

UNIVERSITY OF SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2007**

UNIVERSITY OF SOUTH CAROLINA

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Trustees
University of South Carolina
Columbia, South Carolina

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the University of South Carolina (the University), a department of the State of South Carolina as of and for the year ended June 30, 2007, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the University. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of South Carolina School of Medicine Educational Trust and Clinical Faculty Practice Plan (the Trust). These financial statements represent approximately 2 percent, 1 percent, and 5 percent, respectively, of assets, net assets, and revenues of the business-type activities. We also did not audit the financial statements of the University of South Carolina Research Foundation; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the Greater University of South Carolina Alumni Association; the University of South Carolina Research Campus Foundation; the Carolina Piedmont Foundation; and the Educational Foundation of the University of South Carolina - Lancaster (collectively referred to as "the Foundations"). These financial statements represent approximately 84 percent, 90 percent, and 95 percent, respectively, of the assets, net assets, and revenues of the University's discretely presented component units. The financial statements of the Trust and the Foundations were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Trust and the Foundations, are based on the reports of the other auditors.

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 Trust and the Foundations were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, and 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 University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2007, 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2007, and the changes in financial position and cash flows 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 8, 2007 on our consideration of the University'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 3 through 6 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 required 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 University's basic financial statements. The supplementary information included in the accompanying schedules of non-capital appropriations, state capital appropriations and information for statement of activities on pages 36 and 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The individual campus supplemental statements and schedules on pages 38 through 73 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Elliott Davis, LLC

Columbia, South Carolina
October 8, 2007

UNIVERSITY OF SOUTH CAROLINA – Management’s Discussion and Analysis (Unaudited)

Overview of the Financial Statements and Financial Analysis

The University of South Carolina is pleased to present its financial statements for fiscal year 2007. While audited financial statements for fiscal year 2006 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data. In addition, this discussion will focus on operations and financial position of the primary institution – the University of South Carolina – and will not include its blended component unit – the University of South Carolina School of Medicine Educational Trust and Clinical Faculty Practice Plan (the Trust). Neither will this discussion include the discretely presented component units – the University of South Carolina’s Research Foundation, Development Foundation, Educational Foundation, Business Partnership Foundation, Alumni Association, Research Campus Foundation, the Carolina Piedmont Foundation, and the Educational Foundation of the University of South Carolina – Lancaster.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Colleges and Universities*. The financial statements presented focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and, the Statement of Cash Flows. These statements present financial information in a format similar to that used by private corporations. The University’s net assets (the difference between assets and liabilities) are one indicator of the improvement or erosion of the University’s financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

This discussion and analysis of the University’s financial statements provides an overview of its financial activities for the year.

Summary of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the University. The Statement of Net Assets presents end-of-year data concerning Assets (property that we own and what we are owed by others), Liabilities (what we owe to others and have collected from others before we have provided the service), and Net Assets (assets minus liabilities). It is prepared under the accrual basis of accounting, where revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to us, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the institution.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the institution’s equity in property, plant, and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. Restricted nonexpendable net assets consist solely of the University’s permanent endowment funds and are only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the institution.

**UNIVERSITY OF SOUTH CAROLINA – Management’s Discussion and Analysis
(Unaudited)**

Summary of Net Assets				
	<u>2007</u>	<u>Restated 2006</u>	<u>Increase/ Decrease</u>	<u>Percent Change</u>
Assets				
Current Assets	\$ 334,590,279	\$ 250,719,378	\$ 83,870,901	33.45%
Capital Assets, Net	835,777,182	788,957,545	46,819,637	5.93%
Other Assets	<u>64,552,835</u>	<u>57,248,807</u>	<u>7,304,028</u>	12.76%
Total Assets	<u>1,234,920,296</u>	<u>1,096,925,730</u>	<u>137,994,566</u>	12.58%
Liabilities				
Current Liabilities	103,414,873	92,581,473	10,833,400	11.70%
Noncurrent Liabilities	<u>312,171,703</u>	<u>270,199,806</u>	<u>41,971,897</u>	15.53%
Total Liabilities	<u>415,586,576</u>	<u>362,781,279</u>	<u>52,805,297</u>	14.56%
Net Assets				
Invested in capital assets, net of related debt	538,158,359	533,029,442	5,128,917	0.96%
Restricted - nonexpendable	25,451,702	17,913,938	7,537,764	42.08%
Restricted - expendable	41,062,336	12,644,555	28,417,781	224.74%
Unrestricted	<u>214,661,323</u>	<u>170,556,516</u>	<u>44,104,807</u>	25.86%
Total Net Assets	<u>\$ 819,333,720</u>	<u>\$ 734,144,451</u>	<u>\$ 85,189,269</u>	11.60%

- Total Assets of the University increased by \$138 million. Capital assets increased \$46.8 million, primarily due to major building projects completed and in progress. Total cash and cash equivalents increased \$68.7 million, driven by the increase in unexpended bond proceeds on hand for capital projects.
- The increase in Current Liabilities is attributable to an increase in the current portion of long term debt and funds held for others.
- The \$42 million increase in Noncurrent Liabilities is attributable to issuance of long term bonds.
- Net Assets of the University increased during the year by \$85.2 million. The increase is driven largely by the \$28.4 million increase in restricted expendable funds for capital projects and a \$44.1 increase in unrestricted net assets.

Summary of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. A public University’s dependency on state aid and gifts will result in operating deficits. The GASB requires state appropriations and gifts to be classified as non-operating revenues. 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.

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

**UNIVERSITY OF SOUTH CAROLINA – Management’s Discussion and Analysis
(Unaudited)**

Operating revenues are received for providing goods and services to the various customers and constituencies of the institution. 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 institution. Non-operating revenues are revenues received for which goods and services are not provided. State capital appropriations and capital grants and gifts are considered neither operating nor

non-operating revenues and are reported after “Income before other revenues, expenses, gains or losses”.

