knowledge and based upon a strong system of internal controls, the data contained herein is accurate in all material respects and is reported in a manner designed to present fairly the College's financial position as well as revenues, expenses, changes in net assets, and cash flows.

Internal Control

The management of the College is responsible for the establishment and maintenance of internal control policies and procedures designed to safeguard the College's assets. As part of this responsibility, the management ensures that its financial statements are prepared in conformity with generally accepted accounting principles (GAAP). In addition reasonable controls are in place to ensure that: access to the College's assets is granted only with appropriate management authorization; transactions are executed in accordance with the authorization of management; transactions are recorded promptly and based on criteria applicable to state guidelines, GAAP, GASB (Governmental Accounting Standards Board), and as developed by the National Association of College and University Business Officers; and general ledger accounts are reconciled timely.

The College of Charleston's Office of Internal Audit periodically reviews procedures and issues reports with recommended improvements to the system. This office reports directly to the President or his designee of the College. Annual audits are conducted by independent auditors with testing to ensure the adequacy of internal controls and the College's compliance with applicable laws and regulations.

Independent Audit

Audits are conducted on an annual basis by an independent audit firm. For the fiscal year ended 2008, the audit was conducted by Elliott Davis, LLC. The audited report appears in the front of the Financial Section and expresses an unqualified opinion on the College's financial statements.

Furthermore, Elliott Davis, LLC audited the College's federal programs to ensure compliance with the requirements of the Single Audit Act of 1984 as provided under Federal Circular A-133 for federal grants and contracts. In accordance with NCAA (National Collegiate Athletic Association) Bylaw 6.2.3.1, Elliott Davis performed the audit work of the agreed upon procedures of the College's Department of Athletics. The most recent audits (Fiscal Year 2008) detected no institutional liabilities related to the College's federal and athletic programs. Finally, the College is audited on a periodic basis by the S. C. Budget and Control Board - Division of General Services to ensure compliance with the provisions of the South Carolina Procurement Code.

Reference to MD&A

The letter of transmittal complements and should be read in conjunction with the Management's Discussion and Analysis (pages 22-33). The discussion focuses on recent activities, accounting changes and currently known facts.

PROFILE OF GOVERNMENT

Basic Information

The College of Charleston is a state-supported, coeducational institution of higher education. The Board of Trustees is the governing body for the College and is responsible for the administration and management thereof. Founded in 1770, and chartered in 1785, the College is the oldest institution of higher education in South Carolina and the thirteenth oldest in the United States. Today this thriving academic institution offers a superlative liberal arts and sciences education for more than 11,000 undergraduate and graduate students.

The College of Charleston is committed to attracting the most promising students from South Carolina as well from other states and nations. The average combined SAT scores of entering freshmen for Fall 2007 was 1220, far exceeding the state and national averages. Out-of-state and international students comprise 35% of the student enrollment with 52 states and U. S. possessions and 69 foreign countries represented.

Component Units

The College of Charleston and its graduate school are considered to be part of the State of South Carolina primary entity. The funds of the College of Charleston are included in the Comprehensive Annual Financial Report of the State of South Carolina. In addition, the College of Charleston Foundation and the Cougar Club are component units of the College whose financial statements are discretely presented in the College's CAFR.

Budget

The College prepares on an annual basis a budget that provides reasonable estimates of revenues and expenditures. The budgetary process encompasses all operating budgets of the College to include educational and general activities, the operations of auxiliary enterprises, all sponsored program activities, and all capital projects. Executive management, academic officials and department heads develop a programmatic budget and present it to the Board of Trustees for approval. Using a comprehensive account classification and tracking system, the responsibility for budgetary control rests at the departmental level with appropriate oversight provided by the executive management of

the College. Any adjustments, and/or revisions to the budget, are approved by the Board on a quarterly basis.

Finally, the College prepares annual budgetary reports that are available to the General Assembly of South Carolina and the public for review. These reports provide information that demonstrates the ability of the College to accomplish its mission in a manner that ensures legislative compliance and prudent management of public funds.

INFORMATION USEFUL FOR ASSESSING THE ECONOMIC CONDITION

Local economy

Recent publications of the University of South Carolina's Moore School of Business and the S. C. Employment Security Commission (SCESC) reveal a continued negative trend in the leading economic indicators of this State. The leading economic indicators include the composite indexes (claims in unemployment), available jobs, unemployment rates, retail sales, and home foreclosures. The number of jobs available is on the decline, the unemployment rate is up, retail sales are down, and the number of home foreclosures is on the rise.

The first perspective comes from the *South Carolina Economic Indicators*¹. It reports that the current behavior of the composite indexes (claims for unemployment insurance) suggests that the risks for further weakening of South Carolina's economy in the near future remain elevated. The financial market crisis, largely distressed by the subprime mortgage failure, adversely affected the real economy of South Carolina, dimming the prospects for a short-term recovery. The expected deterioration of economic activity is evident in the Leading Index (the measurement of future economic activity) for the South Carolina economy. The Leading Index plunged one full percentage point in July, leaving the index at 138.1, its lowest value in four years. This large drop plainly substantiates that the South Carolina economy likely will see tougher times before it sees any improvement.

The second outlook comes from SCESC. The October 2008 *Newsline*² SCESC reveals that there is very little positive news regarding the national or state economy right now. South Carolina's unemployment rate dropped slightly to 7.3% in September after reaching a 15-year high of 7.6% in August. It was noted that the drop largely was due to discouraged unemployed job seekers quitting their job searches and leaving the labor force. The State's labor force decreased nearly 6,000 in September to 2,159,180, whereas the number of unemployed declined 6,500 to 157,047. The national unemployment rate held steady at 6.1% in September.

¹ University of South Carolina, Moore School of Business, South Carolina Economic Indicators, Volume 43, No. 9, September 2008

² Workforce Trends Newsline, Released October 21, 2008, South Carolina Employment Security Commission

The overall job count, at 1,950,565 in September, was nearly 13,000 below last year's figure. The number of jobs in South Carolina fell 14,400 over the month, the largest September decrease on record. Except for Education and Health Services and government, all major industry sectors -- from Leisure and Hospitality, Retail Trade and Manufacturing to Professional and Business Services, Financial Activities and Construction -- lost jobs in September. Education and Health Services and government increased jobs by 2,100 and 4,900 respectively. The gains were the result of state, local, and private schools re-staffing for the fall term. Construction jobs have declined for the past eleven consecutive months.

Another SCESC report³ that illustrates labor force data by county shows that during July 2008, the Charleston County labor force totaled 182,489, and its unemployment was 10,404 with an unemployment rate of 5.7%. For the same period last year, the labor force was 180,390; unemployment was 8,480 with an unemployment rate of 4.7%.

Other economic trends in South Carolina include gasoline prices and the number of foreclosures. The average price per gallon of gasoline in July 2008 was \$3.90; last year's figure was \$2.00. The number of households receiving foreclosures climbed from 200 per month in January 2007, to 1,482 per month in July 2008. As a result of the rise in foreclosures, the level of unsold houses is increasing thereby impacting construction jobs on a state-wide and national basis.

Most recently, during the month of October and in response to a projected State revenue shortfall, the South Carolina Legislature met to take action to avoid a year-end deficit. At this point, H.5300 establishes varying percentages of reductions to the budgets of the State agencies.

Long-term Financial Planning

Future capital acquisition purchases for the College include the Science Building, the School of the Arts Building (Simons Center) as well as the Physical Education/Arena Complex (Carolina First Center Athletic Facility). For the most part, these capital projects will be funded with Higher Education Academic and Administrative Facilities Revenue bond proceeds and built-up fund balance. In June 2008, the College purchased enterprise resource planning software and has begun installation and implementation of its new system that will be funded in part with built-up fund balance.

Relevant Financial Policies

It is noteworthy to mention at least three other policies that impact the budgetary process. These policies cover debt, cash and risk management issues.

First, the College has developed a comprehensive debt management strategy to provide guidelines relative to acceptable levels of debt and to formulate a mechanism

³ South Carolina Workforce Trends September 2009 Issue . . . July 2008 Data, South Carolina Security Commission Labor Market Information

for calculating and monitoring debt while being cognizant of the effect of long-term borrowing on its credit rating. The College will manage debt on a portfolio basis. Its continuing objective to achieve the lowest cost of capital will be balanced with the goal of limiting exposure to market shifts. The College will manage its credit to maintain the highest acceptable rating which will permit the College to issue debt and finance capital projects at favorable interest rates while meeting its strategic objectives. Overall debt will be limited to a level that will maintain an acceptable credit score with the bond rating agencies.

Secondly, as a state agency, the investment of funds is vested with the State Treasurer of South Carolina. Other than certain approved petty cash funds and two loan funds, all cash is held in a cash management pool administered by the State Treasurer. By law, the College is allowed to earn interest income on revenues derived from the operations of its Residence Halls, Parking, and Food Service. Certain debt service funds also managed by the State Treasurer allow interest earnings to the credit of the College. All other interest earned from the investment of College and related fees are retained by the State Treasurer and credited to the State General Fund.

Thirdly, the College participates in a statewide risk management program in which the state assumes substantially all risks for unemployment and workers' compensation benefits and claims of covered employees for health, dental, and group life insurance benefits. In addition, the College pays premiums to the South Carolina Insurance Reserve Fund to cover the risk of loss related to the assets and activities including real and personal property. The College also obtains employee fidelity bond insurance coverage from a commercial insurer.

Major Initiatives

During 2008, the College of Charleston, building on its strong foundation as a public liberal arts and sciences university, began the process of designing a strategic plan to create a world-class institution. To determine the path forward, committees were formed to re-examine the core values and purpose to set priorities for future development. A campus-wide Strategic Planning Committee is leading the way. Five subcommittees are providing the groundwork by researching and analyzing both internal and external factors that affect the College in today's environment. The finished plan will define the College's priorities and lay the foundation for a successful capital campaign that will take the school to new heights in educational excellence.

In the meantime, the College continues to work toward achievement of goals and objectives of its existing Campus Master Plan, a comprehensive study intended to guide the physical growth of the campus. The plan responds to programmatic relationships, the creation of open spaces and pedestrian connections, landscape features, parking and transit needs as well as deferred maintenance, service and utility issues. To that end, construction is underway on the Science Center, the School of the Arts Building (Simons Center), and the Physical Education/Arena Complex (Carolina First Center Athletic Facility).

AWARDS AND ACKNOWLEDGEMENTS

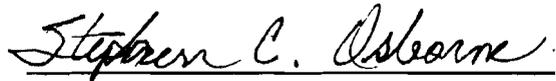
Certificate of Achievement for Excellence in Accounting Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the College of Charleston for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

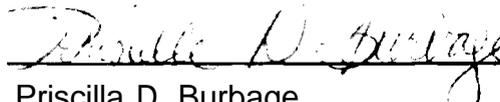
A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement program requirements. We are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

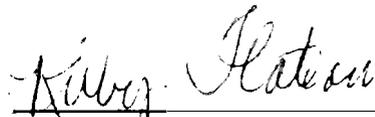
We wish to thank the Board of Trustees and the President of the College for their continued commitment to the fiscal management of the College. Likewise, we wish to thank the members of the College community whose cooperation made the successful close of the fiscal year possible.



Stephen Osborne
Executive Vice-President for Business Affairs



Priscilla D. Burbage
Vice President for Fiscal Services



Ruby Flateau, M.B.A.
Controller



Kenneth "Rick" Mims, C. P. A.
Accounting Fiscal Manager



Stephen K. Stullenbarger, C. P. A.
Accounting Fiscal Manager

**COLLEGE OF CHARLESTON
BOARD OF TRUSTEES
2007 - 2008**

Robert W. Marlowe, Chairman
Member-At-Large

James F. Hightower
Member-At-Large

Marie M. Land, Vice Chairman
Sixth District

William D. Johnson
Fifth District

J. Philip Bell, Secretary
Third District

G. Lee Mikell
Second District

Donald H. Belk
Member-At-Large

Lawrence R. Miller
Fourth District

John H. Busch
Second District

Annaliza Oehmig Moorhead
Third District

Demetria Noisette Clemons
Sixth District

Y. W. Scarborough, III
Governor's Appointee

Dr. L. Cherry Daniel
First District

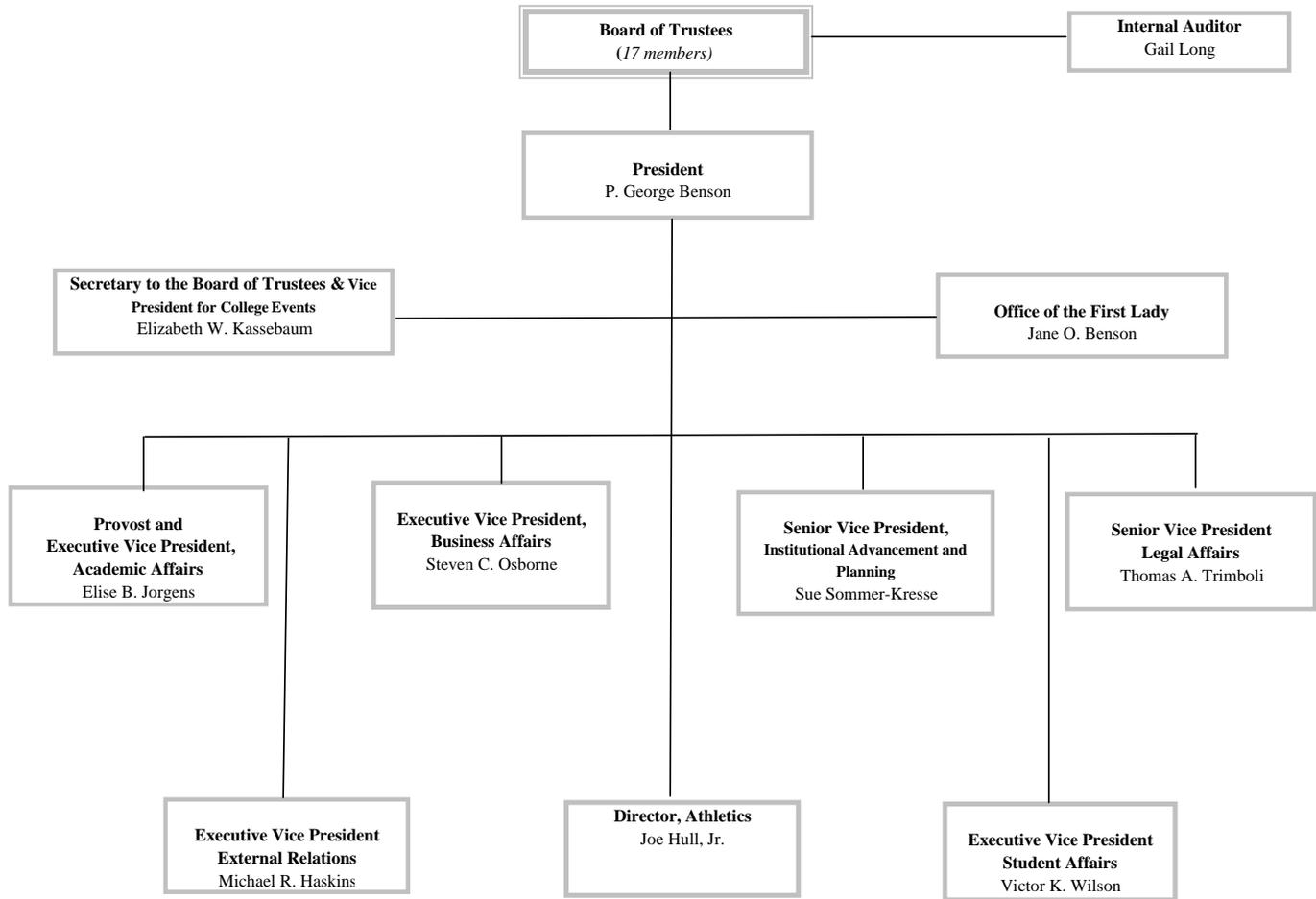
Dr. Sam Stafford, III
Governor's Designee

Frank M. Gadsden
Fifth District

Joseph F. Thompson, Jr.
First District

John B. Wood, Jr.
Fourth District

**College of Charleston
President's Office
Organizational Structure**



**COLLEGE OF CHARLESTON
BUSINESS AND FINANCE OFFICERS
2007-2008**

Steve Osborne
Senior Vice President for Business Affairs

Priscilla Burbage
Vice President for Fiscal Services

Ruby Fleteau, M.B.A.
Controller

Kenneth "Rick" Mims, C.P.A.
Accounting Fiscal Manager

Stephen K. Stullenbarger, C.P.A.
Accounting Fiscal Manager

Samuel B. Jones
Director of Budgeting and Payroll Services

Gail E. Long, C.P.A.
Audits Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

College of Charleston
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

**COLLEGE OF CHARLESTON
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Trustees
The College of Charleston
Charleston, South Carolina

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of The College of Charleston, a department of the State of South Carolina, as of and for the year ended June 30, 2008, which collectively comprise The College of Charleston's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The College of Charleston's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The College of Charleston Foundation (a discretely presented component unit). The College of Charleston Foundation's financial statements reflect 98% of total assets, 98% of net assets, and 84% of total revenues of the discretely presented component units. Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these discretely presented components unit, are based solely on the reports of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented units were not audited in accordance with Government Auditing Standards issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of The College of Charleston are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of The College of Charleston. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of The College of Charleston as of June 30, 2008, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2008 on our consideration of The College of Charleston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis as listed in the accompanying table of contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The introductory section and the statistical section as listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Elliott Davis, LLC

Greenwood, South Carolina
October 9, 2008

**COLLEGE OF CHARLESTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Introduction

The College of Charleston's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and guides the reader toward significant financial matters for the year ended June 30, 2008. Management has prepared the discussion and recommends reading it in conjunction with the accompanying financial statements and footnotes. The responsibility for the financial statements, footnotes, and this discussion rests with management.