Summary of Revenues, Expenses and Changes in Net Assets	<u>2007</u>	<u>Restated 2006</u>	<u>Increase/ Decrease</u>	<u>Percent Change</u>
Operating Revenues:				
Student tuition and fees	\$ 359,555,566	\$ 324,653,924	\$ 34,901,642	10.75%
Less scholarship allowance	(77,166,394)	(71,111,441)	(6,054,953)	8.51%
Federal grants and contracts	129,675,143	132,931,765	(3,256,622)	(2.45%)
State grants and contracts	65,857,618	63,022,749	2,834,869	4.50%
Local grants and contracts	773,548	728,163	45,385	6.23%
Nongovernmental grants and contracts	25,470,938	23,997,528	1,473,410	6.14%
Sales and services of educational and other activities	20,082,186	19,171,127	911,059	4.75%
Sales and services of auxiliary enterprises	94,903,105	84,065,846	10,837,259	12.89%
Less scholarship allowance	(2,166,725)	(2,180,208)	13,483	(.62%)
Interest collected on student loans	224,001	245,324	(21,323)	(8.69%)
Other fees	6,927,800	6,319,013	608,787	9.63%
Other operating revenues	<u>4,238,375</u>	<u>4,498,776</u>	<u>(260,401)</u>	(5.79%)
Total operating revenues	<u>628,375,161</u>	<u>586,342,566</u>	<u>42,032,595</u>	7.17%
Operating Expenses:				
Compensation and employee benefits	529,084,925	498,933,453	30,151,472	6.04%
Services and supplies	186,501,583	175,268,473	11,233,110	6.41%
Utilities	24,703,496	25,111,166	(407,670)	(1.62%)
Scholarships and fellowships	63,858,245	54,953,294	8,904,951	16.20%
Depreciation expense	<u>42,769,038</u>	<u>34,204,174</u>	<u>8,564,864</u>	25.04%
Total operating expenses	<u>846,917,287</u>	<u>788,470,560</u>	<u>58,446,727</u>	7.41%
Operating loss	(218,542,126)	(202,127,994)	(16,414,132)	8.12%
Non-operating revenues (expenses)	<u>258,513,593</u>	<u>230,207,370</u>	<u>28,306,223</u>	12.30%
Income before other revenues, expenses, and transfers	39,971,467	28,079,376	11,892,091	42.35%
Other revenues, expenses, and transfers	<u>45,217,802</u>	<u>47,375,909</u>	<u>(2,158,107)</u>	(4.56%)
Increase in net assets	85,189,269	75,455,285	9,733,984	12.90%
Net assets at beginning of year, restated	<u>734,144,451</u>	<u>658,689,166</u>	<u>75,455,285</u>	11.46%
Net assets at end of year	<u>\$ 819,333,720</u>	<u>\$ 734,144,451</u>	<u>\$ 85,189,269</u>	11.60%

UNIVERSITY OF SOUTH CAROLINA – Management’s Discussion and Analysis (Unaudited)

The Summary of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in Net Assets at the end of the year. Some highlights of the information presented on this Summary are as follows:

- A net \$28.8 million increase in student tuition and fees, and a \$11.7 million increase in sales and service were largely responsible for the overall \$42 million increase in Operating Revenues. The increase in student tuition and fees is due to enrollment growth across the system and the 6.75% tuition increase at the Columbia campus. The tuition increase is necessary for meeting the University’s mission and strategic goals as state appropriations increases are minimal.
- Operating expenses increased \$58.4 million or 7.41 percent. The largest increases occurred in compensation and employee benefits and scholarships and fellowships. Compensation and employee benefits increased due to hiring additional faculty for the Faculty Excellence Initiative, a multi-year program that targets recruitment of new tenure and tenure-track faculty in disciplines and programs that represent strategic initiatives designed to advance the national profile of the University. Benefits also increased due to increases required by the South Carolina Retirement System and escalating health insurance costs. Utilities decreased due to cost saving measures implemented through energy performance management contract and rate increases lower than in previous years.
- The \$28.3 million increase in Non-operating revenues and expenses was primarily attributable to an increase in state appropriations and gift revenues.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related

items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and 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.

Capital Asset and Debt Administration

The University, in early 2008, will open two new five story research facilities each in excess of 100,000 square feet along with two parking garages with a combined 1400 parking spaces. The USC Aiken campus opened the 100,000 square foot Convocation Center in April, 2007 with seating capacity for up to 4,000 people. It includes three playing surfaces with up to five courts, dressing rooms, classrooms and meeting spaces. The facility will serve as the home of USC Aiken’s athletic programs and as a large venue for community events. The University’s indebtedness consists of bonds payable of \$249,471,317, bond anticipation notes of \$4,500,000 and notes payable of \$43,647,506. During the current year, \$58,000,000 bonds were issued to fund various capital projects.

Economic Outlook

The economic position of the University is loosely tied to that of the State of South Carolina. The state closed the fiscal year 2007 with a funds surplus for the fourth straight year. However, the surplus funds fell short of the amount budgeted for use in fiscal year 2008. This shortfall does not impact the University, but may be a precursor of a slowing state economy. Recurring state funding for higher education in South Carolina increased by approximately 6.6% for fiscal year 2008 and by approximately 14% including non-recurring funds. The University’s state appropriations increased by approximately 4.6% with recurring funds, and by 6.7% with the inclusion of non-recurring state funds.

The University’s overall financial position remains strong, despite minimal increases in state appropriations. State appropriation increases for the last four years have been for specific items and not for general operating. The University relies on tuition and fees to support the general operating budget and is aware of state funding levels when tuition and fees are set.

UNIVERSITY OF SOUTH CAROLINA

Statements of Net Assets

	June 30, 2007	December 31, 2006	
	University	Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 206,176,886	\$ 1,574,347	\$ 207,751,233
Investments	-	7,472,888	7,472,888
Accounts receivable, net	46,370,878	1,016,296	47,387,174
Pledges receivable	2,042,880	-	2,042,880
Student loans receivable, current	5,822	-	5,822
Patients accounts receivable, net	-	2,512,000	2,512,000
Capital improvement bonds proceeds receivable	4,512,393	-	4,512,393
Inventories	2,538,517	-	2,538,517
Prepaid items	5,206,786	-	5,206,786
Restricted cash and cash equivalents	45,907,196	-	45,907,196
Funds due from others	21,828,921	-	21,828,921
Total current assets	334,590,279	12,575,531	347,165,810
Noncurrent assets:			
Investments	6,780,085	-	6,780,085
Notes receivable	19,943,910	-	19,943,910
Restricted - cash and cash equivalents	16,773,057	-	16,773,057
Restricted - federal student loans receivable	18,574,910	-	18,574,910
Capital assets, net of accumulated depreciation	835,777,182	13,946,262	849,723,444
Other assets	2,480,873	-	2,480,873
Total noncurrent assets	900,330,017	13,946,262	914,276,279
Total assets	1,234,920,296	26,521,793	1,261,442,089
LIABILITIES			
Current liabilities:			
Accounts payable	17,398,318	5,196,448	22,594,766
Retainage payable - current portion	1,516,839	-	1,516,839
Accrued interest payable	3,089,535	-	3,089,535
Accrued payroll and related liabilities	10,689,414	13,950	10,703,364
Accrued compensated absences - current portion	12,240,873	917,548	13,158,421
Short - term debt	4,500,000	-	4,500,000
Long-term liabilities - current portion	13,161,952	543,153	13,705,105
Deferred revenues	33,604,793	-	33,604,793
Deposits	1,907,901	-	1,907,901
Other liabilities	1,169,310	-	1,169,310
Funds held for others	4,135,938	-	4,135,938
Total current liabilities	103,414,873	6,671,099	110,085,972
Noncurrent liabilities:			
Retainage payable	676,625	-	676,625
Accrued compensated absences	10,855,114	-	10,855,114
Deferred revenues	2,091,667	-	2,091,667
Federal loan funds	18,591,426	-	18,591,426
Long-term liabilities	279,956,871	7,858,240	287,815,111
Other liabilities	-	298,978	298,978
Total noncurrent liabilities	312,171,703	8,157,218	320,328,921
Total liabilities	415,586,576	14,828,317	430,414,893
NET ASSETS			
Invested in capital assets, net of related debt	538,158,359	5,544,869	543,703,228
Restricted for:			
Nonexpendable	25,451,702	-	25,451,702
Expendable			
Scholarships, research, instruction, and other	7,341,386	-	7,341,386
Loans	2,983,923	-	2,983,923
Capital projects	28,753,270	-	28,753,270
Debt service	1,983,757	-	1,983,757
Unrestricted	214,661,323	6,148,607	220,809,930
Total net assets	\$ 819,333,720	\$ 11,693,476	\$ 831,027,196

See accompanying notes to the financial statements.

UNIVERSITY OF SOUTH CAROLINA

Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended		
	June 30, 2007	December 31,	
		University	Trust
REVENUES			
Operating Revenues:			
Student tuition and fees (\$19,875,164 pledged as security for bonds)	\$ 359,555,566	\$ -	\$ 359,555,566
Less scholarship allowance	(77,166,394)	-	(77,166,394)
Patient services, net	-	25,692,019	25,692,019
Federal grants and contracts	129,675,143	-	129,675,143
State grants and contracts	65,857,618	-	65,857,618
Local grants and contracts	773,548	-	773,548
Nongovernmental grants and contracts	25,470,938	-	25,470,938
Sales and services of educational and other activities	20,082,186	-	20,082,186
Sales and services of auxiliary enterprises (\$9,092,644 pledged as security for bonds)	94,903,105	-	94,903,105
Less scholarship allowance	(2,166,725)	-	(2,166,725)
Interest collected on student loans	224,001	-	224,001
Other fees (\$2,085,553 pledged as security for bonds)	6,927,800	-	6,927,800
Other operating revenues	4,238,375	18,645,472	22,883,847
Total operating revenues	<u>628,375,161</u>	<u>44,337,491</u>	<u>672,712,652</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	529,084,925	30,554,900	559,639,825
Services and supplies	186,501,583	15,681,263	202,182,846
Utilities	24,703,496	-	24,703,496
Scholarships and fellowships	63,858,245	-	63,858,245
Depreciation expense	42,769,038	1,065,106	43,834,144
Total operating expenses	<u>846,917,287</u>	<u>47,301,269</u>	<u>894,218,556</u>
Operating loss	<u>(218,542,126)</u>	<u>(2,963,778)</u>	<u>(221,505,904)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	215,046,268	-	215,046,268
Gifts	45,754,019	-	45,754,019
Investment income	7,216,822	988,029	8,204,851
Endowment income	3,704,165	-	3,704,165
Loss on disposal of capital assets	(715,746)	-	(715,746)
Interest on capital asset related debt	(12,491,935)	(401,703)	(12,893,638)
Net nonoperating revenues	<u>258,513,593</u>	<u>586,326</u>	<u>259,099,919</u>
Income (loss) before other revenue, expenses, gains or losses	<u>39,971,467</u>	<u>(2,377,452)</u>	<u>37,594,015</u>
State capital appropriations	28,278,169	-	28,278,169
Capital grants and gifts	11,740,839	-	11,740,839
Additions to permanent endowments	6,536,400	-	6,536,400
Transfers to/from other state funds	(1,337,606)	-	(1,337,606)
Increase (decrease) in net assets	<u>85,189,269</u>	<u>(2,377,452)</u>	<u>82,811,817</u>
See accompanying notes to financial statements			
NET ASSETS			
Net assets - beginning of year as originally reported	738,915,286	14,070,928	752,986,214
Prior period adjustment	(4,770,835)	-	(4,770,835)
Net assets - beginning of year restated	<u>734,144,451</u>	<u>14,070,928</u>	<u>748,215,379</u>
Net assets - end of year	<u>\$ 819,333,720</u>	<u>\$ 11,693,476</u>	<u>\$ 831,027,196</u>

See accompanying notes to the financial statements

UNIVERSITY OF SOUTH CAROLINA

Statements of Cash Flows

	Year Ended		
	June 30, 2007	December 31,	Total
	University	Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 281,516,733	\$ -	\$ 281,516,733
Patient services, net		25,577,019	25,577,019
Research grants and contracts	218,243,735	-	218,243,735
Sales and services of educational and other activities	20,196,424	-	20,196,424
Sales and services of auxiliary enterprises	97,565,072	-	97,565,072
Student loans disbursed	(4,957,680)	-	(4,957,680)
Student loans collected	4,107,139	-	4,107,139
Interest collected on student loans	224,001	-	224,001
Inflows from federal family education loans	195,296,246	-	195,296,246
Outflows from federal family education loans	(197,343,468)	-	(197,343,468)
Payments to employees for services	(525,825,774)	(30,649,216)	(556,474,990)
Payments to suppliers	(210,019,713)	(13,801,989)	(223,821,702)
Payments to students for scholarships and fellowships	(63,858,245)	-	(63,858,245)
Other receipts	10,783,017	18,502,104	29,285,121
Inflows from agency funds	54,853,523	-	54,853,523
Outflows from agency funds	(64,242,588)	-	(64,242,588)
Net cash used in operating activities	<u>(183,461,578)</u>	<u>(372,082)</u>	<u>(183,833,660)</u>
Cash flows from non-capital financing activities			
State appropriations	215,046,268	-	215,046,268
Gifts for other than capital purposes	45,889,754	-	45,889,754
Additions to permanent endowments	6,536,400	-	6,536,400
Transfers to/from other state agencies	(1,337,606)	-	(1,337,606)
Federal loan liability	(98,773)	-	(98,773)
Net cash provided by noncapital financing activities	<u>266,036,043</u>	<u>-</u>	<u>266,036,043</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	62,500,000	-	62,500,000
State capital appropriations	24,638,989	-	24,638,989
Capital grants and gifts	9,131,241	-	9,131,241
Proceeds from disposal of capital assets	660,944	-	660,944
Purchase and construction of capital assets	(85,860,951)	(894,929)	(86,755,880)
Principal paid on capital asset related debt	(20,892,495)	(539,033)	(21,431,528)
Interest paid on capital asset related debt	(12,338,010)	(401,703)	(12,739,713)
New cash used in capital and related financing activities	<u>(22,160,282)</u>	<u>(1,835,665)</u>	<u>(23,995,947)</u>
Cash flows from investing activities			
Purchase of investments	-	(3,502,033)	(3,502,033)
Proceeds from the sale of investments	223,535	5,033,878	5,257,413
Investment income	5,496,269	414,996	5,911,265
Endowment income	2,601,352	-	2,601,352
Net cash provided by investing activities	<u>8,321,156</u>	<u>1,946,841</u>	<u>10,267,997</u>
Net increase (decrease) in cash and cash equivalents	68,735,339	(260,906)	68,474,433
Cash and cash equivalents, beginning of year	<u>200,121,800</u>	<u>1,835,253</u>	<u>201,957,053</u>
Cash and cash equivalents, end of year	<u>\$ 268,857,139</u>	<u>\$ 1,574,347</u>	<u>\$ 270,431,486</u>
Reconciliation of net operating revenues (expenses) to net cash used in operating activities			
Operating loss	\$ (218,542,126)	\$ (2,963,778)	\$ (221,505,904)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense	42,769,038	1,065,106	43,834,144
Changes in current assets and liabilities			
Accounts receivables, net	(2,665,315)	(143,368)	(2,808,683)
Patients accounts receivables, net	-	(115,000)	(115,000)
Student loans receivable	(565,999)	-	(565,999)
Capital improvement bond receivable - non-capital	(4,881)	-	(4,881)
Inventories	(231,101)	-	(231,101)
Prepaid items	(82,269)	-	(82,269)
Other assets	12,910	-	12,910
Accounts payable	1,272,188	1,667,805	2,939,993
Retainage payable - non-capital	(57,995)	-	(57,995)
Accrued payroll and related liabilities	1,507,092	(8,721)	1,498,371
Accrued compensated absences	1,752,059	103,037	1,855,096
Deferred revenues	2,035,877	-	2,035,877
Deposits	69,703	-	69,703
Other liabilities	705,528	22,837	728,365
Funds held for others	(11,436,287)	-	(11,436,287)
Net cash used in operating activities	<u>\$ (183,461,578)</u>	<u>\$ (372,082)</u>	<u>\$ (183,833,660)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ 4,517,964	\$ -	\$ 4,517,964
Losses on disposal of capital assets	\$ (1,324,050)	\$ (65,402)	\$ (1,389,452)
Capitalized interest reducing interest paid on capital asset related debt	\$ 405,001	\$ -	\$ -
Change in value of investments recognized in endowment income	\$ 994,130	\$ 573,033	\$ 1,567,163
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ 85,148	\$ -	\$ 85,148
Student loans cancelled	\$ 284,542	\$ -	\$ 284,542