Financial and Other Highlights

- Net assets of \$186.7 million in fiscal year 2008 grew by \$22.9 million or 14.0% in comparison to 2007.
- State appropriations totaling \$36.1 in 2008 decreased by \$1.7 million or 4.53% from the prior year's appropriations.
- Tuition and fee revenue of \$90.4 million for 2008 reflects an extra \$7.9 million, up approximately 9.6% in relation to fiscal year 2007.
- Scholarship awards of \$26.3 million in 2008 denote an augmentation of approximately 14.6% as represented in the change in discounts and allowances.
- Total operating expenses of \$180.4 million in 2008 show an added 10.16% in contrast to 2007.
- The College opened its new George Street Residence Halls, completed the Patriots Point Athletics Complex, made significant progress on the

construction of the School of the Arts Building (Simons Center) and broke ground for the new Science Center.

Using the Annual Financial Report

The annual financial report encompasses three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These financial statements are prepared according to the Governmental Accounting Standards Board (GASB), Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities*. They focus on the financial condition of the College, the results of operations, and its cash flows as a whole.

The three financial statements, similar to those of the private sector, should assist the reader of the annual report in assessing whether the College's overall financial condition (the Statement of Net Assets) has improved or deteriorated as a result of current year's financial activities (the Statement of Revenues, Expenses and Changes in Net Assets). In addition, the financial statements will help the reader ascertain whether the College can meet its financial obligations. The Statement of Cash Flows displays information related to both inflows and outflows of cash and further classifies activities by operating, non-capital financing, capital and related financing, and investing. Moreover, it answers the questions as to whether the institution is generating any extra cash that can be

used to repay debt or to invest in new services, and whether the institution is generating enough cash to purchase the additional assets required for growth. The elimination of internal service fund transactions ensures that only transactions external to the College are shown in the statements. The following discussion elaborates further on the components and relationships of the three statements.

First, the **Statement of Net Assets** (the balance sheet) is separated into current and non-current assets and liabilities. Current assets convert to cash within one year and for the College consist mainly of cash and receivables. Current liabilities will settle within one year and consist primarily of payables, deferred revenues and accrued compensation. This data provide information on assets available to continue the operations; amounts due to vendors, investors, lending institutions; and the net assets available for expenditure by the College. All capital assets are reported as well as depreciation expense – the cost of “using up” capital assets. The College does not report any infrastructure assets as a separate line item.

In addition, the *Statement of Net Assets* presents three major categories of net assets. The first category, invested in capital assets, net of related debt, illustrates the College’s equity in property, plant, and equipment. The next category displays the restricted net assets subdivided into expendable and nonexpendable. The amount of nonexpendable restricted resources is available solely for investment purposes. Expendable restricted net assets are available for expenditure but must be spent for purposes as determined by

donors and/or external entities based on the defined restrictions. The final category is unrestricted net assets which may be expended for any lawful purpose of the institution.

Secondly, the **Statement of Revenues, Expenses and Changes in Net Assets** presents the sources of revenue, types of expenses, gains or losses, and changes in net assets. Revenues and expenses are categorized as either operating or non-operating. Significant recurring sources of the College’s revenues, including state appropriations, gifts, and investment income (loss) are considered non-operating, as defined by GASB Statement No. 35. The dependence of public educational institutions on state funding, therefore, will normally result in operating deficits. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating revenues are classified in five major areas: student tuition and fees; federal, state, and local grants and contracts; auxiliary enterprises; student organization revenues; and other sources.

Scholarships and fellowships applied to student accounts are shown as a reduction of student fee revenues, while stipends and other payments made directly to students continue to be presented as scholarship and fellowship expenses.

Operating expenses are those expenses paid to acquire or produce the goods and

services provided in return for the operating revenues and to carry out the mission of the College. Operating expenses are mainly attributable to salaries and benefits for the faculty and staff of the College. Other elements included in operating expenses are supplies and materials, utilities, scholarships and fellowships, and depreciation.

Non-operating revenues are monies received for which goods and services are not provided. State capital appropriations as well as capital improvement bond proceeds are considered neither operating nor non-operating revenues and are reported after "Income before other revenues, expenses, gains or losses."

Lastly, the ***Statement of Cash Flows*** presents detailed information about the cash activity of the College during the year and is divided into five sections. The operating section shows the net cash used by the operating activities of the College.

The second section presents cash flows from non-capital financing activities and reflects the cash received and spent for non-capital financing purposes. Cash used for the acquisition and construction of capital and related items is detailed in the cash from capital and related financing activities section. The section on cash flows from investing activities shows the interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. This reconciliation is detailed in the financial statements of the College and is not included in this analysis.

As required by GASB, the Statement of Cash Flows was produced using the direct method. Under the direct method, net cash is determined by adjusting each item in the income statement from the accrual basis to cash.

Statement of Net Assets

The Statement of Net Assets, which details all assets and liabilities of the College, indicates the financial position of the College at the end of the fiscal year. Net assets illustrate the difference between total assets and total liabilities.

The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. A synopsis of the College's assets, liabilities, and net assets as of June 30, 2008 and 2007 follows.

Condensed Statement of Net Assets

Assets	2008	2007	Increase (Decrease)	Percent Change
Current assets	\$ 105,182,087	\$ 44,070,391	\$ 61,111,696	138.67%
Capital assets, net of depreciation	295,777,719	197,251,381	98,526,338	49.95%
Other non-current assets	5,552,825	51,808,530	(46,255,705)	-89.28%
Total Assets	406,512,631	293,130,302	113,382,329	38.68%
Liabilities				
Current liabilities	38,194,899	35,482,343	2,712,556	7.64%
Non-current liabilities	181,605,643	93,823,517	87,782,126	93.56%
Total Liabilities	219,800,542	129,305,860	90,494,682	69.98%
Net Assets				
Investments in capital assets, net of debt	143,670,309	117,272,006	26,398,303	22.51%
Restricted -- nonexpendable	1,389,673	1,098,512	291,161	26.51%
Restricted -- expendable	31,607,835	36,132,746	(4,524,911)	-12.52%
Unrestricted	10,044,272	9,321,178	723,094	7.76%
Total Net Assets	\$ 186,712,089	\$ 163,824,442	\$ 22,887,647	13.97%

A favorable trend of an increase in **Total Net Assets** continues for the College. The net assets balance of \$186.7 million at June 30, 2008 represents growth of \$22.9 million or 14.0%. Comparatively speaking, and for the fiscal year ending 2007, total net assets were \$163.8 million. The rise stems principally from unspent bond proceeds for various capital projects; unspent bond proceeds remain for construction projects including the School of the Arts Building (Simons Center), the Physical Education/Arena Complex, and the new Science Center.

Restricted nonexpendable net assets represent the College's permanent endowments. The College is the recipient of two permanent endowments totaling \$1.4 million from the South Carolina Commission on Higher Education. Restricted expendable net assets of \$31.6 million refer to funds that are externally limited for specific purposes and consist of scholarships and fellowships, sponsored research, student loans, capital projects and debt service.

Unrestricted net assets of \$.72 million or 7.8% grew insubstantially. Increases in cash, from revenue streams consisting of student tuition and fees along with sales of auxiliary services, contributed to the growth in unrestricted net assets. Unrestricted net assets provide a source of discretionary funds for whatever lawful purposes the College determines appropriate. Although these funds are not subject to external restrictions, the College has designated these funds internally for a variety of academic, research, student assistance and capital purposes.

Total Assets of \$406.5 million have increased by \$113.4 million or 38.7% from last year to the current period. The appreciation of non-current assets, in part, explains the majority of the expansion. In particular, the book values of the new George Street Residence Halls, Patriots Point Athletics Facility and the School of Education signify growth of \$74.5 million or 40.1%.

An increase of \$30.6 million (or 78.9%) in Construction-in-Progress during 2008 compared to 2007, for projects such as the Physical Education Center, School of the Arts Building (Simons Center), and the Science Center substantially impacted total assets as well. The College's capital assets include land and property in an area of approximately 11 city blocks in the center of downtown Charleston.

In regard to total current assets, a rise of \$61.1 million resulted from an increase due to an accounting reclassification, a decline in grants and contracts receivable, and an increase in net income from tuition and fees. An accounting reclassification of non-current restricted

cash and cash equivalents to the current restricted category clarifies the major jump of \$71.9 million. A timing issue in cash draws sheds light on the reason for the decline in grants and contracts receivable. Lastly, rate hikes in tuition (averaging 9.5%), housing (9.5%), and meal plans (7.5%) generated net income of roughly \$8.5 million.

Total Liabilities of \$219.8 million show a sharp rise of 70.0% between fiscal years 2008 and 2007. New bonds of \$95.9 million were issued to finance the purchase of the new George Street Residence Halls and the remainder of the construction of the School of the Arts Building (Simons Center), Science Center, and the Physical Education Center/Arena Complex.

Current liabilities comprised largely of accounts payable and accrued expenses; deferred and unearned student revenues; and accrued payroll and related liabilities reflect a modest increase of 7.6% or \$2.7 million. Furthermore, the majority of this increase is directly correlated to the issuance of the new bonds and construction of capital projects, in particular the accrued interest, retainage and bond obligations.

In summary, the changes in total net assets provide an important indicator of the financial health of the College but should be considered in conjunction with other non-financial factors. Non-financial factors include the quality of applicants, student retention rates, building conditions, and campus safety.

Statement of Revenues, Expenses, and Changes in Net Assets

The results of the operations of the College are shown in the Statement of Revenues, Expenses and Changes in Net Assets which follows.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenues:				
Tuition and fees*	\$ 90,434,570	\$ 82,490,608	\$ 7,943,962	9.63%
Federal, state, and local grants and contracts	33,230,236	26,484,104	6,746,132	25.47%
Auxiliary services*	33,550,710	28,475,737	5,074,973	17.82%
Other	3,193,111	3,028,695	164,416	5.43%
Total Operating Revenues	<u>160,408,627</u>	<u>140,479,144</u>	<u>19,929,483</u>	14.19%
State appropriations	36,094,323	37,806,055	(1,711,732)	-4.53%
Gifts	2,044,215	5,836,035	(3,791,820)	-64.97%
Auxiliary enterprises interest income	326,519	350,871	(24,352)	-6.94%
Interest/ investment income	2,878,157	1,388,388	1,489,769	107.30%
State grants and contracts	200,000	461,585	(261,585)	-56.67%
Non governmental grants and contract	124,500	113,885	10,615	9.32%
Capital improvement bond proceeds	7,888,374	8,992,664	(1,104,290)	-12.28%
University infrastructure bond proceeds	-	1,829,102	(1,829,102)	-100.00%
Capital appropriations	1,122,190	1,130,823	(8,633)	-0.76%
Total Non-operating Revenues	<u>50,678,278</u>	<u>57,909,408</u>	<u>(7,231,130)</u>	-12.49%
Total Revenues	<u>211,086,905</u>	<u>198,388,552</u>	<u>12,698,353</u>	6.40%
Expenses:				
Personnel cost	83,802,219	79,036,976	4,765,243	6.03%
Benefits	21,269,026	19,076,761	2,192,265	11.49%
Services, supplies and others	51,152,312	44,331,624	6,820,688	15.39%
Utilities	5,878,364	5,384,461	493,903	9.17%
Scholarship and fellowship	10,077,961	9,647,951	430,010	4.46%
Depreciation and amortization	8,268,616	6,332,096	1,936,520	30.58%
Total Operating Expenses	<u>180,448,498</u>	<u>163,809,869</u>	<u>16,638,629</u>	10.16%
Interest on capital assets and related debt	7,671,322	3,591,422	4,079,900	113.60%
Loss on sale of assets	79,438	279,514	(200,076)	-71.58%
Total Non-operating Expenses	<u>7,750,760</u>	<u>3,870,936</u>	<u>3,879,824</u>	100.23%
Total Expenses	<u>188,199,258</u>	<u>167,680,805</u>	<u>20,518,453</u>	12.24%
Change in Net Assets	22,887,647	30,707,747	(7,820,100)	-25.47%
Net Assets, Beginning	<u>163,824,442</u>	<u>133,116,695</u>	<u>30,707,747</u>	23.07%
Net Assets, Ending	<u>\$ 186,712,089</u>	<u>\$ 163,824,442</u>	<u>\$ 22,887,647</u>	13.97%

* Net of scholarship discounts and allowances

For fiscal year 2008, the Statement of Revenues, Expenses, and Changes in Net Assets reflects a balance of \$186.7 million, an augmentation of \$22.9 or 14.0% in comparison to 2007. Total revenue summed to \$211.1 million while total expenses excluding interest on debt added up to \$180.4. The primary streams of revenue sources consist of tuition and fees, grants and contracts, auxiliary services and state appropriations.

Tuition and related fees of \$90.4 million comprise the largest part of the total operating revenues. The raised fee rates during the academic year of 2007-2008 boosted revenue by \$7.9 million. Tuition and fees increased by 7.5% for in-state students and 11.5% for out-of-state students during this period. For both fiscal years 2008 and 2007 tuition and fees have hovered around 43.5% as the composition of total revenue.

State appropriations encompass 17.1% or \$36.1 million dollars of the total revenue. The State Legislature appropriated additional recurring funds of \$3.6 million for the cost of living salary increases for state-funded positions as well as for a variety of programs such as the Marine Genomics, Hospitality Tourism and Management, the Business - Economic Partnership Initiative, and Global Trade and Resource. Net state revenue declined slightly by 4.5% in 2008 due to minor changes in the allocations for a few legislatively funded non-recurring "Special Items."

Federal and state grant revenue at \$33.2 million reflects a 25.5% or \$6.7 million expansion in funds. Part of this additional revenue comes from a NASA (National Aeronautics and Space Administration)

grant awarded to fund portions of the construction costs of the Science Center. State grants from the Commission on Higher Education for the LIFE and Palmetto Scholarships make up nearly \$1.2 million of the change.

Revenues from the auxiliary systems produce 15.9% or \$33.5 million of the total revenue and show an increase of \$5.1 million, up by 17.8% in contrast to 2007. Auxiliary services generated 15.3% of the total revenue during 2007. The opening of the new George Street Residence Halls and the rate increases for housing and meal plans (9% and 7.5%, respectively) offer insight as to the reasons for the upward swing. Sales and services of auxiliary enterprises are comprised of athletics, health services, book sales, rental, student housing, food services and parking.

Total operating expenses reported for 2008 were \$180.4 million. Personnel costs and benefits comprise most of the operating expenses of the College. Approximately \$105.1 million or 58.2% of the total operating expenses covered employee compensation and benefits for the year ended 2008. The net increase in this category was 7.1% or \$7.0 million. Services and supplies along with utilities as well as scholarships and fellowships reflect moderate increases of 15.4%, 9.2%, and 4.5%, respectively. They make up 37.2% of the operating expenses. Depreciation and amortization increased by 30.6%, and justifiably so, due to the addition of capital assets and bond issuance costs.

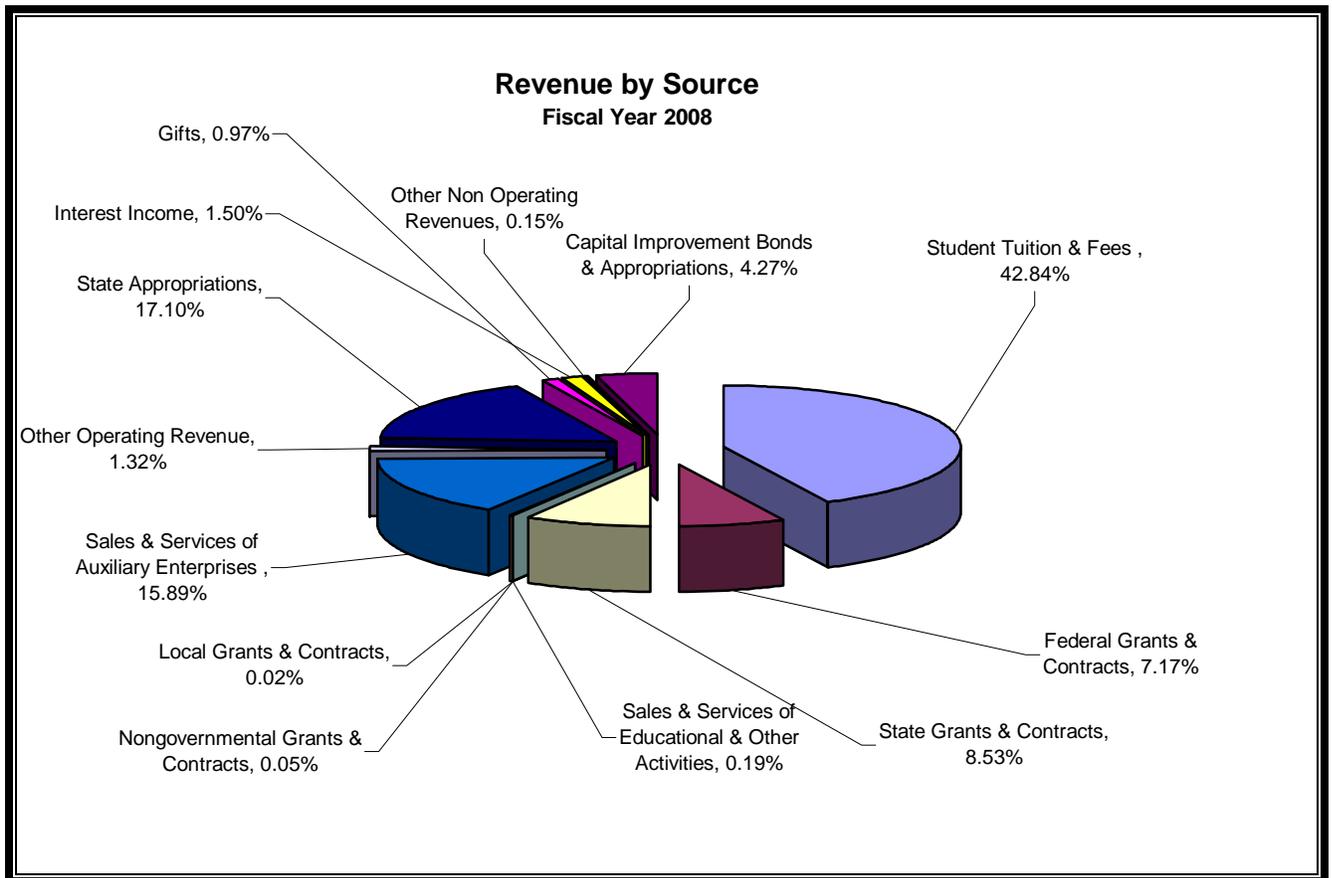
Other significant changes include the interest income and interest expense. Interest earned on income from unspent bond proceeds was \$2.9 million at the

end of fiscal year 2008, up \$1.5 million from fiscal year 2007. In addition, interest expense climbed by \$4.1 million in direct relationship to the new debt of \$95.9 million. Gifts for scholarships were down in 2008 by \$3.8 million; gift revenue totaled \$2.1 million in 2008 contrasted to \$5.8 million in 2007.

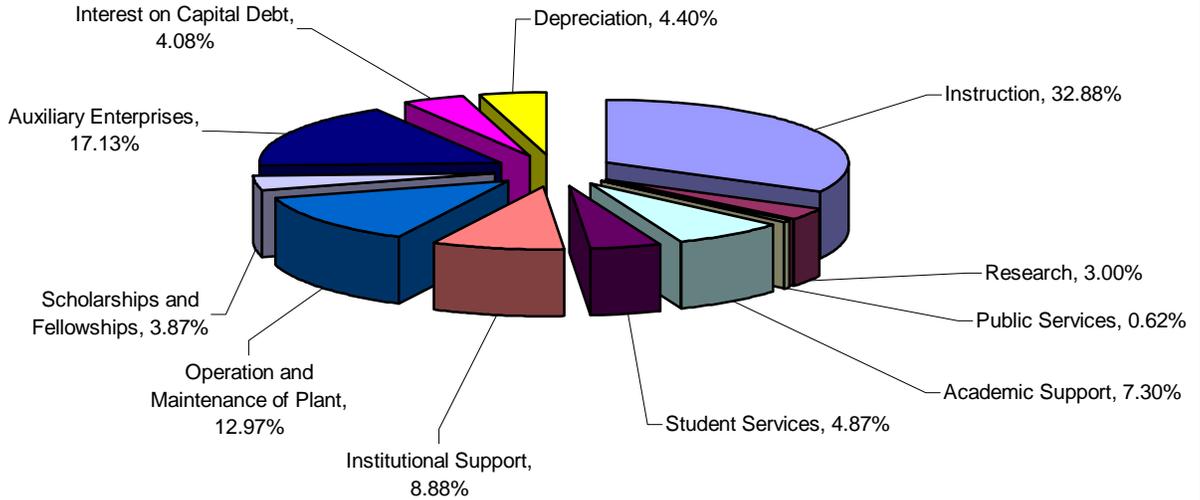
proceeds drawn from the State Treasurer's Office to cover construction purchases for the Physical Education Center, the Science Center and Simons Center for the Arts decreased by \$1.1 million or 12.3%. The College did not draw any University Infrastructure bond proceeds during this period.

Finally, total other revenue, expenses, gains (losses) decreased by 24.6% or \$2.9 million. Capital improvement bond

(The following charts depict the revenues by source and expenses by function.)



Expenses By Function Fiscal Year 2008



Statement of Cash Flows

The Statement of Cash Flows also provides information about the College's financial health by reporting the cash receipts and cash payments of the

College during the year ended June 30, 2008. A synopsis of the Statement of Cash Flows follows.

Condensed Statement of Cash Flows

	2008	2007	Increase (Decrease)	Percent Charge
Cash used by operating activities	\$ (8,022,872)	\$ (24,397,761)	\$ 16,374,889	-67.12%
Cash provided by non-capital financing activities	38,128,924	39,322,365	(1,193,441)	-3.04%
Cash used by capital debt and related financing activities	(8,003,613)	(23,201,067)	15,197,454	-65.50%
Cash provided by investing activities	3,024,653	1,795,345	1,229,308	68.47%
Net Increase (Decrease) in Cash	25,127,092	(6,481,118)	31,608,210	-487.70%
Cash, Beginning of Year	60,675,082	67,156,200	(6,481,118)	-9.65%
Cash, End of Year	85,802,174	60,675,082	25,127,092	41.41%

In 2008, cash and cash equivalents of \$85.8 million rose sharply by \$25.1 million or 41.4%. First, cash flows from operating activities increased by \$16.4 million or 67.1%. Additional cash from grants and contracts represents a major portion of the increase. Cash deposits in 2008 were \$35.6 million in 2008 compared to only \$19.8 million in 2007. Disbursements for salaries and benefits as well as other operating expenses show modest growth for a mean of 7.5%. Employees received on the average 3.0% cost of living increases. Cash deposits from the sales of auxiliary services rose by 15.8% from \$28.4 million in 2007 to \$32.9 million in 2008. A likely factor that contributed to this rise in cash includes the opening of the new George Street Residence Hall along with the new cafeteria. Rate increases in the housing and meal plans offer another explanation.

Secondly, cash from State appropriations of \$36.1 million in 2008 is \$1.7 million less than the amount in 2007. Scholarship gifts and grants show an increase of \$810,000.

Finally, the College issued revenue bonds at July 17, 2008 and received cash proceeds of \$95.9 million. At the same time, cash outflows of \$76.5 million for the purchases of the George Street Residence Halls and expenditures for other major construction projects offset cash from bond proceeds. These transactions explain the net increase of \$15.2 million in net cash used by capital debt and related financing activities.

As of fiscal year end 2008, cash and cash equivalents made up 21.1% of the total asset base of the College.

Capital Asset and Debt Activity

A critical factor in continuing the quality of the College's academic and research programs and residential life experience is the acquisition, construction, and improvement of its capital assets. The College continues to implement its long-range plan to modernize its complement of older teaching and research facilities, balanced with new construction.

The College had approximately \$295.8 million invested in capital assets, net of accumulated depreciation of \$88.0 million at the end of June 30, 2008. Total capital assets in 2008 increased by \$98.5 million or 49.9% in relation to 2007. Accumulated depreciation for 2007 was \$80.3 million.

The book values of the George Street Residence Halls, the School of Education and the Patriots Point Athletic Facility were added to capital assets. Purchases for the construction of the Physical Education Center, the School of the Arts Building (Simons Center), and the Science Building justify the increase of \$30.6 in Construction-in-Progress. A synopsis of the net capital assets for the years ended 2008 and 2007 further illustrates the significant changes between the accounting periods.

Capital Assets				
	2008	2007	Increase (Decrease)	Percent Change
Land	\$ 40,038,105	\$ 22,062,551	\$ 17,975,554	81.48%
Land improvements	3,930,238	3,930,238	-	
Buildings	220,202,603	163,673,559	56,529,044	34.54%
Building improvements	40,083,016	40,083,016	-	0.00%
Equipment	9,739,205	8,695,035	1,044,170	12.01%
Computer software	343,732	343,732	-	
Accumulated depreciation and amortization	(87,968,818)	(80,339,456)	(7,629,362)	9.50%
Construction in progress	69,409,638	38,802,706	30,606,932	78.88%
Total Capital Assets - Net	\$ 295,777,719	\$ 197,251,381	\$ 98,526,338	49.95%

Debt

Outstanding long-term debt was \$182.0 million as of June 30, 2008. Embedded in that figure is long-term bond debt of \$176.8 million which is \$89.5 million or 101% greater than the amount in 2007.

During fiscal year 2008, new bond debt of \$95.9 million was issued to finance the purchase of the George Street Residence Halls and construction expenses to complete the Science Center, the School of the Arts Building (Simons Center), and the Physical Education Center. See notes 5, 10, and 11 for additional information on capital assets and long-term debt.

Previous debt service obligations originated from several bond issues that financed the construction of McAlister Hall, the School of Business, and the Addlestone Library as well as the purchase of Kelly House and the Berry Residence Hall renovation.

Economic Outlook

The economic position of the College, a state-supported higher education institution, relates to the State of South Carolina. In addition, the College must stay attuned with the United States economy as well.

To that end, a recent news release of the S. C. Comptroller General's Office⁴ reveals that the revenue collections in fiscal year 2008 were \$266 million less than they were in 2007, a decline of 4.0%. After spending \$757 million of its 2009 beginning fund balance to finance 2008 expenditures, the State's Rainy Day Fund was left with a remaining balance of \$95 million at June 30, 2008.

With no expectation for improvement in revenue collections in the fiscal year 2009, the State Budget and Control Board at its August 12, 2008 meeting already has had to trim by 3 percent the 2009 agency budgets approved by the State Legislature.

The State has unfunded liabilities of \$10 billion in its public employee retirement system and \$8.6 billion in its retiree health plan which it must pay off over the next 25-30 years in order to comply with governmental accounting rules.

Another publication, the *South Carolina Economic Outlook*⁵, reveals The real Gross Domestic Product (GDP) for the United States is expected to average roughly 1.1 percent growth during 2008. The GDP is growing at the same rate

that was observed for the last quarter of 2007 and is considerably lower than the average 3 percent growth the U. S. economy experienced in the past five years. This major drop in the growth rate directly relates to the turmoil in the housing and financial markets. The national unemployment rate will rise during 2008 reaching 5.5 percent by the end of the year.

With respect to the South Carolina economy, the growth expectation for 2008 is revised downward. The State's unemployment rate is expected to average 6.2 percent in 2008, and 2008 income growth is expected to fall to 4.6 percent.

The overall outlook for 2008 reveals a period of stagnant growth for both the state and national economies. The main challenge for the South Carolina economy remains creating jobs at a rate large enough to compensate for the losses in the construction and manufacturing sector and thus prevent the unemployment rate from surging again.

More Information

This financial report is designed to provide a general overview of the College of Charleston's finances and demonstrate the College's accountability for the money it receives. Any questions regarding this report or requests for information may be addressed to: Ruby Flateau, Controller; College of Charleston; 66 George Street; Charleston, South Carolina, 29424.

⁴ News Release, Comptroller General's Office, August 14, 2008

⁵ South Carolina Economic Outlook, University of South Carolina, Published June 2008

COLLEGE OF CHARLESTON
STATEMENT OF NET ASSETS
June 30, 2008

Assets

Current Assets

Cash and cash equivalents	\$ 24,053,211
Cash and cash equivalents, restricted	61,624,579
Accounts receivable	3,229,933
Allowances for bad debts	(225,000)
Grants and contracts receivable	8,054,581
Component unit receivable	4,895,629
Interest income receivable	317,709
Prepaid items	2,980,728
Inventories	250,717
Total Current Assets	\$ 105,182,087

Non-Current Assets

Cash and cash equivalents, restricted	\$ 124,384
Component unit receivable	1,289,673
Student loans receivable	2,269,164
Prepaid items	405,773
Capital assets not being depreciated	109,447,743
Capital assets, net of accumulated depreciation	186,329,976
Bond issue costs (net)	1,463,831
Total Non-Current Assets	\$ 301,330,544

Total Assets	\$ 406,512,631
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Liabilities And Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 11,626,553
Accrued payroll and related liabilities	6,375,732
Retainage payable	1,338,218
Deferred and unearned student revenues	9,247,621
Deposits held for others	444,410
Student deposits	127,463
Compensated absences payable	1,744,088
Accrued interest payable	2,059,035
Bonds payable	5,231,779
Total Current Liabilities	\$ 38,194,899

Non-Current Liabilities

Compensated absences payable	\$ 2,315,221
Bonds payable	176,825,472
Federal capital contribution	2,464,950
Total Non-Current Liabilities	\$ 181,605,643

Total Liabilities	\$ 219,800,542
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Net Assets

Invested in capital assets, net of related debt	\$ 143,670,309
Restricted for:	
Nonexpendable	
Endowed professorship	100,000
Endowment other	1,289,673
Expendable	
Scholarships and fellowships	195,899
Research	72,121
Loans	212,606
Capital projects	29,015,427
Debt service	2,111,782
Unrestricted	10,044,272
Total Net Assets	\$ 186,712,089

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

Operating Revenues	
Tuition and related fees (\$5,113,470 pledged for debt service; net of scholarship allowance of \$19,626,280)	\$ 90,434,570
Federal grants and contracts	15,124,933
State grants and contracts	17,995,962
Local grants and contracts	7,500
Non governmental grants and contracts-restricted	101,841
Educational activities revenues	401,906
Student organizations generated revenues	722,428
Sales and Services of Auxiliary Enterprises	
Revenues not pledged for debt service	
Athletics (net of scholarship allowance of \$1,724,806)	6,998,524
Health services (net of scholarship allowance of \$215,947)	808,355
Bookstore	377,832
Rental, vending, and debit card	219,309
Revenues pledged for debt service	
Housing (net of scholarship allowance of \$3,394,714)	16,524,243
Food service (net of scholarship allowance of \$1,341,645)	6,476,741
Parking	2,145,706
Other sources	2,068,777
Total Operating Revenues	\$ 160,408,627
Operating Expenses	
Personnel cost	\$ 83,802,219
Benefits	21,269,026
Services, supplies and others	51,152,312
Utilities	5,878,364
Scholarships and fellowships	10,077,961
Depreciation and amortization	8,268,616
Total Operating Expenses	\$ 180,448,498
Operating Loss	\$ (20,039,871)
Non-Operating Revenues (Expenses)	
State appropriations	\$ 36,094,323
Gifts	2,044,215
Auxiliary enterprises interest income	326,519
Interest/investment income	2,878,157
Interest on capital assets and related debt	(7,671,322)
State grants and contracts	200,000
Non governmental grants and contracts	124,500
Loss on sale of assets	(79,438)
Total Net Non-Operating Revenues (Expenses)	\$ 33,916,954
Income Before Other Revenues, Expenses, Gains (Losses)	\$ 13,877,083
Other Revenues, Expenses, Gains, and Losses	
Capital improvement bond proceeds	\$ 7,888,374
Capital appropriations	1,122,190
Total Other Revenue, Expenses, Gains (Losses)	\$ 9,010,564
Increase In Net Assets	\$ 22,887,647
Net Assets, Beginning Of Year	163,824,442
Net Assets, End Of Year	\$ 186,712,089