See accompanying notes to the financial statements

UNIVERSITY OF SOUTH CAROLINA

Governmental Discretely Presented Component Units

**Statements of Net Assets
June 30, 2007**

	<u>University of South Carolina Research Foundation</u>	<u>University of South Carolina Research Campus Foundation</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 871,264	\$ 503,397	\$ 1,374,661
Restricted cash and cash equivalents	17,168,683	-	17,168,683
Accounts receivable	15,746,220	-	15,746,220
Prepaid expenses and deposits	18,278	-	18,278
Total current assets	<u>33,804,445</u>	<u>503,397</u>	<u>34,307,842</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	12,930	-	12,930
Total noncurrent assets	<u>12,930</u>	<u>-</u>	<u>12,930</u>
Total assets	<u>33,817,375</u>	<u>503,397</u>	<u>34,320,772</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	18,522,662	290,899	18,813,561
Deferred revenue	13,405,613	-	13,405,613
Total current liabilities	<u>31,928,275</u>	<u>290,899</u>	<u>32,219,174</u>
Total liabilities	<u>31,928,275</u>	<u>290,899</u>	<u>32,219,174</u>
NET ASSETS			
Invested in capital assets, net of related debt	12,930	-	12,930
Restricted - expendable for research	338,475	-	338,475
Unrestricted	1,537,695	212,498	1,750,193
Total net assets	<u>\$ 1,889,100</u>	<u>\$ 212,498</u>	<u>\$ 2,101,598</u>

See accompanying notes to the financial statements

UNIVERSITY OF SOUTH CAROLINA

Governmental Discretely Presented Component Units

**Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30, 2007**

	<u>University of South Carolina Research Foundation</u>	<u>University of South Carolina Research Campus Foundation</u>	<u>Total</u>
REVENUES			
Operating revenues			
Federal grants and contracts	\$ 80,424,124	\$ -	\$ 80,424,124
Nongovernmental grants and contracts	13,558,574	800,000	14,358,574
Management fees and recoveries	18,047,749	-	18,047,749
Royalty income	46,889	-	46,889
Rental income	50,691	-	50,691
Other operating revenues	340,866	-	340,866
Total operating revenues	<u>112,468,893</u>	<u>800,000</u>	<u>113,268,893</u>
EXPENSES			
Operating Expenses			
Salaries and benefits	579,673	-	579,673
Services and supplies	924,335	676,563	1,600,898
Research and development direct costs	110,766,460	-	110,766,460
Total operating expenses	<u>112,270,468</u>	<u>676,563</u>	<u>112,947,031</u>
Operating income	<u>198,425</u>	<u>123,437</u>	<u>321,862</u>
NONOPERATING REVENUES (EXPENSES)			
Private gifts and donations	(4,111,716)	-	(4,111,716)
Interest income	582,562	3,950	586,512
Net nonoperating expenses	<u>(3,529,154)</u>	<u>3,950</u>	<u>(3,525,204)</u>
Change in net assets	<u>(3,330,729)</u>	<u>127,387</u>	<u>(3,203,342)</u>
Net assets at beginning of year	5,219,829	85,111	5,304,940
Net assets at end of year	<u>\$ 1,889,100</u>	<u>\$ 212,498</u>	<u>\$ 2,101,598</u>

See accompanying notes to the financial statements

UNIVERSITY OF SOUTH CAROLINA

Non-Governmental Discretely Presented Component Units

Condensed Statements of Financial Position

	June 30,2007	June 30,2007	June 30,2007	June 30,2007	June 30,2007	December 31. 2006	
	University of South Carolina Development Foundation	University of South Carolina Educational Foundation	University of South Carolina Business Partnership Foundation	Greater University of South Carolina Alumni Association	Carolina Piedmont Foundation	Educational Foundation of the University of South Carolina Lancaster	Total
ASSETS							
Cash and cash equivalents	\$ 3,945,653	\$ 8,657,425	\$ 5,113,099	\$ 2,985,566	\$ 839,446	\$ 8,723	\$ 21,549,912
Investments	24,283,805	243,884,842	33,514,274	4,257,720	5,736,093	4,229,267	315,906,001
Real estate held for investment	32,421,257	1,131,411	-	-	-	-	33,552,668
Assets held in trust	-	61,667,066	-	-	264,733	-	61,931,799
Accounts receivable	553,187	102,477	524,455	791,731	49,784	-	2,021,634
Contributions receivable, net	3,019,007	11,283,758	6,856,848	-	773,791	20,000	21,953,404
Prepaid expenses	20,780	-	20,995	687,485	290,659	88,895	1,108,814
Other assets	160,093	-	83,602	32,177	171,826	-	447,698
Fixed assets, net of depreciation	17,324,289	33,965	-	522	13,209,878	2,160,121	\$ 32,728,775
	<u>\$ 81,728,071</u>	<u>\$ 326,760,944</u>	<u>\$ 46,113,273</u>	<u>\$ 8,755,201</u>	<u>\$ 21,336,210</u>	<u>\$ 6,507,006</u>	<u>\$ 491,200,705</u>
Total assets							
LIABILITIES							
Accounts payable	\$ 656,341	\$ 15,849,987	\$ 391,303	\$ 185,330	\$ 328,564	\$ 12,267	\$ 17,423,792
Deferred revenues	-	-	82,875	1,091,142	-	52,120	1,226,137
Bonds and notes payable	40,002,034	19,943,910	-	-	15,975,285	-	75,921,229
Other liabilities	300,729	-	-	-	247,855	-	548,584
	<u>40,959,104</u>	<u>35,793,897</u>	<u>474,178</u>	<u>1,276,472</u>	<u>16,551,704</u>	<u>64,387</u>	<u>95,119,742</u>
Total liabilities							
MINORITY INTEREST IN							
	<u>57,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,903</u>
USC HOTEL ASSOCIATES, LLC							
NET ASSETS							
Unrestricted	22,701,298	79,593,542	6,066,766	6,785,268	281,878	303,281	115,732,033
Temporarily restricted	14,743,838	78,221,020	18,517,242	693,461	1,761,969	-	113,937,530
Permanently restricted	3,265,928	133,152,485	21,055,087	-	2,740,659	6,139,338	166,353,497
	<u>40,711,064</u>	<u>290,967,047</u>	<u>45,639,095</u>	<u>7,478,729</u>	<u>4,784,506</u>	<u>6,442,619</u>	<u>396,023,060</u>
Total net assets							
	<u>\$ 81,728,071</u>	<u>\$ 326,760,944</u>	<u>\$ 46,113,273</u>	<u>\$ 8,755,201</u>	<u>\$ 21,336,210</u>	<u>\$ 6,507,006</u>	<u>\$ 491,200,705</u>
Total liabilities and net assets							

See accompanying notes to the financial statements

UNIVERSITY OF SOUTH CAROLINA

Non-Governmental Discretely Presented Component Units

Condensed Statements of Activities

	Year ended						Total
	June 30,2007 University of South Carolina Development Foundation	June 30,2007 University of South Carolina Educational Foundation	June 30,2007 University of South Carolina Business Partnership Foundation	June 30,2007 Greater University of South Carolina Alumni Association	June 30,2007 Carolina Piedmont Foundation	December 31. 2006 Educational Foundation of the University of South Carolina Lancaster	
CHANGES IN UNRESTRICTED NET ASSETS:							
Revenues, gains and other support							
Contributions	\$ 1,529,375	\$ 13,992,646	\$ 701,295	\$ 1,591,826	\$ 381,521	\$ 5,395	\$ 18,202,058
Investment Income	538,788	5,200,275	309,765	216,773	156,294	29,381	6,451,276
Net realized and unrealized gains (losses)	3,311,875	29,475,685	415,090	535,994	650,334	-	34,388,978
Earned income		-	1,862,080	1,977,906	1,291,505	6,000	5,137,491
Miscellaneous income	3,211,070	950,263					4,161,372
Gain (loss) on disposal of assets	104,925	-			39		4,161,372
Net assets released from restrictions:					(210,287)		(105,362)
Restrictions satisfied by payments	915,691	-		292,384	-	308,855	1,516,930
Satisfaction of program restrictions	-	3,226,010	2,752,860	-	865,667		6,844,537
Expiration of time restrictions		(1,140,794)			-		(1,140,794)
Total revenues, gains and other support	9,611,724	51,704,085	6,041,090	4,614,883	3,135,073	349,631	75,456,486
Expenses							
Scholarships and student assistance		8,093,371	1,349,777	581,061	51,511	107,173	10,182,893
Program services	-	10,281,597	3,254,487	2,155,991	852,965	126,835	16,671,875
Supporting services	400,546	3,385,506	171,304	931,805	1,738,660	92,247	6,720,068
Other expenses	7,917,550	-	-	-	-	-	7,917,550
Total expenses	8,318,096	21,760,474	4,775,568	3,668,857	2,643,136	326,255	41,492,386
Excess revenues over expenses	1,293,628	29,943,611	1,265,522	946,026	491,937	23,376	33,964,100
Interest rate swap fair value adjustment					(64,258)		(64,258)
Change in unrestricted net assets	1,293,628	29,943,611	1,265,522	946,026	427,679	23,376	33,899,842

See accompanying notes to the financial statements

UNIVERSITY OF SOUTH CAROLINA

Non-Governmental Discretely Presented Component Units

Condensed Statements of Activities (continued)

	Year ended					December 31, 2006	Total
	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2007		
	University of South Carolina Development Foundation	University of South Carolina Educational Foundation	University of South Carolina Business Partnership Foundation	Greater University of South Carolina Alumni Association	Carolina Piedmont Foundation	Educational Foundation of the University of South Carolina Lancaster	
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS							
Contributions	2,683,044	10,604,287	4,541,922	166,767	835,200		18,831,220
Investment Income		192,376	1,980,522		.		2,172,898
Net realized and unrealized gains (losses)	76,978	4,169,661	1,931,758	-	-		6,178,397
Other	218,891	-		199,544	503,496		921,931
Net assets released from restrictions:							-
Restrictions satisfied by payments	(915,691)	-		(292,384)	-		(1,208,075)
Satisfaction of program restrictions		(3,586,230)	(2,747,979)	-	(865,667)		(7,199,876)
Expiration of time restrictions		(284,049)			-		(284,049)
Change in temporarily restricted net assets	2,063,222	11,096,045	5,706,223	73,927	473,029		19,412,446
MINORITY INTEREST IN LOSS OF USC HOTEL ASSOCIATES, LLC	178,456						178,456
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS							
Contributions		2,352,220	819,210		174,495	520,820	3,866,745
Other	-	255,091			-	528,661	783,752
Net assets released from restrictions:							-
Satisfaction of program restrictions		360,220	(4,881)			(308,855)	46,484
Expiration of time restrictions		1,424,843					1,424,843
Change in permanently restricted net assets		4,392,374	814,329		174,495	740,626	6,121,824
Change in net assets	3,535,306	45,432,030	7,786,074	1,019,953	1,075,203	764,002	59,612,568
Net assets at beginning of year	37,175,758	245,535,017	37,853,021	6,458,776	3,709,303	5,678,617	336,410,492
Net assets at end of year	\$ 40,711,064	\$ 290,967,047	\$ 45,639,095	\$ 7,478,729	\$ 4,784,506	\$ 6,442,619	\$ 396,023,060

See accompanying notes to the financial statements

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

Note 1 Summary Of Significant Accounting Policies

Nature of Operations

The University of South Carolina is a State-supported, coeducational institution of higher education. The University's primary purpose is to provide undergraduate, graduate, and professional education to students and conduct research and other activities that advance fundamental knowledge.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and classifies reporting requirements for those organizations. Based on these criteria, the financial statements include the University and its blended component unit, as the primary government and other related entities as discretely presented component units.