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

Cash Flow From Operating Activities

Tuition and fees	\$	90,957,579
Grants and contracts		35,640,448
Sales and services of education and other activities		1,124,334
Sales and services of auxiliary enterprises		32,893,326
Other operating revenues		2,238,579
Payments to employees for salaries and benefits		(105,312,260)
Payments to suppliers		(49,587,261)
Payments for utilities		(5,878,364)
Payments to students for scholarships and fellowships		(10,077,961)
Loans issued to students		(383,823)
Collection of loans from students		273,432
Deposits held for others		89,099
Student direct lending receipts		40,133,488
Student direct lending disbursements		(40,133,488)
Net Cash Used By Operating Activities	\$	(8,022,872)

Cash Flows From Non-Capital Financing Activities

State appropriations	\$	36,094,323
Increase in notes receivable		(289,673)
Gifts and grants for other than capital purpose		2,324,274
Net Cash Provided by Non-Capital Financing Activities	\$	38,128,924

Cash Flows From Capital And Related Financing Activities

Proceeds from capital improvement bonds	\$	7,888,374
Proceeds from capital appropriations		1,122,190
Proceeds from capital grants and gifts		4,854,416
Purchases of capital assets		(104,626,437)
Proceeds from sales of capital assets		(79,438)
Principal paid on capital debt		(6,264,735)
Proceeds from issuance of bonds		95,930,000
Interest paid on capital related debt		(6,827,983)
Net Cash Used by Capital Debt And Related Financing Activities	\$	(8,003,613)

Cash Flows From Investing Activities

Interest on investments	\$	3,024,653
Net Cash Provided by Investing Activities	\$	3,024,653

Net change in cash and cash equivalents	\$	25,127,092
Cash and cash equivalents - Beginning of the Year		60,675,082
Cash and Cash Equivalents - End of the Year	\$	85,802,174

Reconciliation of net operating revenue (expenses) to net cash provided (used) by operating activities

Operating loss	\$	(20,039,871)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization expense		8,268,616
Changes in assets and liabilities:		
Deposits held for others		89,099
Account receivable, net		7,149,888
Inventories		4,706
Student loans receivable		(110,391)
Prepaid expenses		(898,663)
Accounts payable and accrued expenses		1,852,544
Accrued compensated absences and related liabilities		365,449
Deferred revenue		(4,697,764)
Student and other deposits		(6,485)
Net Cash Used by Operating Activities	\$	(8,022,872)

Reconciliation of Cash and Cash Equivalent Balances:

Current Assets:		
Cash and cash equivalents	\$	24,053,211
Cash and cash equivalents, restricted		61,624,579
Noncurrent assets:		
Cash and cash equivalents, restricted		124,384
Total Cash and Cash Equivalents	\$	85,802,174

See Accompanying Notes to Financial Statements

COLLEGE OF CHARLESTON FOUNDATION
 COMPONENT UNIT
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2007

Assets

Cash and cash equivalents	\$ 11,258,526
Accounts receivable	202,747
Accrued interest receivable	134,537
Prepaid expenses	59,655
Inventories	19,885
Unconditional promises to give, net	6,880,533
Investments	52,234,351
Contributions receivable from remainder trusts	365,072
Cash value of life insurance	61,761
Property and equipment, net	10,605,491
Total Assets	\$ 81,822,558

Liabilities

Accounts payable and accrued expenses	\$ 1,006,843
Annuities payable	289,772
Deferred revenue	203,452
Marine Genomics grant payable	1,332,386
IRA Loan Payable (College)	205,000
Total Liabilities	\$ 3,037,453

Net Assets

Unrestricted:	
Undesignated	\$ 12,093,524
Temporarily restricted:	
Restricted for:	
Program expenses	29,410,043
Investment in property	941,963
Permanently restricted:	
Permanent endowments	36,339,575
Total Net Assets	\$ 78,785,105
Total Liabilities and Net Assets	\$ 81,822,558

See Accompanying Notes to Financial Statements

COLLEGE OF CHARLESTON FOUNDATION
COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Contributions	\$ 929,701	\$ 3,274,569	\$ 2,013,694	\$ 6,217,964
Net interest and dividend income	406,924	924,491	-	1,331,415
Rental income	798,847	-	-	798,847
Net realized and unrealized gains (losses) on long-term investments	3,754	4,706,220	-	4,709,974
Other income	17,522	542,412	14,560	574,494
Gain (loss) on sale of equipment	-	375	-	375
Changes in value of split interest agreements	-	43,281	-	43,281
Subtotal	<u>2,156,748</u>	<u>9,491,348</u>	<u>2,028,254</u>	<u>13,676,350</u>
Net assets released from restrictions:				
Program restrictions satisfied	3,735,122	(3,735,122)	-	-
Payment of administrative surcharges	443,782	(443,782)	-	-
Total revenue, gains (losses), and other support	<u>6,335,652</u>	<u>5,312,444</u>	<u>2,028,254</u>	<u>13,676,350</u>
Expenses:				
Program:				
Student aid and recognition	1,715,565	-	-	1,715,565
Faculty/ community enrichment	2,754,710	-	-	2,754,710
Total program expenses	<u>4,470,275</u>	<u>-</u>	<u>-</u>	<u>4,470,275</u>
Supporting Services:				
General and administrative	567,344	-	-	567,344
Fundraising	667,661	-	-	667,661
Total supporting services	<u>1,235,005</u>	<u>-</u>	<u>-</u>	<u>1,235,005</u>
Change in allowance for uncollectible promises to give	<u>(83,502)</u>	<u>44,904</u>	<u>(49,762)</u>	<u>(88,360)</u>
Total Expenses	<u>5,621,778</u>	<u>44,904</u>	<u>(49,762)</u>	<u>5,616,920</u>
Change in net assets	713,874	5,267,540	2,078,016	8,059,430
Net Assets, Beginning of Year	<u>11,379,650</u>	<u>25,084,466</u>	<u>34,261,559</u>	<u>70,725,675</u>
Net Assets, End of Year	<u>\$ 12,093,524</u>	<u>\$ 30,352,006</u>	<u>\$ 36,339,575</u>	<u>\$ 78,785,105</u>

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON COUGAR CLUB
 COMPONENT UNIT
 STATEMENT OF FINANCIAL POSITION
 June 30, 2008**

Assets

Current Assets

Cash and cash equivalents		
Unrestricted	\$	597,734
Restricted		225,818
Accounts receivable		8,312
Unconditional promises to give		322,790
Due from related parties		15,000
Prepaid expenses		6,176
Total current assets		1,175,830

Other Assets

Investments, at market		95,662
Unconditional promises to give, net of current portion and discount		405,718
Property and equipment, net		10,566
Total other assets		511,946
Total Assets	\$	1,687,776

Liabilities and Net Assets

Current Liabilities

Accounts payable		6,342
Due to related parties		2,074
Deferred revenue		10,890
Incentive compensation contract, current portion		19,132
Total current liabilities		38,438

Long - Term Liabilities

Incentive compensation contract		76,530
Total Liabilities		114,968

Net Assets

Unrestricted		789,736
Temporarily restricted		783,072
Total Net Assets		1,572,808

Total Liabilities and Net Assets	\$	1,687,776
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See Accompanying Notes to Financial Statements

COLLEGE OF CHARLESTON COUGAR CLUB
COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Unrestricted	Temporarily Restricted	Total
Revenue, gains and other support:			
Contributions and memberships	\$ 735,849	\$ 1,742,186	\$ 2,478,035
Special events, net of direct expenses of \$40,674	62,124		62,124
Interest	23,553	-	23,553
Other income	8,942	-	8,942
Subtotal	<u>830,468</u>	<u>1,742,186</u>	<u>2,572,654</u>
Net assets released from restrictions	1,541,719	(1,541,719)	-
Total revenue, gains (losses), and other support	<u>2,372,187</u>	<u>200,467</u>	<u>2,572,654</u>
Expenses:			
Program:			
Grants and support	1,460,505	-	1,460,505
Membership activities	278,732	-	278,732
Total program expenses	<u>1,739,237</u>	<u>-</u>	<u>1,739,237</u>
Supporting Services:			
Management and general	92,491	-	92,491
Fundraising	52,124	-	52,124
Total supporting services	<u>144,615</u>	<u>-</u>	<u>144,615</u>
Total Expenses	<u>1,883,852</u>	<u>-</u>	<u>1,883,852</u>
Change in net assets	488,335	200,467	688,802
Net Assets, Beginning of Year	<u>301,401</u>	<u>582,605</u>	<u>884,006</u>
Net Assets, End of Year	<u>\$ 789,736</u>	<u>\$ 783,072</u>	<u>\$ 1,572,808</u>

See Accompanying Notes to Financial Statements

THE COLLEGE OF CHARLESTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The College of Charleston is a state-supported institution of higher education. The College's main purpose is to provide a world-class liberal arts education to undergraduate and graduate students. It is committed to attracting the most promising students from South Carolina, other states in the nation, and from around the world.

The accompanying basic financial statements present the statement of net assets, statement of revenue, expenses and changes in net assets, and the statement of cash flows of the College of Charleston. The financial statements include individual schools and departments. The College includes all funds and account groups, and all entities over which the College exercises or has the ability to exercise oversight authority for financial reporting purposes.

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 and other organizations for which the nature and significance of their relationships with the primary government are such that exclusion

would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of the College, as the primary government, and the accounts of its discretely presented component units, the College of Charleston Foundation and the Cougar Club. The College is part of the primary government of the State of South Carolina.

The College of Charleston Foundation is a separately chartered corporation formed primarily to provide financial assistance and scholarships to the College. The Foundation reports under the Financial Accounting Standards Board (FASB) and operates on a calendar year basis.

The Cougar Club is a separately chartered corporation organized exclusively to solicit and provide funds to the Athletic Department. The Cougar Club reports under the Financial Accounting Standards Board (FASB), and its fiscal year runs concurrent with the College.

Financial Statement Presentation

The financial statement presentation for the College meets the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and

GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's net assets, revenues, expenses and changes in net assets and cash flows. In addition and as per GASB Statement No. 39, its component units are discretely presented in the report.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements reflect the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and fees and auxiliary enterprise fees are presented net of scholarship discounts and allowances applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

The amounts shown in the financial statements in the College funds as "cash and cash equivalents" represent petty cash, cash on deposits in banks, cash on deposit with the State

Treasurer, cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool as well as cash invested in various short-term investments by the State Treasurer and held in separate agency accounts.

Most State agencies including the College participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit and certain corporate bonds.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on the account are credited to the General Fund of the State. The College records its deposits in the general deposit account at cost. It records and reports its special deposit account at fair value.

For purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

Investments

The College accounts for its investments at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students, gift receivables, and auxiliary enterprise services provided to students and other outside entities. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. Student loans receivable consist of amounts due from the Federal Perkins Loan Program.

Inventories

The College reports inventories using the consumption approach for which goods are recorded as assets at the time of purchase and recognition of the expenditures are deferred until the goods are actually consumed. Inventories are carried at the lower of cost or market. The cost of inventory is reported on a first-in, first-out basis. Items accounted for as the College

inventories include maintenance, janitorial, housing and office supplies.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes moveable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year; depreciable land improvements, buildings and improvements; and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 15 to 50 years for buildings and improvements and land improvements, and 3 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken during the year the asset is placed in service, and no depreciation is taken in the year of disposition.

Deferred Revenues and Deposits

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.

Deposits include dormitory room deposits, advance tuition payments, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee to which the deposit relates is applicable, and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate of return, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued.

Governmental units that issue no more than \$5 million in total of all such debt in a calendar year are exempt from the rebate requirements. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Rebates are payable every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The liability and

expense incurred are recorded at year-end to accrued accounts payable in the Statement of Net Assets and as an expense in the Statement of Revenue, Expenses and Changes in Net Assets.

Non-current Liabilities

Non-current liabilities include (1) principal amounts of bonds payable, (2) estimated amounts for accrued compensated absences, and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

Compensated Absences

Generally, all permanent full-time State employees and certain part-time employees scheduled to work at least one half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave. The College calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through cash payments at termination. That liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments.

The net change in the liability is recorded in the current year in the applicable functional expenditure categories. The liability and expense

incurred are recorded at year-end as compensated absences payable in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Perkins Loans Receivable and Related Liability

The loans receivable on the balance sheet is due to the College under the Perkins Loan Program. This program is funded primarily by the federal government with the College providing a required match. The amount reported as Perkins liability is the amount of cumulative federal contributions and a pro rata share of net earnings on the loans under this program which would require repayment to the federal government if the College ceases to participate in the program. The College recognizes as revenue and expenses only the portion attributable to its matching contribution.

Net Assets

The College's net assets are classified as follows:

Invested in capital assets, net of related debt: This category represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets

include resources which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services to students, faculty and staff.

The College policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Income Taxes

The College, as a political subdivision of the State of South Carolina, is excluded from federal income taxes under Section 115 (1) of the Internal Revenue Code, as amended.

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or

non-operating according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) federal, state and local grants and contracts for services that finance programs the College would not otherwise undertake, (4) receipts for scholarships where the provider has identified the student recipients, and (5) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College. Operating expenses include all expense transactions incurred other than those related to investing, capital or non-capital financing activities.

Non-operating revenues and expenses: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes. Non-operating expenses include interest paid on capital asset related debt, losses on the disposal of capital assets, and refunds to grantors.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students,

are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from the general public.

Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics, parking, bookstore, food services, housing, health services, debit card, and vending. Revenues of internal auxiliary enterprise activities and the related expenditures of

college departments have been eliminated.

Use of Estimates in Accounting

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses, and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Estimates are used to determine the useful lives of long-lived assets such as buildings, improvements, and equipment. The College has used approximations as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives.

In addition, the College has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for bad debts. The College uses an aging analysis to estimate this allowance.

NOTE 2 – CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS

All deposits and investments of the College are under the control of the State Treasurer, who, by law, has sole authority for investing State funds. Information pertaining to the reported amounts, fair values and credit risk of the State Treasurer's deposits and investments is disclosed in the

Comprehensive Annual Financial Report of the State of South Carolina.

The following schedule reconciles deposits and investments in the footnotes to the Statement of Net Assets amounts:

Schedule of Deposits and Investments

Statement of Net Assets

Current assets	
Cash and cash equivalents	\$ 24,053,211
Cash and cash equivalents, restricted	61,624,579
Noncurrent assets	
Cash and cash equivalents, restricted	124,384
	<u>\$ 85,802,174</u>

Disclosure, Deposits, and Investments

Cash on hand	\$ 10,248
Deposits held by State Treasurer	35,499,582
Deposits held by State Comptroller General	33,375,604
Wachovia operating checking account	16,870,591
Bank of America payroll checking account	21,765
Wachovia Perkins loan account	24,384
	<u>\$ 85,802,174</u>

Deposits Held by State Treasurer

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the deposits of the College of Charleston may not be returned to the College. For deposits held by the State Treasurer, State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in

collateral within seven days. At June 30, 2008, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are

held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to the College's other deposits at year-end, all of these deposits are either insured or collateralized with securities held by the entity or by its agent in the entity's name, or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Other Deposits

The College owns approximately \$16,916,740 of the total other deposits which are held in checking accounts used to pay payroll and operating expenses and to handle Perkins Loans collections. Federal Depository Insurance Corporation (FDIC) covers the deposits of the College's checking and Perkins Loans accounts up to the FDIC limit of \$100,000, and the balance is collateralized by government securities.

Restricted Cash Deposits

Restricted cash deposits of \$61,624,579 are for capital projects and debt service. Non-current restricted cash deposits of \$100,000 and \$24,384 are restricted for the endowment fund and Perkins Loan fund, respectively.

Investments

The College of Charleston Foundation, a component unit of the College, has

investments consisting of money funds, marketable debt, equity securities, mutual funds and U. S. government securities which are carried at fair market value based on quoted market prices determined at the date of the Statement of Financial Position. Investments donated to the Foundation are initially recorded at market value on the date of the gift. Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

The Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. Investment income and expenses, including unrealized gains and losses from securities in the master investment accounts, are allocated semi-annually to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

The Foundation maintains its cash accounts in three different commercial banks and two investment firms located in South Carolina. Accounts held at each bank are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) as provided by law. The majority of investments other than bank accounts are held by one local investment firm. This investment firm provides up to \$500,000 protection, including \$100,000 for cash, through Securities Investor Protection Corporation (SIPC). In addition, the firm purchases additional insurance to apply to losses above the SIPC protection level for cash and bearer securities. Subject to the policy limits, cash at the

investment firm is protected up to \$1,900,000 in the aggregate.

The Foundation is also subject to concentration of credit risk related to its unconditional promises to give—receivables. Contributions and unconditional promises to give consist of gift amounts from individuals and

businesses predominantly located in the State of South Carolina. At December 31, 2007, promises from four donors represented 52% or \$4,275,000 of the total promises to give balance. At December 31, 2006, promises from two donors represented 28% or \$2,800,000 of the total promises to give balance.

Investments – Non-Governmental Discretely Presented Component Units

The College of Charleston Foundation investments as of December 31, 2007 are as follows:

Investment Carried at Fair Value

	Cost (in thousands)	Fair Value (in thousands)
Cash and certificates of deposit	\$ 4,479	\$ 4,479
Money funds	24	24
Debt securities	4,109	4,098
Equity securities	27,994	29,622
Mutual funds	396	479
U. S. Government securities	9,489	10,721
Other	2,608	2,811
Total	<u>\$ 49,099</u>	<u>\$ 52,234</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2008, are summarized as follows:

Accounts Receivable	
As of June 30, 2008	
Student accounts	\$ 1,764,400
Other	243,756
Auxiliary enterprise	1,221,777
Total Accounts Receivable	<u>3,229,933</u>
Allowance for Doubtful accounts	<u>(225,000)</u>
Federal grants and contracts	7,641,696
State grants and contracts	155,422
Nongovernmental grants and contracts	257,463
Total Grants and Contracts	<u>8,054,581</u>
Component unit	6,185,302
Interest income	317,709
Student loans receivable	<u>2,269,164</u>
Net Accounts Receivable	<u>\$ 19,831,689</u>

Allowances for losses on student accounts receivable are established based upon actual losses incurred in prior years and/or evaluations of the

current account portfolio. At June 30, 2008, the allowance for uncollectible student accounts is valued at \$225,000.

NOTE 4 – LOANS RECEIVABLE

Student loans made through the federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2008. The Perkins Loan Program provides various repayment options. Students have the right to repay the loans over periods up to 10 years depending on the amount of the loan

and loan cancellation privileges the student may exercise. These loans are classified as non-current receivables. As the College determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education.

NOTE 5 - CAPITAL ASSETS

	Beginning Balance 7/1/2007	Increases	Decreases	Ending Balance 6/30/2008
Capital assets not being depreciated:				
Land	\$ 22,062,551	\$ 17,975,554	\$ -	\$ 40,038,105
Construction in progress	<u>38,802,706</u>	<u>104,627,099</u>	<u>74,020,167</u>	<u>69,409,638</u>
Total capital assets not being depreciated	<u>\$ 60,865,257</u>	<u>\$ 122,602,653</u>	<u>\$ 74,020,167</u>	<u>\$ 109,447,743</u>
Other capital assets:				
Land improvements	\$ 3,930,238	\$ -	\$ -	\$ 3,930,238
Buildings	163,673,559	56,529,044	-	220,202,603
Building improvements	40,083,016	-	-	40,083,016
Machinery, equipment, and other	8,087,604	1,625,854	559,419	9,154,039
Computer software	343,732	-	-	343,732
Motor vehicle	<u>607,431</u>	<u>47,895</u>	<u>70,160</u>	<u>585,166</u>
Total other capital assets at historical cost	<u>\$ 216,725,580</u>	<u>\$ 58,202,793</u>	<u>\$ 629,579</u>	<u>\$ 274,298,794</u>
Less accumulated depreciation for:				
Land improvements	\$ 3,148,249	\$ 65,166	\$ -	\$ 3,213,415
Buildings	52,448,677	5,776,910	-	58,225,587
Buildings improvements	19,432,122	1,490,026	-	20,922,148
Machinery, equipment, and other	4,452,413	779,611	455,471	4,776,553
Computer software	343,732	-	-	343,732
Motor vehicle	<u>514,263</u>	<u>43,280</u>	<u>70,160</u>	<u>487,383</u>
Total accumulated depreciation	<u>\$ 80,339,456</u>	<u>\$ 8,154,993</u>	<u>\$ 525,631</u>	<u>\$ 87,968,818</u>
Other capital assets, net	<u>\$ 136,386,124</u>	<u>\$ 50,047,800</u>	<u>\$ 103,948</u>	<u>\$ 186,329,976</u>
Capital assets, net	<u>\$ 197,251,381</u>	<u>\$ 172,650,453</u>	<u>\$ 74,124,115</u>	<u>\$ 295,777,719</u>

During fiscal year 2008, capitalized interest was \$872,144. The depreciation expense computed to \$8,154,993. In addition, the College sold assets with original purchase costs

(net of depreciation) of \$103,948 for which it received proceeds of \$24,510. The loss incurred from the sale of assets totaled \$79,438.

NOTE 6 – RETIREMENT PLAN (S)

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR), which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina, 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and average final compensation.

South Carolina Retirement System

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally, all permanent State employees are

required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustments, death, and group life insurance benefits to eligible employees and retirees.

Since July 1, 2007, employees participating in the SCRS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2007, the employer contribution rate became 12.48 percent, which includes a 3.42 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ended June 30, 2008, 2007, and 2006, were \$3,672,932; \$3,168,637; and \$2,849,868 respectively, and equaled the required contributions of 9.06 percent (excluding the surcharge) for each year. Also, the College paid employer group life insurance contributions of \$60,810 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally, all permanent full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required

to participate in and contribute to the system as a condition of employment. This plan provides annuity benefits as well as disability and group life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2007, the employer contribution rate became 13.72 percent, which, as for the SCRS, includes the 3.42 percent surcharge. The College's actual contributions to the PORS for the years ended June 30, 2008, 2007, and 2006, were \$ 191,073; \$181,871; and \$182,047 respectively, and equaled the required contribution of 10.30 percent (excluding the surcharge) for each year. Also, the College paid employer group life insurance contributions of \$3,710 and accidental death insurance contributions of \$3,710 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

Certain permanent State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase

of individual fixed or variable annuity contracts, which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must elect membership within their first thirty days of employment. Under State law and effective fiscal year 2007, contributions to the ORP are required at the same rate as for the SCRS, 9.06 percent plus the retiree surcharge of 3.42 percent from the employer.

Certain College employees have elected to be covered under optional retirement plans. For the fiscal years 2008, 2007, 2006, total contribution requirements to the ORP were \$2,838,557, \$2,279,349, (excluding the surcharge) from the College as employer and \$2,041,323 \$1,829,377, and \$1,533,727 from its employees as plan members. In addition and for the current fiscal year, the College paid \$46,996 for group life insurance coverage for these employees. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple employer plans, created under Internal Revenue Code Sections 457, and 401 (k), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina.

Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans.

Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost-of-living adjustments granted during the TERI period.

Participants who have entered the TERI period on or after July 1, 2005 are required to contribute 6.5 percent of gross earnings to the South Carolina Retirement System. Effective July 1, 2007, the employer contribution rate became 12.48 percent, which includes a 3.42 percent surcharge to fund the retiree health and dental insurance coverage.

NOTE 7 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The College contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan

(LTDP), cost-sharing multiple-employer defined benefit post-employment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of

retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.42 percent and 3.35 percent

of annual covered payroll for 2008 and 2007, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The College paid approximately \$2,521,423 and \$2,326,326 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2008 and 2007, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2008 and 2007.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions.

NOTE 8 – CONTINGENCIES, LITIGATION, PROJECT COMMITMENTS, AND SUBSEQUENT EVENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The College had outstanding commitments under construction contracts of approximately \$61,526,507 at June 30, 2008. Of this total,

\$57,439,085 is attributable to capital projects and the balance of \$4,087,422 is for non-capital repairs and maintenance. The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and State Capital Improvement Bond proceeds.

The State has issued Capital Improvement Bonds to fund improvements and expansion of State facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once the State authorities have given approval to begin specific projects and project expenditures have been incurred. The College has \$3,700,000 of State Capital Reserve funds and \$519,452 of University Infrastructure Bonds available to draw at June 30, 2008.

NOTE 9 – LEASE OBLIGATIONS

Future commitments for operating leases having remaining non-cancelable terms in excess of one year as of June 30, 2008 are as follows:

Year Ending June 30,	Equipment	Real Property	
		External Parties	Other State Agencies
2009	157,302	2,532,238	612,810
2010	116,272	2,407,714	256,689
2011	36,725	2,345,429	137,180
2012	-	2,170,628	137,180
2013	-	2,114,787	137,180
2014-18	-	9,518,125	685,900
2019-23	-	4,857,317	685,900
2024-28	-	1,790,546	685,900
2029-33	-	500,000	685,900
2034-38	-	500,000	685,900
2039-43	-	-	685,900
2044-48	-	-	685,900
2049-53	-	-	685,900
2054-58	-	-	685,900
2059-62	-	-	445,835
Total minimum lease payments	<u>\$ 310,299</u>	<u>\$ 28,736,784</u>	<u>\$ 7,899,974</u>

Operating Leases

The College's non-cancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2009 through 2062. The various operating leases provide for renewal options for periods of one to five years at their fair rental values at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis for equipment and on a quarterly basis, in advance, for property. In addition, the College has copier leases payable on a per copy basis.

In 2005, the College renewed real property operating leases with the College of Charleston Foundation, a

component unit, for seventeen different locations. The leases cover office space, student housing, and parking, with annual rentals beginning in fiscal year 2007 of \$828,327. The agreements contain bargain renewal options for five years with three renewal options of five years each. Under the agreements, the College paid the Foundation \$811,857 in the current fiscal year. These leases provide that the College assume responsibility for the maintenance, insurance, property taxes and special assessments of the property. There are escalation clauses based on the Consumer Price Index (CPI). In the case of operating leases for real property from commercial vendors, there exist several leases with escalation clauses limited to the cost of

living. The leased properties consist of classrooms, parking lots, and a warehouse. Moreover, the College pays the commercial vendor property taxes. The College performs routine maintenance on these properties. These costs are not included in the schedule of lease commitments.

In August 2004, the College entered into a nine-year lease for Warren Place, residential apartments and parking spaces, with Warren Place Joint Venture (formerly known as Brumley, Meyer and Kapp). The current year lease payments totaled \$1,127,702.

Additionally, the College leases a sports complex field from Patriots Point Development Authority, a state agency, with rents of \$10,000 per month, lease terms effective April 1, 2002 through March 31, 2062, and annual increases equal to the Consumer Price Index beginning April 1, 2003. A one-time payment of \$500,000 was paid in fiscal year 1998 with a corresponding charge to prepaid expenditures. It is being amortized ratably over the 65-year lease term utilizing the straight-line method of calculation. The lease agreements

make no provisions beyond the 65-year period. The unamortized balance at June 30, 2008 is \$413,465. Amortization of the prepaid rent balance for fiscal year 2008 was \$7,692 and is reported in operating expenses. The College provides maintenance to the tax-exempt property. The College paid the Patriots Point Development Authority \$138,032 in rent in fiscal year 2008.

The College leases the Low Country Graduate Center building from the S. C. Research Authority with annual rents of \$323,155 (with annual increases equal to the Consumer Price Index), lease terms effective October 15, 2004 through October 14, 2009. For fiscal year 2008, the total payment was \$477,976 which includes a prepayment of \$119,450. The College also has other miscellaneous small leases.

Finally, the total operating lease expenditures for fiscal year 2008 were \$2,671,183 of which \$391,366 is for the per copy charge on the copy machines. The College reports all of these operating lease costs in operating expenses.

NOTE 10 – BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2008:

Interest Maturity June 30, 2008	Interest Rates	Maturity Dates	Balance	Debt Retired FY 2008
Revenue Bonds				
Higher Education Facilities Revenue Bond, Series 2002 C-McAlister	3.0-5.0%	2032	\$ 19,355,000	\$ 460,000
Higher Education Facilities Revenue Bond, Series 2002 A-Kelly	3.0-5.25%	2032	9,450,000	215,000
Higher Education Facilities Revenue Bond, Series 2003 D				
Parking Garage	2.0-4.5%	2033	11,280,000	275,000
Dorm Renovation	2.0-4.5%	2033	5,445,000	465,000
Higher Education Facilities Revenue Refunding Bond, Series 2002B	4.0-5.0%	2012	7,110,000	1,240,000
Higher Education Facilities Revenue Bond, Series 2004A	3.0-5.0%	2019	4,120,000	305,000
Higher Education Facilities Revenue Bond, Series 2004B	3.0-5.375%	2034	26,105,000	325,000
Higher Education Facilities Revenue Bond, Series 2007C	4.0-5.0%	2034	54,670,000	650,000
Academic/Administrative Facilities Revenue Bond, Series 2007D	4.125-5.625%	2034	40,145,000	465,000
Total Revenue Bonds			\$ 177,680,000	\$ 4,400,000
State Institution Bonds				
Series 2003 A - School of Business	3.0-5.0%	2023	\$ 5,995,000	\$ 265,000
Sub-total Bonds Payable			\$ 183,675,000	\$ 4,665,000
Less: Unamortized Bond Premium/Discount			(1,617,749)	
Total Bonds Payable			\$ 182,057,251	

Bonds issued by the College include certain restrictive covenants. Auxiliary

Revenue Bonds are payable solely from and secured by a pledge of revenues of

the College's residence halls, food service, and parking, and from additional funds from the plant improvement fee imposed by the Board of Trustees.

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State of South Carolina. Tuition revenue is pledged up to the annual debt requirements for the payment of principal and interest on State Institution Bonds. S.C. Code of Laws Section 59-107-90 states that the maximum amount of annual debt service on State Institution Bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees for the year ended June 30, 2007 were \$1,455,532 which results in a legal debt margin at June 30, 2008, of \$1,309,979.

Bond discounts/premiums and other bond issuance costs are capitalized and amortized throughout the life of the

bonds. The amount amortized was \$113,623 and \$49,354 in fiscal years 2008 and 2007.

The College of Charleston capitalizes as a component of construction-in-progress interest costs in excess of earnings on debt associated with capital projects; therefore, asset values in capital assets include such interest costs. Total interest expense incurred for fiscal year 2008 was \$8,543,466 of which \$872,144 was capitalized and \$7,671,322 was expensed.

The College purchased a bond insurance policy payable to the bond trustee for the individual revenue bonds outstanding. The insurance guarantees payment of principal and interest until all debt has been retired. All of the bonds are payable in semi-annual installments plus interest. Amounts including interest required to complete payment of the Auxiliary Revenue Bonds as of June 30, 2008 are as follows:

Revenue Bonds

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2009	\$ 5,015,000	\$ 8,171,323	\$ 13,186,323
2010	5,215,000	7,974,448	13,189,448
2011	5,415,000	7,762,948	13,177,948
2012	5,645,000	7,534,910	13,179,910
2013	5,890,000	7,295,579	13,185,579
2014 -18	24,525,000	33,376,924	57,901,924
2019 - 23	27,005,000	27,569,154	54,574,154
2024 - 28	34,165,000	20,417,290	54,582,290
2029 - 33	41,265,000	11,242,459	52,507,459
2034 -37	23,540,000	2,579,269	26,119,269
Total Revenue Bonds	<u>\$ 177,680,000</u>	<u>\$ 133,924,304</u>	<u>\$ 311,604,304</u>

Amounts including interest required to complete payment of the State Institution Bonds as of June 30, 2008 are as follows:

State Institution Bonds

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2009	\$ 275,000	\$ 214,750	\$ 489,750
2010	295,000	206,500	501,500
2011	305,000	197,650	502,650
2012	320,000	188,500	508,500
2013	340,000	178,900	518,900
2014 - 2018	1,960,000	713,125	2,673,125
2019 - 2023	2,500,000	312,313	2,812,313
Total State Institutional Bonds	<u>\$ 5,995,000</u>	<u>\$ 2,011,738</u>	<u>\$ 8,006,738</u>

In prior years the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the College's financial statements. At June 30, 2008, \$1,809,000 of bonds outstanding is considered defeased. The College was in compliance with all applicable bond covenants as of June 30, 2008.

During the fiscal year 2005, the College received Higher Education and Academic and Administrative Facilities Revenue Bond proceeds of \$32,450,000 to fund various campus projects. Proceeds of \$5,065,000 from the Series 2004 A Bonds were used to provide for major renovation of all interior spaces and the replacement/enhancement of fire and life safety systems for McConnell and Craig Residence Halls as well as address other deferred maintenance needs, such as roofs, HVAC systems, and exterior repairs on other residence hall facilities. Approximately \$13,000,000 of the proceeds from the Series 2004 B Bonds were used to cover expenditures for the addition of roughly 25,000 square feet of new construction for the School of Education, to renovate portions of the

Stern Student Center, and to construct a new School of Business. The remainder of the Series B Bonds of approximately \$13,750,000 is being used to expand and renovate the School of the Arts Building, an existing building. The balance of bond proceeds remaining at June 30, 2008 for this project was \$11,700,366.