The University is composed of the Columbia campus, including the School of Medicine, and seven regional campuses. The University is part of the primary government of the State of South Carolina because it is financially accountable to and fiscally dependent on the State. Its Board of Trustees is appointed by the Governor and/or the General Assembly of the State.

The University of South Carolina School of Medicine Educational Trust and Clinical Faculty Practice Plan (the Trust) is a blended component unit of the University. The Trust is organized and operates exclusively for the benefit of the University's School of Medicine to augment and aid education, research, and service in the field of health sciences. The Trust is considered a blended component unit because the University has appointment authority of the Trust's board of directors. December 31 is the year-end date for the Trust and complete financial statements of the Trust can be obtained at the University of South Carolina School of Medicine Educational Trust, Post Office Box 413, Columbia, South Carolina, 29202.

The University's discretely presented component units are discussed in Note 12.

Financial Statements

The financial statement presentation for the University 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 University's net assets, revenues, expenses and changes in net assets and cash flows.

Use of Estimates

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 expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates used include separation of accrued compensated absences between current and non-current and depreciation expense. Actual results could differ from those estimates.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships 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 University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

Cash and Cash Equivalents

For purposes of the statement of cash flows, the University 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 cash management pool are considered cash equivalents. Restricted cash and cash equivalents are comprised of bond proceeds, debt service funds and externally restricted funds.

Investments

The University accounts for its investments at fair 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 consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. 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 University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories are carried at the lower of cost or market as determined by various methods.

Noncurrent Cash and Investments

Noncurrent cash and investments primarily consist of permanently endowed funds and federal student loan funds. These funds are externally restricted and are classified as noncurrent assets in the statement of net assets.

Prepaid Items

Expenditures for services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. Amounts reported in this asset account consist primarily of rent, subscriptions, library periodicals, maintenance and service agreements, and travel reservations and deposits.

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 University follows capitalization guidelines established by the State of South Carolina.

All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and 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 lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

The University capitalizes as a component of construction in progress interest cost in excess of earnings on invested debt proceeds associated with the capital projects. Therefore asset values in capital assets include such interest costs. Capitalized interest for fiscal year 2007 was \$405,001.

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 represent dormitory room deposits, security deposits for possible room damage and key loss, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences 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.

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University'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 in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in 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 and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose.

The University policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.

Donor- Restricted Assets

The University policy for the treatment of net appreciation (depreciation) on investments of donor-restricted endowments increases or decreases

endowment principal. These amounts are not authorized for expenditure. The University applies the total-return policy for the expenditure of investment or endowment income.

Income Taxes

The General University is a political subdivision of the State of South Carolina and, is therefore, generally exempt from federal and state income taxes under applicable federal and state statutes and regulations on related income. Certain activities of the University may be subject to taxation as unrelated business income. The Trust is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described under Section 501(c)(3).

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations.

These revenues include:

- (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students;
- (2) patient charges received in exchange for providing health-related services;
- (3) receipts for scholarships including federal grants and contract revenue where the governmental agency has identified the qualified student recipients;
- (4) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and
- (5) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange 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.

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

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 University, 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 nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements.

To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

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 University has no rebatable arbitrage liability at June 30, 2007.

Note 2 - Cash And Cash Equivalents, Other Deposits, And Investments

Most deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds. Certain deposits and investments are deposited with or managed by financial institutions and brokers as restricted by donors. Deposits and investments of the University's blended component unit are not under the State Treasurer's control and are deposited or invested by financial institutions and brokers.

The following schedule reconciles deposits and investments within the notes to the statement of net assets amounts:

Statement of Net Assets		Notes	
Cash and cash equivalents (current)	\$ 207,751,233	Cash on hand	\$ 250,036
Restricted cash and cash equivalents for (current):		Deposits held by State Treasurer	268,523,026
Debt service	5,634,514	Other deposits	84,077
Capital projects	40,272,682	Blended component unit deposits	1,574,347
Restricted cash and cash equivalents (non-current):		Investments held by State Treasurer	3,045,520
Endowments	13,999,617	Other investments	3,734,565
Federal student loans	2,773,440	Blended component unit investments	7,472,888
Investments (current)	7,472,888		
Investments (non-current)	6,780,085		
	<u>\$ 284,684,459</u>		<u>\$ 284,684,459</u>

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

Deposits Held by 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. 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.

With respect to the 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 the credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Other Deposits

The University's other deposits at year-end were entirely covered by federal depository insurance for deposits with banks.

Investments Held by State Treasurer and Other Investments

The University's investments include common stock held by the State Treasurer for the University.

The University has other investments which are managed by financial institutions or brokers as specified by the donors. Purchased investments are valued at fair value. Investments received from donors are valued at the lesser of their fair value on the date promised or received or fair value as of fiscal year-end.

Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investments or collateral securities that are in possession of an outside party.

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Other investments totaling \$3,734,565 were collateralized by securities held by the pledging bank's trust department but not in the University's name.

The net change in unrealized appreciation of investments for the current fiscal year increased in the amount of \$908,899.

Blended Component Unit Deposits

The Trust's general ledger cash and cash equivalents balance includes cash on deposit with financial institutions of \$1,574,347. At December 31, 2006, the Trust's bank balances had demand deposits and sweep accounts totaling \$4,027,807. Of these amounts, approximately \$3,377,900 exceeded the limits of federal depository insurance (FDIC).

Of the amount exceeding federal depository insurance limits, \$3,198,000 was on deposit with a bank which has agreed to support balances to their full extent. The bank's management reviews the total of the Trust's balances on a daily basis and pledges marketable debt securities held in the bank's own portfolio in amounts approximating the uninsured excess. All other balances exceeding federal depository insurance limits are not subject to such an agreement. Management does not believe that significant credit risk is associated with its banking relationships.

Blended Component Unit Investments

Investments of the blended component unit (the Trust) consist of long-term certificates of deposit, equity securities, and mutual funds. Investments are carried at fair value.

The Trust has the following investments:

	<u>Cost</u>	<u>Fair Value</u>
Marketable equity securities		
Common stock	\$ 4,428,328	\$ 5,261,089
Mutual funds	833,285	959,612
Money market funds	415,798	415,798
Certificates of deposits		
maturing after three months	629,628	636,363
Other debt instruments	<u>200,026</u>	<u>200,026</u>
	<u>\$ 6,507,065</u>	<u>\$ 7,472,888</u>

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

The net change in unrealized appreciation of investments for the current year increased in the amount of \$573,033.