On July 17, 2007 the College sold bonds "Series 2007C Bonds" College of Charleston Higher Education Facilities Revenue Bonds in the amount of \$55,320,000 and "Series 2007D Bonds" College of Charleston Academic and Administrative Facilities Revenue Bonds in the amount of \$40,610,000.

The Series 2007C Project provided for the acquisition of the George Street Residence Halls. The Series 2007D Project provides for the expansion and renovation of the School of the Arts Building for the purpose of reconfiguring certain portions of the existing facility; the acquisition, construction and equipping of a new Physical Education/Arena Complex to include classroom facilities and administration facilities; and the acquisition, construction and equipping of certain portions of a new Science Center.

NOTE 11 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2008 was as follows:

Long-Term Liabilities					
	July 1, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
Bonds Payable					
State Institution Bonds	\$ 6,260,000	\$ -	\$ 265,000	\$ 5,995,000	\$ 275,000
Unamortized Premiums/ Discounts	2,542	280,782	11,330	271,994	11,330
Total State Institution Bonds	\$ 6,262,542	\$ 280,782	\$ 276,330	\$ 6,266,994	\$ 286,330
Revenue Bonds	\$ 86,150,000	\$ 95,930,000	\$ 4,400,000	\$ 177,680,000	\$ 5,015,000
Unamortized Premiums/ Discounts	(20,556)	(1,938,738)	(69,551)	(1,889,743)	(69,551)
Total Revenue Bonds	\$ 86,129,444	\$ 93,991,262	\$ 4,330,449	\$ 175,790,257	\$ 4,945,449
Total Bonds Payable	\$ 92,391,986	\$ 94,272,044	\$ 4,606,779	\$ 182,057,251	\$ 5,231,779
Other Liabilities					
Federal Capital Contribution	\$ 2,464,950	\$ -	\$ -	\$ 2,464,950	\$ -
Accrued Compensated Absences	3,693,860	2,109,537	1,744,088	4,059,309	1,744,088
Total Other Liabilities	\$ 6,158,810	\$ 2,109,537	\$ 1,744,088	\$ 6,524,259	\$ 1,744,088
Total Long-Term Liabilities	\$ 98,550,796	\$ 96,381,581	\$ 6,350,867	\$ 188,581,510	\$ 6,975,867

NOTE 12 – DONOR RESTRICTED ENDOWMENTS

The College is the recipient of two restricted endowments from the Commission of Higher Education. One is an endowed professorship in the amount of \$100,000 with a stipulation that only earnings can be used to fund endowed chairs at the College. At June 30, 2008, the net appreciation of interest income of \$5,118 was available to be spent, of which \$5,118 is restricted to specific purposes.

The other endowment funded through the South Carolina Research Centers of Economic Excellence Act of 2002 in the amount of \$1,000,000 was received during fiscal year 2005 through a Memorandum of Understanding between the College and the Medical University of South Carolina (MUSC). The College has joined with MUSC to raise non-state matching funds of \$2,000,000 for collaborative research, the Research Center in Applied Marine

Genomics. Through an agreement between the College of Charleston and the College of Charleston Foundation and permissible under South Carolina Code of Laws Section 59-101-410, the College loaned the funds to the Foundation for the specific purpose of maximizing the College's investment

yield. The collaborative research project is intended to be a permanent program; however, in the event the program is discontinued, the Foundation must return the grant funds plus any earnings less any authorized program spending and customary administrative fees.

NOTE 13 – COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational programs. They include the College of Charleston Foundation and the Cougar Club. Independent auditors retained by the organizations audit the financial statements of these entities.

The financial report of the College of Charleston Foundation may be obtained by writing to the Financial Services Office of the College of Charleston Foundation, Wilson-Sottile House, Charleston, South Carolina, 29424. The financial report of the College of Charleston Cougar Club can be obtained by writing to the Finance Director, Cougar Club, 66 George

Street, Charleston, South Carolina, 29424.

Effective fiscal year June 30, 2004 and as a result of the GASB 39 implementation guidelines, the College began recognizing the College of Charleston Foundation and the Cougar Club as component units and displaying a discrete presentation format of their financial statements. Both entities report under guidelines established by the Financial Accounting Standards Board (FASB).

The College of Charleston Foundation is a separately chartered entity, which exists exclusively to benefit the College. The following schedule details transactions between the College and the Foundation during the year ended June 30, 2008.

Transactions between the College and the Foundation For Fiscal Year 2008

The College paid the Foundation for the rental of certain real property. The amount is reported as part of the operating expense. In addition, see Note 9 regarding lease transactions with the Foundation. \$ 811,857

This figure represents scholarships awarded by the College and reimbursed by the Foundation. The amount is reported as part of gifts under non-operating revenue. \$ 1,805,715

The Foundation reimbursed the College for certain expenditures that were paid by the College for the benefit of the Foundation. \$ 1,542,633

The component unit receivable as of June 30, 2008, is as follows:

Capital projects receivable - Physical Education Center	\$ 3,861,943
Capital projects receivable - land	6,500
Capital projects receivable - School of the Arts Building (Simons Center)	600,000
Marine Genomics endowment receivable	1,289,673
Operating expense receivable	427,186
Total	<u>\$ 6,185,302</u>

Independent auditors audited the financial statements of the Foundation as of December 31, 2007 and for the year then ended.

The Cougar Club is a separately chartered corporation organized exclusively to solicit and provide funds to the athletic department in the form of scholarships and general revenues from

season ticket sales and fund raising activities. Season basketball tickets are only available through Cougar Club membership. The College received \$225,572 for basketball ticket sales, which is reported as sales and services of Auxiliary Enterprises in operating funds. The financial statements of the Cougar Club as of June 30, 2008 and for the fiscal year then ended were audited by independent auditors.

NOTE 14 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains state or commercial insurance coverage for each of these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The costs of settled claims and claim losses have not exceeded this coverage in any of the past three years. The College pays insurance premiums to certain other state agencies and commercial insurers to cover risks that may occur in normal operations.

The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with the insurance policy and benefit program limits.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all risks for the following:

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

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other types of coverage listed above are through the applicable State's self-insured plan except dependent and optional life premiums, which are remitted to commercial carriers.

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

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles and watercraft (inland marine);

4. Torts;
5. Business interruptions;
6. Natural disasters; and
7. Medical malpractice claims against covered employees.

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

are determined actuarially. The College obtains commercial crime coverage through a commercial insurer for losses arising from employee theft.

NOTE 15 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2008 are summarized as follows:

	Personnel Costs	Supplies and Services	Utilities	Scholarships Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 56,139,529	\$ 5,737,371	\$ -	\$ -	\$ -	\$ 61,876,900
Research	3,181,311	2,465,514	-	-	-	5,646,825
Public Service	714,120	458,331	-	-	-	1,172,451
Academic Support	9,333,816	4,407,755	-	-	-	13,741,571
Student Services	7,151,739	2,018,492	-	-	-	9,170,231
Operation and Maintenance of Plant	7,746,595	13,442,933	3,203,963	-	-	24,393,491
Institutional Support	12,422,401	4,290,899	-	-	-	16,713,300
Scholarships and Fellowships (net of discounts and allowances)	217,892	-	-	7,057,959	-	7,275,851
Auxiliary Enterprises	8,163,842	18,331,017	2,674,401	3,020,002	-	32,189,262
Depreciation and Amortization	-	-	-	-	8,268,616	8,268,616
Total Operating Expense	\$ 105,071,245	\$ 51,152,312	\$ 5,878,364	\$ 10,077,961	\$ 8,268,616	\$ 180,448,498

NOTE 16 – STATE APPROPRIATIONS AND TRANSACTIONS WITH STATE ENTITIES

The College is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. The original appropriation is the College's base budget amount presented in the General Funds column

of Section 5E of the 2007-2008 Appropriation Act. The following schedule is a reconciliation of the original appropriation as enacted by the General Assembly to State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2008.

Non-capital Appropriations

Current year's appropriations:

Original appropriations per annual Appropriations Act	\$ 34,594,904
From Commission on Higher Education:	
Academic endowment	33,855
Access and Equity	25,564
Education and Economic Development Act	30,000
Other - Low Country Graduate Center	1,410,000
Total non-capital appropriations recorded as current year revenue	\$ 36,094,323

Capital Improvement Bond Proceeds

Proceeds drawn during the current fiscal year	\$ 7,888,374
Total capital improvement bond proceeds recorded as current year	\$ 7,888,374

Capital Appropriations

Current year's appropriations:

From SC Education Lottery Fund	\$ 1,122,190
Total capital appropriations recorded as current year revenue	\$ 1,122,190

The College received substantial funding from the Commission on Higher Education (CHE) for scholarships on behalf of students that are accounted for as operating state grants and contracts.

Additional amounts received from CHE are accounted for as both operating and non-operating revenues, depending upon the requirement of deliverables with a current or potential future

economic value. The College also receives state funds from various other public service projects. Following is a summary of amounts received from

state agencies for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2008.

Other Amounts

Received from CHE:	
Hope Scholarships	\$ 460,600
LIFE Scholarships	11,797,609
Palmetto Scholarships	3,486,128
Need-Based Grants	1,211,242
SC Teaching Fellows	13,500
Various other CHE amounts	141,843
Received from Department of Education	447,871
Winthrop University	545,680
Received from Various State Agencies	89,247
	<u>\$ 18,193,720</u>

Finally, services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; banking, bond trustee and investment services from the State Treasurer; legal services from the Attorney General; and grant services from the Office of the Governor.

Other services received at no cost from various offices of the State Budget and Control Board include pension plan administration, insurance plan administration, audit services, personnel management, assistance in the preparation of the budget, review and approval of certain budget amendments, procurement services and other centralized functions.

NOTE 17 – STATEMENT OF ACTIVITIES

The following information is provided for incorporation in the State of South Carolina Comprehensive Annual Financial Report:

	2008	2007	Increase/(Decrease)
Charges for services	\$ 160,408,627	\$ 140,479,144	\$ 19,929,483
Operating grants and contributions	5,573,391	8,150,764	(2,577,373)
Less: Expenses	188,199,258	167,680,805	20,518,453
Net program revenue (expense)	<u>\$ (22,217,240)</u>	<u>\$ (19,050,897)</u>	<u>\$ (3,166,343)</u>
Transfers:			
State appropriations	\$ 36,094,323	\$ 37,806,055	\$ (1,711,732)
Capital improvement bond proceeds	7,888,374	8,992,664	(1,104,290)
University Infrastructure Bonds	-	1,829,102	(1,829,102)
Capital appropriations	1,122,190	1,130,823	(8,633)
Total transfers	<u>\$ 45,104,887</u>	<u>\$ 49,758,644</u>	<u>\$ (4,653,757)</u>
Change in net assets	22,887,647	30,707,747	(7,820,100)
Net assets – beginning	163,824,442	133,116,695	30,707,747
Net assets – ending	<u><u>\$ 186,712,089</u></u>	<u><u>\$ 163,824,442</u></u>	<u><u>\$ 22,887,647</u></u>

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



STATISTICAL SECTION

STATISTICAL SECTION

This section of the College of Charleston's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information conveys about the College's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the College's financial performance has changed over time.	74 - 78
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the College's ability to generate tuition income.	79
Debt Capacity These schedules present information to help the reader assess the affordability of the College's current levels of outstanding debt and its ability to issue additional debt in the future.	80
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the College's financial activities take place and to help make comparisons over time and with other colleges.	81 - 86
Operating Information These schedules contain information about the College's operations and resources to help the reader understand how the College's financial information relates to the services it provides.	87 - 90

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant years.

SCHEDULE OF REVENUES BY SOURCE

For the Year Ended June 30,

	(amounts expressed in thousands)							(percent of total revenue)								
	2008	2007	2006	2005	2004	2003	2002	2001	2008	2007	2006	2005	2004	2003	2002	2001
Revenues																
Operating Revenues:																
Student Tuition and Fees (net of scholarship allowance)	\$ 90,435	\$ 82,491	\$ 76,836	\$ 70,209	\$ 64,584	\$ 53,187	\$ 47,825	\$ 43,771	44.75%	44.25%	46.73%	45.37%	45.29%	40.25%	38.61%	37.38%
Federal Grants and Contracts	15,125	9,903	9,568	9,351	9,787	9,597	8,530	7,183	7.48%	5.31%	5.82%	6.04%	6.86%	7.26%	6.89%	6.13%
State Grants and Contracts	17,996	16,347	16,136	15,398	14,715	13,311	7,210	8,623	8.91%	8.77%	9.81%	9.95%	10.32%	10.07%	5.82%	7.36%
Local Grants and Contracts	8	8	7	23	-	-	15	4	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.01%	0.00%
Nongovernmental Grants and Contracts	102	226	300	341	283	208	217	418	0.05%	0.12%	0.18%	0.22%	0.20%	0.16%	0.18%	0.36%
Sales and Services of Educational and Other Activities	1,124	1,212	1,057	991	1,050	1,025	1,544	1,167	0.56%	0.65%	0.64%	0.64%	0.74%	0.78%	1.25%	1.00%
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	33,550	28,476	25,029	24,412	20,206	19,157	20,216	19,424	16.60%	15.27%	15.22%	15.78%	14.17%	14.50%	16.32%	16.59%
Other Operating Revenue	2,069	1,817	1,561	1,255	1,561	1,342	1,111	1,325	1.02%	0.97%	0.95%	0.81%	1.09%	1.02%	0.90%	1.13%
Total Operating Revenues	\$ 160,409	\$ 140,480	\$ 130,494	\$ 121,980	\$ 112,186	\$ 97,827	\$ 86,668	\$ 81,915	79.38%	75.35%	79.36%	78.83%	78.68%	74.03%	69.98%	69.96%
Non Operating Revenues:																
State Appropriations	36,094	37,806	30,328	28,896	27,354	29,682	32,764	33,339	17.86%	20.28%	18.44%	18.67%	19.18%	22.46%	26.45%	28.47%
Gifts	2,044	5,836	1,814	1,768	1,517	1,738	1,671	1,483	1.01%	3.13%	1.10%	1.14%	1.06%	1.32%	1.35%	1.27%
Interest Income	3,204	1,739	1,141	1,503	59	1,579	1,327	353	1.59%	0.93%	0.69%	0.97%	0.04%	1.19%	1.07%	0.30%
Other Non Operating Revenues	324	576	657	587	1,473	1,316	1,425	-	0.16%	0.31%	0.40%	0.38%	1.03%	1.00%	1.15%	0.00%
Total Non Operating Revenues	\$ 41,666	\$ 45,957	\$ 33,940	\$ 32,754	\$ 30,403	\$ 34,315	\$ 37,187	\$ 35,175	20.62%	24.65%	20.64%	21.17%	21.32%	25.97%	30.02%	30.04%
Total Revenues	\$ 202,075	\$ 186,437	\$ 164,434	\$ 154,734	\$ 142,589	\$ 132,142	\$ 123,855	\$ 117,090	100.00%							

Note: Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for fiscal years 2001-2008 is available.

Source: College of Charleston Comprehensive Annual Financial Reports

SCHEDULE OF EXPENSES BY FUNCTION

For the Year Ended June 30, 2008

	(amounts expressed in thousands)								(percent of total expenses)							
	2008	2007	2006	2005	2004	2003	2002	2001	2008	2007	2006	2005	2004	2003	2002	2001
Expenses:																
Instruction	\$ 61,877	\$ 58,447	\$ 55,232	\$ 51,228	\$ 48,051	\$ 45,435	\$ 43,997	42,413	32.88%	34.86%	34.60%	33.84%	34.45%	33.20%	36.30%	34.45%
Research	5,647	5,974	5,662	4,650	4,750	4,356	3,867	3,569	3.00%	3.56%	3.55%	3.07%	3.41%	3.20%	3.20%	3.41%
Public Services	1,172	865	889	955	1,120	1,299	1,180	1,192	0.62%	0.52%	0.56%	0.63%	0.80%	1.00%	1.00%	0.80%
Academic Support	13,742	13,322	13,061	12,022	10,123	9,682	9,535	9,226	7.30%	7.94%	8.18%	7.94%	7.26%	7.10%	7.90%	7.26%
Student Services	9,170	8,152	7,687	7,122	6,254	6,058	5,752	5,239	4.87%	4.86%	4.82%	4.70%	4.48%	4.40%	4.80%	4.48%
Institutional Support	16,713	14,913	13,081	11,435	11,529	11,194	9,506	8,615	8.88%	8.89%	8.19%	7.55%	8.27%	8.20%	7.90%	8.27%
Operation and Maintenance of Plant	24,393	22,526	22,845	24,348	22,526	21,001	12,517	12,309	12.96%	13.43%	14.31%	16.08%	16.15%	15.40%	10.30%	16.15%
Scholarships and Fellowships	7,276	7,212	6,794	5,585	8,072	9,452	8,456	7,916	3.87%	4.30%	4.26%	3.69%	5.79%	6.90%	7.00%	5.79%
Auxiliary Enterprises	32,189	26,068	24,776	24,087	19,321	20,979	21,395	21,723	17.10%	15.55%	15.52%	15.92%	13.85%	15.30%	17.70%	13.85%
Interest on Capital Debt	7,671	3,591	3,721	3,929	2,993	2,501	1,144	1,076	4.08%	2.14%	2.33%	2.60%	2.15%	1.80%	0.90%	2.15%
Loss on sale of assets	79	280	83	-	-	-	-	-	0.04%	0.17%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation	8,269	6,332	5,793	6,020	4,727	4,752	3,758	3,188	4.39%	3.78%	3.63%	3.98%	3.39%	3.50%	3.10%	3.39%
Total Expenses	\$ 188,198	\$ 167,682	\$ 159,624	\$ 151,381	\$ 139,466	\$ 136,709	\$ 121,107	116,465	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

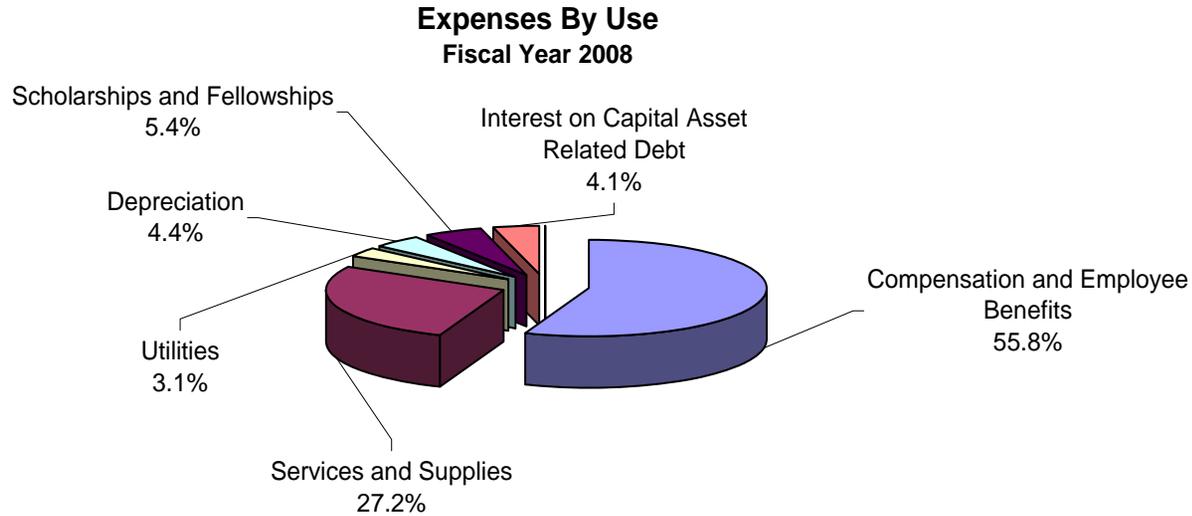
Note: Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for fiscal years 2001-2008 is available.

Source: College of Charleston Comprehensive Annual Financial Reports

SCHEDULE OF EXPENSES BY USE

For the Year Ended June 30,

	(amounts expressed in thousands)								(percent of total expenses)							
	2008	2007	2006	2005	2004	2003	2002	2001	2008	2007	2006	2005	2004	2003	2002	2001
Expenses:																
Operating Expenses:																
Compensation and Employee Benefits	\$ 105,071	\$ 98,115	\$ 93,528	\$ 85,847	\$ 80,533	\$ 76,082	\$ 71,754	\$ 68,716	55.8%	58.5%	58.6%	56.7%	57.7%	55.7%	59.3%	61.8%
Services and Supplies	51,152	44,332	42,582	42,170	37,192	38,871	32,995	27,404	27.2%	26.4%	26.7%	27.8%	26.7%	28.4%	27.2%	24.6%
Utilities	5,878	5,384	4,778	4,648	4,105	3,471	2,999	3,428	3.1%	3.2%	3.0%	3.1%	2.9%	2.5%	2.5%	3.1%
Depreciation	8,269	6,332	5,793	6,020	4,727	4,752	3,758	3,188	4.4%	3.8%	3.6%	4.0%	3.4%	3.5%	3.1%	2.9%
Scholarships and Fellowships	10,078	9,648	9,139	8,767	9,916	11,032	8,457	7,292	5.4%	5.8%	5.7%	5.8%	7.1%	8.1%	7.0%	6.6%
Total Operation Expenses	\$ 180,448	\$ 163,811	\$ 155,820	\$ 147,452	\$ 136,473	\$ 134,208	\$ 119,963	\$ 110,028	95.9%	97.7%	97.6%	97.4%	97.8%	98.2%	99.1%	99.0%
Non Operating Expenses:																
Interest on Capital Asset Related Debt	\$ 7,671	\$ 3,591	\$ 3,721	\$ 3,929	\$ 2,993	\$ 2,501	\$ 1,144	\$ 1,076	4.1%	2.1%	2.3%	2.6%	2.2%	1.8%	0.9%	1.0%
Loss on sale of assets	\$ 79	\$ 280	\$ 83	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Non Operating Expenses	\$ 7,750	\$ 3,871	\$ 3,804	\$ 3,929	\$ 2,993	\$ 2,501	\$ 1,144	\$ 1,076	4.1%	2.3%	2.4%	2.6%	2.2%	1.8%	0.9%	1.0%
Total Expenses	\$ 188,198	\$ 167,682	\$ 159,624	\$ 151,381	\$ 139,466	\$ 136,709	\$ 121,107	\$ 111,104	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%



Note: Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for fiscal years 2001-2008 is available.

Source: College of Charleston Comprehensive Annual Financial Reports

SCHEDULE OF NET ASSETS AND CHANGES IN NET ASSETS

For the Year Ended June 30,
(amounts expressed in thousands)

	2008	2007	2006	2005	2004	2003	2002	2001
Total revenues (from schedule of revenues by source)	202,075	\$ 186,437	\$ 164,434	\$ 154,734	\$ 142,589	\$ 132,142	\$ 123,855	\$ 117,090
Total expenses (from schedule of expenses by use and function)	(188,198)	(167,682)	(159,624)	(151,381)	(139,466)	(136,709)	(121,107)	(116,465)
Income before other revenues, expenses, gains or losses	13,877	18,755	4,810	3,353	3,123	(4,567)	2,748	625
Capital improvement bond proceeds	7,889	8,992	3,295	1,670	8,098	4,831	-	-
Capital gifts	-	-	-	-	-	1,092	538	-
Capital appropriations	1,122	1,131	1,167	-	-	-	262	-
Additions to permanent endowments	-	-	-	1,000	-	-	-	-
Uncollectible capital gifts	-	-	-	-	(2,465)	-	-	-
Transfers to other state funds	-	-	-	-	-	-	-	(22)
University infrastructure bond proceeds	-	1,829	-	-	-	-	-	-
Net assets, beginning	163,824	133,117	123,845	117,822	109,066	107,710	104,162	103,559
Net assets, ending	186,712	\$ 163,824	\$ 133,117	\$ 123,845	\$ 117,822	\$ 109,066	\$ 107,710	\$ 104,162
Invested in capital assets, net of related debt	143,670	\$ 117,272	\$ 93,162	\$ 101,222	\$ 80,912	\$ 82,002	\$ 68,457	\$ 61,766
Restricted - expendable	31,608	36,133	33,396	11,304	26,391	17,163	25,231	32,810
Restricted - nonexpendable	1,390	1,098	1,103	1,103	100	104	101	102
Unrestricted	10,044	9,321	5,456	10,216	10,419	9,797	13,921	9,484
Total	186,712	\$ 163,824	\$ 133,117	\$ 123,845	\$ 117,822	\$ 109,066	\$ 107,710	\$ 104,162

Note: Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for fiscal years 2001-2008 is available.

Source: College of Charleston Comprehensive Annual Financial Reports

SCHEDULE OF RATIOS OF OUTSTANDING DEBT

For the Year Ended June 30,
(dollars expressed in thousands except for outstanding debt per student)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenue bonds	\$ 175,790	\$ 86,132	\$ 89,316	\$ 92,381	\$ 62,896	\$ 64,810	\$ 27,265	\$ 18,055	\$ 19,385	\$ 20,635
State institution bonds	6,267	6,260	6,514	6,753	6,983	7,200	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	-	-	56	134
Total Outstanding Debt	\$ 182,057	\$ 92,392	\$ 95,830	\$ 99,134	\$ 69,879	\$ 72,010	\$ 27,265	\$ 18,055	\$ 19,385	\$ 20,635
Full-time equivalent students (fiscal year)	9,904	9,802	9,883	9,942	9,860	9,947	9,732	9,450	9,480	9,270
Outstanding debt per student	\$ 18,382	\$ 9,426	\$ 9,696	\$ 9,971	\$ 7,087	\$ 7,239	\$ 2,802	\$ 1,911	\$ 2,045	\$ 2,226

Note: Outstanding debt per student calculated using full-time equivalent enrollment data for the last ten years.

Source: College of Charleston Comprehensive Annual Financial Reports, College of Charleston Office of Institutional Research

TUITION AND FEES
Last Ten Academic Years

Academic Year Beginning in Fall	Undergraduate (a)		Graduate (b)	
	Resident	Nonresident	Resident	Nonresident
2007	\$ 7,778	\$ 18,732	\$ 324	\$ 781
2006	7,234	16,800	301	700
2005	6,668	15,342	276	637
2004	6,202	14,140	256	587
2003	5,770	13,032	238	541
2002	4,556	10,290	200	455
2001	3,780	8,540	155	354
2000	3,630	7,910	149	328
1999	3,520	7,210	145	298
1998	3,390	6,880	139	285

Notes:

(a) These amounts are averages for undergraduate first-time, full-time students with an academic year of 24 semester hours.

(b) Per credit-hour

Source: College of Charleston Office of Institutional Research, Graduate School Office

SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years
(amounts in thousands)

Revenue Bonds

Fiscal Year Ended June 30,	Defined Net Revenue Available for Debt Service	Total Revenue Available for Debt Service	Debt Service Payment Requirements			Coverage Ratio
			Principal	Interest	Total	
2008	\$ 12,664	\$ 15,839	\$ 4,400	\$ 7,448	\$ 11,848	1.34
2007	10,487	17,683	3,180	4,008	7,188	2.46
2006	9,993	14,492	3,070	4,085	7,155	2.03
2005	9,550	13,522	2,815	4,193	7,008	1.93
2004	8,459	8,913	2,050	2,748	4,798	1.86
2003	3,802	4,177	1,160	2,147	3,307	1.26
2002	1,817	2,959	1,410	1,005	2,415	1.23
2001	2,411	2,916	1,330	1,074	2,404	1.21
2000	2,350	3,446	1,250	1,140	2,390	1.44
1999	2,800	3,824	1,380	1,092	2,472	1.55

State Institutional Bonds

2008	\$ 537	\$ 537	\$ 265	\$ 223	\$ 488	1.10
2007	534	534	255	230	485	1.10
2006	529	656	240	240	480	1.37
2005	563	653	225	287	512	1.28
2004	522	3,582	220	254	474	7.33

Source: College of Charleston Controller's Office

Notes: The State of South Carolina first issued State Institutional Bonds on behalf of the College in 2003 with debt service payment requirements beginning in 2004.

In addition, each year's figures for revenue available for debt service were recalculated during fiscal year 2006 and consequently, resulted in a revised schedule for that period. The 2008 schedule reflects those revisions.

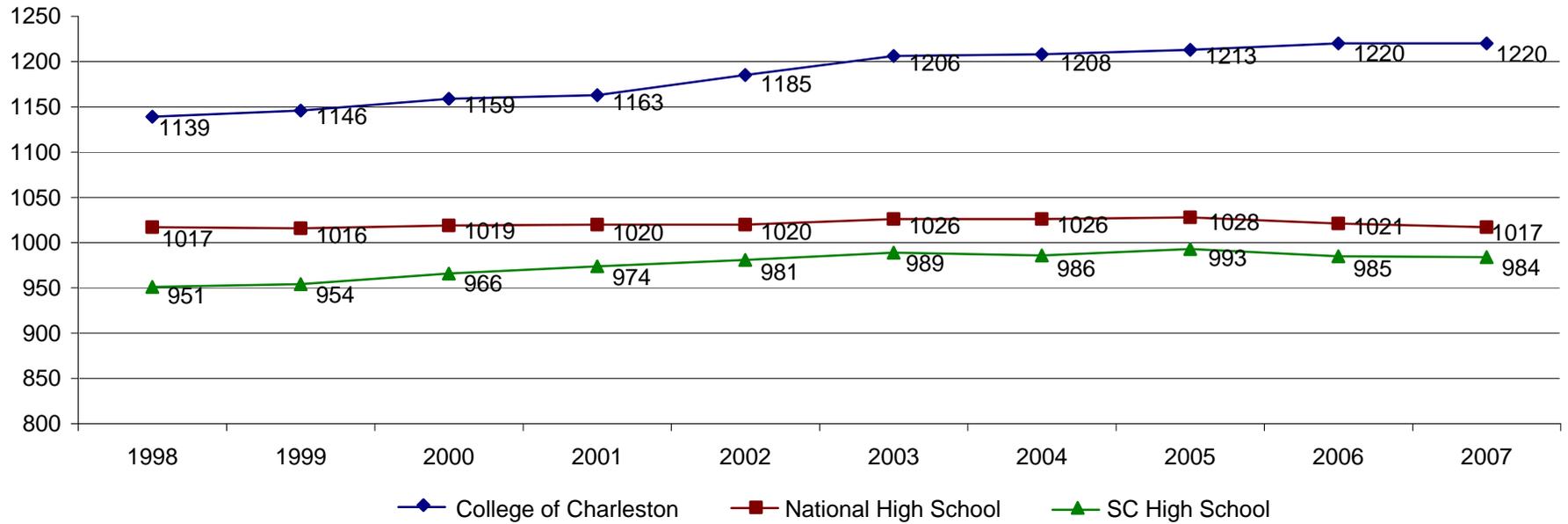
ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

Last Ten Academic Years

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Admissions - Freshman										
Applications	8,941	8,673	8,217	8,076	7,606	8,635	8,356	7,957	7,313	6,945
Applications accepted	5,775	5,311	5,436	5,238	4,560	5,144	5,471	5,323	4,859	4,497
Accepted as a percentage of applications	64.6%	61.2%	66.2%	64.9%	60.0%	59.6%	65.5%	66.9%	66.4%	64.8%
Students enrolled	2,064	1,968	1,993	1,944	1,874	2,003	1,974	2,001	2,074	1,939
Enrolled as a percentage of accepted	35.7%	37.1%	36.7%	37.1%	41.1%	38.9%	36.1%	37.6%	42.7%	43.1%
SAT scores - total	1,220	1,220	1,213	1,208	1,206	1,185	1,163	1,159	1,146	1,139
Verbal	611	610	609	607	605	595	584	585	579	576
Math	609	610	604	601	601	590	579	574	567	563
South Carolina average SAT score - total	984	985	993	986	989	981	974	954	954	951
U.S. average SAT score - total	1,017	1,021	1,028	1,026	1,026	1,020	1,020	1,019	1,016	1,017
Enrollment										
Undergraduate and graduate FTE	9,904	9,802	9,883	9,942	9,860	9,947	9,732	9,450	9,480	9,270
Undergraduate and graduate headcount	11,316	11,218	11,332	11,607	11,536	11,716	11,617	11,129	11,624	11,552
Percentage of Men	34.3%	34.0%	33.9%	33.3%	34.1%	33.8%	33.5%	34.9%	33.2%	33.4%
Percentage of Women	65.7%	66.0%	66.1%	66.7%	65.9%	66.2%	66.5%	65.1%	66.8%	66.6%
Percentage of African-American	6.9%	7.2%	7.7%	8.5%	9.0%	8.7%	8.8%	7.9%	8.8%	8.3%
Percentage of White	82.8%	82.5%	82.0%	83.0%	83.5%	84.9%	84.9%	85.7%	85.3%	86.3%
Percentage of Other	10.3%	10.3%	10.3%	8.4%	7.4%	6.4%	6.3%	6.4%	5.8%	5.4%
Degrees Earned										
Bachelor's	2,145	2,209	2,098	2,162	2,162	1,870	1,798	1,830	1,742	1,597
Master's	218	204	207	192	174	154	165	141	155	158