Of the total cash and cash equivalents for the Trust, \$143,807 was held in escrow by the Series 2000 Bond trustee for the purpose of making required annual principal payments on September 1, 2007.

The difference in reported book balance and the bank for deposits is comprised of in-transit reconciliation items at fiscal year end.

Common stocks, mutual funds, and U.S. Treasury obligations are held by an agent of the Trust in the Trust's name.

Note 3 – Receivables

Accounts Receivable

Accounts receivable consisted of the following:

Students and sponsors	\$ 8,368,402
Auxiliary enterprises	3,115,934
Federal grants and contracts	17,635,462
State grants and contracts	306,917
Local grants and contracts	118,262
Non-governmental grants and contracts	5,230,122
Accrued interest	12,340,594
Blended component unit	<u>1,016,296</u>
	48,131,989
Less allowance for doubtful accounts	<u>744,815</u>
Accounts receivable, net	\$ <u><u>47,387,174</u></u>

Allowances for losses are based upon actual losses experienced in prior years and evaluations of the current accounts.

Pledges Receivable

Pledges receivable consist of the Athletic Gamecock Club membership drive and are due by the end of the calendar year. Pledges outstanding were \$2,042,880, net of a \$110,000 allowance.

Patients Accounts Receivable

The Trust, through its affiliation with a hospital, provides medical services to indigent patients not covered under insurance or governmental programs. Charges to patients participating in Medicare and Medicaid programs and substantially all charges to patients having medical insurance are adjusted by third-party payers. A percentage of privately paying patients do not meet their obligations.

Management adjusts patient charges to their estimated net realizable value through a valuation allowance. Adjustments related to indigent care and third-party payers are recorded as reductions of patient service revenue. Adjustments related to bad debts of privately paying patients are recorded as a provision for uncollectible accounts expense.

Patient's accounts receivable, net consisted of the following:

Adjusted patient charges	\$ 3,015,000
Less estimated uncollectible charges	<u>(503,000)</u>
Patient accounts receivable, net	\$ <u><u>2,512,000</u></u>

The allowance for uncollectible charges applied to reduce adjusted patient charges to net realizable value is determined by each unit based on its collection experience for similar receivables.

Student Loans Receivable

Student loans made through the Federal Perkins and the Federal Nursing and Health Professions loan programs comprise substantially all of the student loans receivable, and are restricted for such loans. The loan programs provide 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.

The amount reported as a federal loan liability is the amount of federal contributions and net earnings on the loans that would have to be repaid to the federal government if the University ceased to participate in the programs.

As the University determines that loans are uncollectible, the loans are assigned to the federal agency administrating the loan programs.

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

Capital Improvement and Infrastructure Bonds Receivable

The capital improvement and infrastructure bonds receivable represents outstanding bond fund proceeds that have been expended but not yet drawn.

The State has authorized capital improvement bonds, research infrastructure bonds, and state university infrastructure bonds to fund improvements and expansion of state facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested once the State authorities have given approval to begin specific projects and project expenditures have been incurred.

The University has \$18,358,175 of outstanding state capital improvement bond authorization, \$31,011,075 of outstanding research infrastructure bond authorization and \$1,543,387 of outstanding state

university infrastructure bond authorization not yet received from the State.

Notes Receivable

As authorized by South Carolina Code of Laws, the University may lend certain of its endowment and auxiliary funds to the University of South Carolina Educational Foundation, a related party. Under the terms of the agreement, the University will earn interest on the principal and cumulative interest balance at a monthly rate as determined by the State Treasurer.

The principal balance of \$19,943,910 and the related cumulative accrued interest receivable of \$11,262,412 respectively are included in the Notes Receivable, and Accounts Receivable, net.

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

Note 4 – Capital Assets

	Beginning balance originally reported	Prior period adjustment	Beginning balance restated	Increases	Decreases	Ending balance
Capital assets not being depreciated:						
Land and improvements	\$ 56,105,279	\$ (25,915)	\$ 56,079,364	\$ 9,052,297	\$ 52,640	\$ 65,079,021
Construction in-progress	87,788,128	(3,803,176)	83,984,952	75,473,366	97,912,569	61,545,749
Works of art and historical treasures	16,005,029	-	16,005,029	-	-	16,005,029
Total capital assets not being depreciated	<u>159,898,436</u>	<u>(3,829,091)</u>	<u>156,069,345</u>	<u>84,525,663</u>	<u>97,965,209</u>	<u>142,629,799</u>
Other capital assets:						
Land improvements	6,220,370	6,256,705	12,477,075	62,357,750	-	74,834,825
Buildings and improvements	926,707,966	(6,230,790)	920,477,176	30,010,423	4,795,461	945,692,138
Machinery, equipment, and other	121,577,514	-	121,577,514	10,657,054	4,072,586	128,161,982
Vehicles	10,079,586	-	10,079,586	921,370	629,591	10,371,365
Intangibles	5,577,871	-	5,577,871	405,975	179,500	5,804,346
Blended Component Unit buildings and improvements	16,487,794	-	16,487,794	156,910	-	16,644,704
Blended Component Unit medical and office equipment	5,681,034	-	5,681,034	738,017	243,569	6,175,482
Total capital assets at historical cost	<u>1,092,332,135</u>	<u>25,915</u>	<u>1,092,358,050</u>	<u>105,247,499</u>	<u>9,920,707</u>	<u>1,187,684,842</u>
Less accumulated depreciation for:						
Land improvements	170,928	3,996,221	4,167,149	2,835,702	-	7,002,851
Buildings and improvements	344,593,070	(3,996,221)	340,596,849	25,766,465	4,248,499	362,114,815
Machinery, equipment, and other	81,239,909	-	81,239,909	12,629,141	3,296,863	90,572,187
Vehicles	7,160,025	-	7,160,025	977,404	627,925	7,509,504
Intangibles	4,137,090	-	4,137,090	560,326	179,500	4,517,916
Blended Component Unit buildings and improvements	3,886,015	-	3,886,015	455,901	-	4,341,916
Blended Component Unit medical and office equipment	4,100,972	-	4,100,972	609,205	178,169	4,532,008
Total accumulated depreciation	<u>445,288,009</u>	<u>-</u>	<u>445,288,009</u>	<u>43,834,144</u>	<u>8,530,956</u>	<u>480,591,197</u>
Other capital assets, net	647,044,126	25,915	647,070,041	61,413,355	1,389,751	707,093,645
Capital Assets, Net	<u>\$ 806,942,562</u>	<u>\$ (3,803,176)</u>	<u>\$ 803,139,386</u>	<u>\$ 145,939,018</u>	<u>\$ 99,354,960</u>	<u>\$ 849,723,444</u>

The gain (loss) on disposal of assets consisted of the following:

Gains on disposals	\$ 608,204
Losses on disposals	<u>(1,324,050)</u>
Net gain (loss) on disposals	<u>\$ (715,746)</u>

Note 5—Pension Plans

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 on average final compensation.