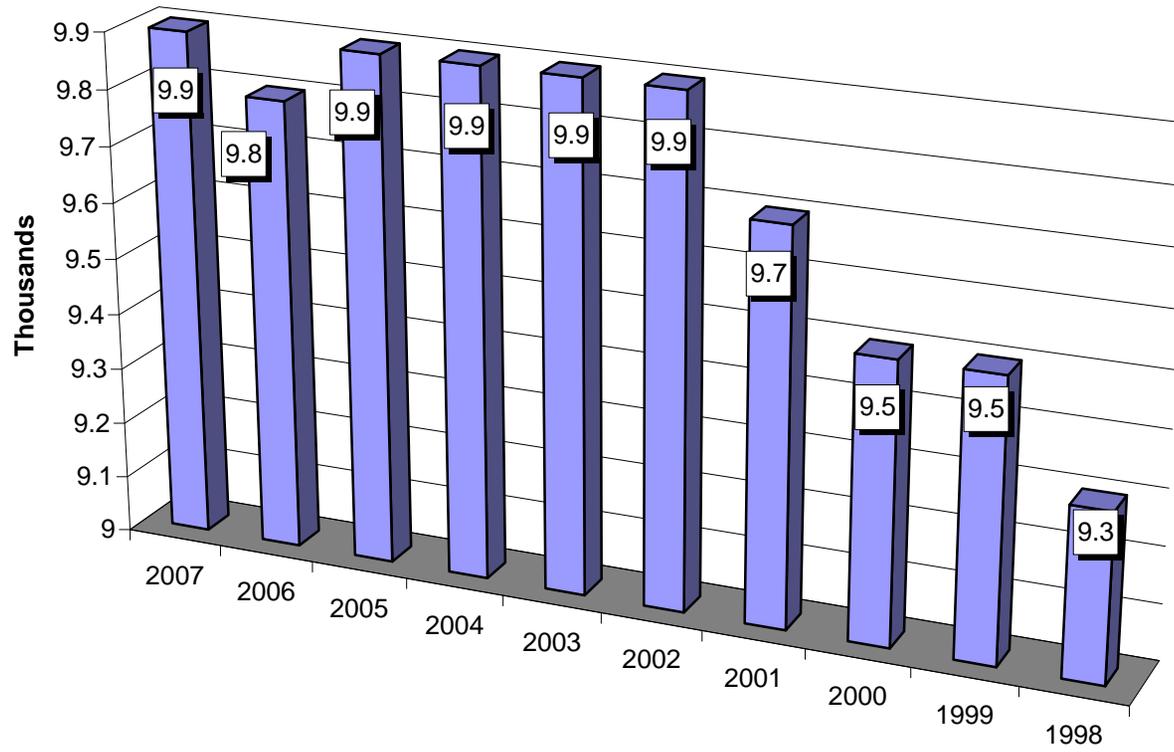
Source: College of Charleston Office of Institutional Research

College of Charleston Average Combined SAT Scores For The Last 10 Academic Years



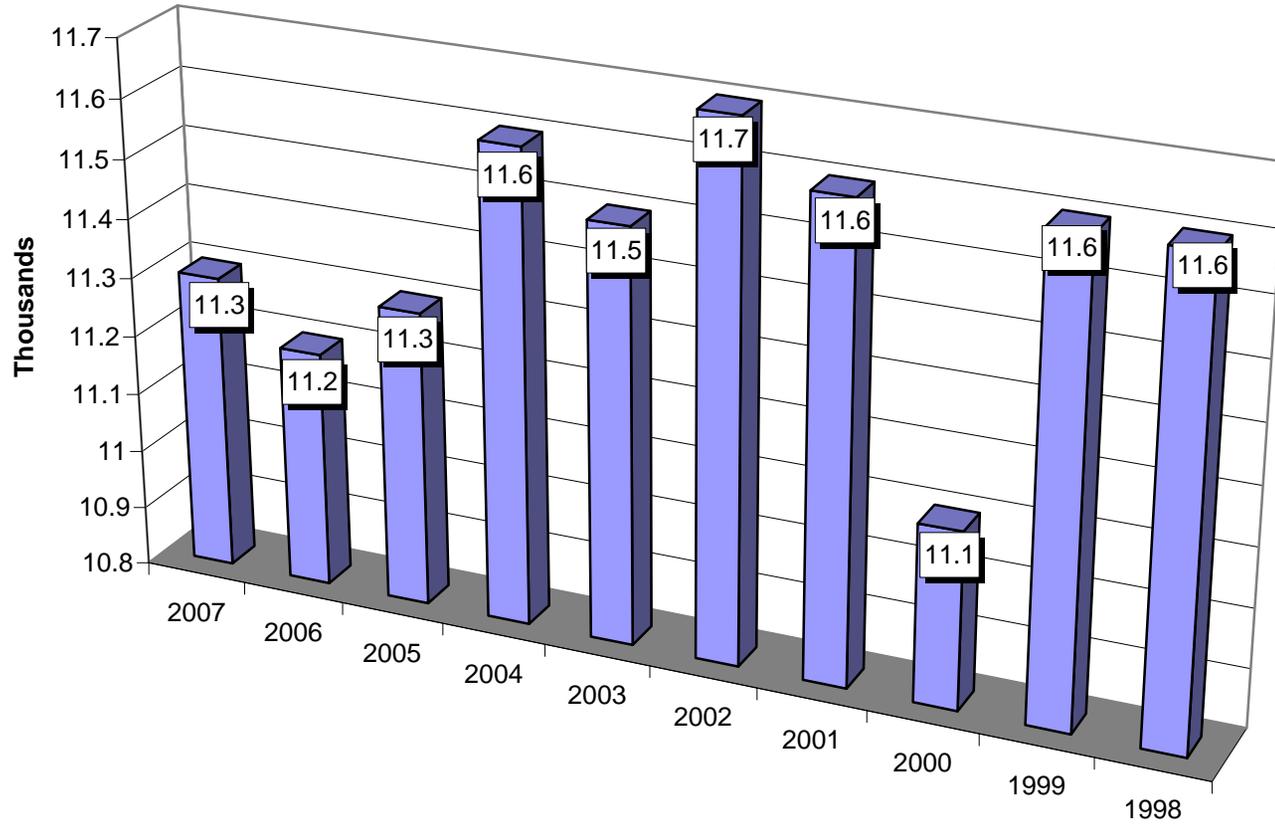
Source: College of Charleston Office of Admissions

**College of Charleston
Student Full Time Equivalents
For The Last 10 Academic Years**



Source: College of Charleston Office of Institutional Research

**College of Charleston
Student Head Count
For The Last 10 Academic Years**



Source: College of Charleston Office of Institutional Research

DEMOGRAPHIC STATISTICS

State of South Carolina

Last Ten Calendar Years

Year	Population as of June 30	Total Personal Income	Per Capita Income	Average Annual Unemployment Rate
2007	4,407,709	135,849,999	30,821	5.9%
2006	4,330,108	129,864,269	29,991	6.4%
2005	4,254,989	120,220,459	28,254	6.7%
2004	4,201,437	113,602,655	27,039	6.8%
2003	4,146,770	107,202,298	25,852	6.7%
2002	4,104,683	104,045,505	25,348	5.9%
2001	4,062,933	101,467,689	24,974	5.2%
2000	4,023,628	98,269,067	24,423	3.6%
1999	3,974,682	91,715,787	23,075	4.1%
1998	3,919,235	86,854,167	22,161	3.6%

Source: South Carolina Comptroller General's Office

TEN LARGEST EMPLOYERS

State of South Carolina

Latest Completed Calendar Year and Four Years Prior (a)

(Listed alphabetically)

2007

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

2001

Bi-Lo, Inc.
Blue Cross/ Blue Shield of South Carolina
Michelin Tire Corporation
School District of Greenville
Springs Industries, Inc.
University of South Carolina
U.S. Department of Defense
U.S. Postal Service
Wal-Mart Associates, Inc.
Westinghouse Savannah River

(a) The ten largest employers prior to calendar year 2001 are unavailable.

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Comptroller General's Office

FACULTY AND STAFF STATISTICS

Last Ten Fiscal Years

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Instructional Faculty										
Part-time	378	373	343	337	366	388	340	241	254	189
Full-time	521	522	515	499	487	463	454	512	489	440
Percentage tenured	60%	59%	61%	60%	59%	58%	60%	61%	63%	64%
Staff and administrators with faculty rank										
Full-time	773	743	710	685	667	861	794	717	659	596
Total employees										
Part-time	378	373	343	337	366	388	340	241	254	189
Full-time	1,294	1,265	1,225	1,184	1,154	1,324	1,248	1,229	1,148	1,036
FTE Students per full-time										
Instructional Faculty	19.0	18.8	19.0	19.8	20.4	21.3	21.9	19.0	19.3	21.5
Staff member	12.8	13.2	13.8	14.4	14.9	11.5	12.5	13.6	14.3	15.9
Average annual faculty salary	\$ 62,275	\$ 59,600	\$ 57,965	\$ 55,057	\$ 52,582	\$ 51,630	\$ 50,535	\$ 49,481	\$ 47,419	\$ 44,496

Source: College of Charleston Office of Institutional Research

Source: College of Charleston Office of Institutional Research

SCHEDULE OF CAPITAL ASSET INFORMATION

	2008	2007	2006	2005	2004	2003	2002	2001
Academic buildings								
Net assignable square feet (in thousands)	712	705	703	605	604	611	597	641
Administrative and support buildings								
Net assignable square feet (in thousands)	155	168	160	174	174	164	157	157
Laboratories								
Net assignable square feet (in thousands)	123	122	121	126	126	125	123	123
Auxiliary and independent operations buildings								
Net assignable square feet (in thousands)	1,191	918	922	920	933	535	532	532
Libraries	1	1	1	1	1	1	1	1
Number of volumes (in thousands)	741	720	702	680	662	643	620	602
Volumes per student	65	64	62	59	57	55	53	54
Student Housing:								
Residence Halls	8	7	7	7	7	7	6	6
Apartments	3	2	2	2	1	1	-	-
Other housing options	29	30	30	31	21	23	23	23
Units available	3,402	2,840	2,842	2,770	2,550	2,644	1,958	1,989
Units in use	3,281	2,860	2,834	2,778	2,567	2,488	2,008	2,056
Percent occupancy	96.0%	100.7%	99.7%	100.3%	100.7%	94.1%	102.6%	103.4%
Dining facilities:								
Locations	6	6	6	4	4	4	3	3
Average daily customers	5,854	5,574	4,991	3,688	3,725	2,528	1,807	a
Parking facilities:								
Parking spaces available	2,287	2,232	2,372	2,534	2,550	2,675	2,592	a
Parking permits issued to students	1,240	1,181	1,101	1,324	1,408	1,373	1,441	a
Parking permits issued to faculty/ staff	934	1,053	1,030	1,004	995	1,071	939	a

Note: Prior fiscal year data is not readily available

a: Data not readily available

Sources:

Student Housing

College of Charleston Residence Life and Housing

Parking Facilities

College of Charleston Business and Auxiliary Services

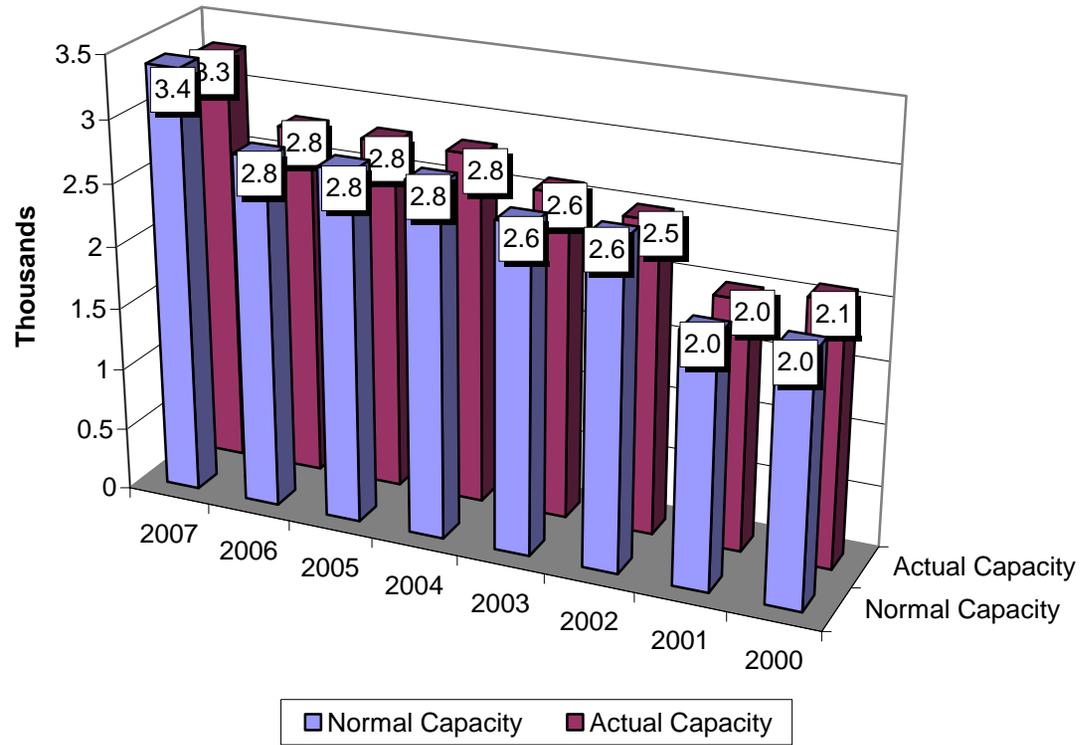
Dining Facilities

College of Charleston Dining Services

Building Square Footage

College of Charleston Office of Institutional Research

**College of Charleston
Residence Hall Occupancy
For The Last Academic 8 Years**



Source: College of Charleston Office of Institutional Research /Dean of Residence Life

ACADEMIC SUBJECT AREAS AND DEGREES OFFERED

Spring 2008

UNDERGRADUATE				GRADUATE			
Accounting	A.B., B.S.	History	A.B., B.A.	Accounting	M.S.	Environmental Studies	M.S.
Anthropology	A.B., B.S.	Hospitality and Tourism Management	A.B., B.S.	Arts Management	CER	Historic Preservation	M.S.
Art History	A.B., B.A.	International Business	A.B., B.S.	Bilingual Legal Interpreting	M.A., CER	History	M.A.
Arts Management	A.B., B.A.	Latin American and Caribbean Studies	A.B., B.A.	Communication	M.A.	Languages	M.Ed.
Astronomy	B.A.	Marine Biology	A.B., B.S.	Organizational and Corporate Communication	CER	Marine Biology	M.S.
Astrophysics	B.S.	Mathematics	A.B., B.S.	Computer and Information Sciences	M.S.	Mathematics	M.S., CER
Athletic Training	A.B., B.S.	Middle Level Education	A.B., B.S.	Early Childhood Education	M.Ed., M.A.T.	Bilingual Medical and Health Care Interpreting	CER
Biochemistry	A.B., B.S.	Music	A.B., B.A.	Elementary Education	M.Ed., M.A.T.	Middle Level Education	M. Ed.
Biology	A.B., B.A., B.S.	Philosophy	A.B., B.A.	English	M.A.	Performing Arts	M.A.T.
Business Administration	A.B., B.S.	Physical Education and Health	A.B., B.S.	English to Speakers of Other Languages	CER	Public Administration	M.P.A.
Chemistry	A.B., B.A., B.S.	Physics	A.B., B.A., B.S.			Science and Math for Teachers	M. Ed.
Classical Studies	A.B., B.A.	Political Science	A.B., B.A.			Special Education	M. Ed., M.A.T.
Communications	A.B., B.A.	Psychology	A.B., B.S.				
Computer Science	A.B., B.A., B.S.	Religious Studies	A.B., B.A.				
Computer Information Systems	A.B., B.S.	Sociology	A.B., B.S.				
Discovery Informatics	A.B., B.S.	Spanish	A.B., B.A.				
Early Childhood Education	A.B., B.S.	Special Education	A.B., B.S.				
Economics	A.B., B.S.	Studio Arts	A.B., B.A.				
Elementary Education	A.B., B.S.	Theatre	A.B., B.A.				
English	A.B., B.A.	Urban Studies	A.B., B.A.				
French	A.B., B.A.	Bachelor of Science - Denistry Emphasis	B.S.D.				
Geology	A.B., B.A., B.S.	Bachelor of Science - Medicine Emphasis	B.S.M.				
German	A.B., B.A.						
Historic Preservation and Community Planning	A.B., B.A.						

A.B. - Artium Baccalaureatus (Classical Studies)

B.A. - Bachelor of Arts

B.S. - Bachelor of Science

CER - Master's Certificate

M.A. - Master of Arts

M.A.T. - Master of Arts in Teaching

M.Ed.-Master of Education

M.P.A. - Master of Public Administration

M.S. - Master of Science