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

South Carolina Retirement System

The majority of employees of the University 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 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 adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2006, the employer contribution rate became 11.4 percent which included a 3.35 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2007, 2006, and 2005, were \$17,682,000, \$17,235,000, and \$16,507,000, respectively, and equaled the required contributions of 8.05 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$329,000 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 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 death fund which provides annuity 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, 2006, the employer contribution rate became 13.65 percent which, as for the SCRS, includes the 3.35 percent surcharge. The

University's actual contributions to the PORS for the years ending June 30, 2007, 2006, and 2005 were \$379,500, \$337,000, and \$274,000, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$7,400 and accidental death insurance contributions of \$7,400 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

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 available to all employees who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first thirty days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 8.05 percent plus the retiree surcharge of 3.35 percent from the employer in fiscal year 2007.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$10,163,500 (excluding the surcharge) from the University as employer and \$8,206,500 from its employees as plan members. In fiscal year 2007, the University paid \$189,400 for group-life insurance coverage for these employees. All amounts were remitted directly 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 University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

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 entered the TERI program prior to July 1, 2005 do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. Participants who entered the TERI program as of July 1, 2005 or after are required to make SCRS contributions but do not earn service credit, and are ineligible to receive disability retirement benefits.

Blended Component Unit

The Trust provides a defined contribution plan covering all faculty participants in the Trust. The contribution rate is determined by the Trust and is 10 percent of eligible compensation up to statutory limits. After completion of three years of service, benefits are fully vested. Contributions for the year ended December 31, 2006 amounted to \$1,236,000 and is included as a component of personal services and related expenses.

Note 6—Postemployment And Other Employee Benefits

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides

postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 21,400 State retirees meet these eligibility requirements.

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$23,817,800. As discussed in Note 5, the University paid \$11,711,300 applicable to the 3.35 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to University retirees is not available. By State law, the University has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

Note 7—Contingencies, Litigation, And Project Commitments

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

The University 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 University had outstanding commitments under construction contracts of \$81,863,916 for capital and \$41,615,030 for noncapital projects. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

Note 8—Lease Obligations

Future commitments for capital leases and operating leases that have remaining noncancelable terms in excess of one year were as follows.

Equipment Capital Leases

	2007	\$ 134,829
	2008	129,915
	2009	86,823
	2010	<u>5,160</u>
	Total minimum lease payments	\$ 356,727
	Less interest, executory and other costs	<u>30,334</u>
	Present value of minimum lease payments	\$ <u>326,393</u>

Capital leases for various equipment are payable in monthly installments from current resources. All of the capital leases are with third-party vendors and certain capital leases provide for renewal and/or purchase options. Interest rates range from 3.5% to 46.1%.

All equipment capital leases are classified as machinery, equipment and other in Note 4. The historical cost of assets held under capital leases totaled \$589,293. Accumulated depreciation of this equipment totaled \$409,732.

Real Property Operating Leases

	<u>External Parties</u>	<u>Other State Agencies</u>	<u>Total</u>
2008	\$ 705,852	\$ 97,275	\$ 803,127
2009	514,751	-	514,751
2010	433,414	-	433,414
2011	148,839	-	148,839
2012	<u>96,274</u>	<u>-</u>	<u>96,274</u>
Total minimum lease payments	\$ <u>1,899,130</u>	\$ <u>97,275</u>	\$ <u>1,996,405</u>

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

The University has a 35-year lease agreement for two city blocks of parking surrounding the Carolina Center for \$100,000 per year. In accordance with the terms of the lease, in fiscal year 2003, the University paid \$3,500,000, representing rent due for the entire term.

The University's noncancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2007-2038. These noncancelable operating leases include agreements between the University and third party vendors as well as well as other State agencies and related parties.

Certain operating leases provide for renewal options for periods from 2007 to 2030 at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Total real property operating lease payments were \$1,149,999 for fiscal year 2007. Of this amount, \$134,025 was paid to other State agencies. In the current fiscal year, the University incurred expenses of \$1,026,062 for office copier contingent rentals on a cost per copy basis.

Note 9—Short-Term Debt

Bonds Anticipation Notes (BANS) Payable

Bond anticipation notes payable consisted of the following:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
Revenue BANS			
Series 2007A	4.002%	03/15/08	2,700,000
Series 2007B	4.002%	03/15/08	<u>1,800,000</u>
Total BANS Payable			\$ <u><u>4,500,000</u></u>

The University utilizes bond anticipation notes (BANS) to provide interim financing for capital improvements. The University typically converts outstanding BANS to long-term financing, as appropriate, within the normal course of business. BANS are included in short-term liabilities and are due within one year.

During fiscal year 2007, \$2,700,000 athletic facilities revenue BANS Series 2007A, was issued to refinance a portion of the remaining balance of athletic facilities revenue BANS Series 2006A. \$1,800,000 athletic facilities revenue BANS Series 2007B was issued to refinance a portion of the remaining balance of athletic facilities revenue BANS Series 2006B. Short-term debt activity was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Revenue BANS	\$ <u>6,855,000</u>	\$ <u>4,500,000</u>	\$ <u>6,855,000</u>	\$ <u>4,500,000</u>
Total Short-Term Debt	\$ <u><u>6,855,000</u></u>	\$ <u><u>4,500,000</u></u>	\$ <u><u>6,855,000</u></u>	\$ <u><u>4,500,000</u></u>

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

Note 10 – Bonds and Notes Payable

Bonds Payable

Bonds payable consisted of the following:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
State Institution Bonds			
Series 1996B	5.0%	04/01/16	\$ 17,735,000
Series 2001B	4.5% to 5.0%	07/01/21	28,175,000
Series 2002E	3.0% to 5.0%	09/01/22	14,860,000
Series 2003I	2.75% to 4.625%	10/01/23	6,335,000
Series 2006B	3.25% to 5.25%	04/01/26	<u>54,910,000</u>
Total State Institution Bonds			<u>122,015,000</u>
Revenue Bonds			
Series 1999A	4.30% to 5.0%	06/01/19	3,505,000
Series 2000A	5.0% to 5.125%	06/01/10	1,315,000
Series 2002	4.25% to 5.5%	05/01/32	19,530,000
Series 2003B	2.25 to 4.25%	05/01/23	4,620,000
Series 2004A	3.375% to 5.375%	05/01/34	29,145,000
Series 2005A	3.0% to 5.0%	05/01/35	11,990,000
Series 2005A Refunding	3.5% to 5.0%	06/01/30	45,545,000
Series 2006A	3.75% to 4.375%	06/01/26	<u>13,520,000</u>
Total Revenue Bonds			<u>129,170,000</u>
Blended Component Unit Revenue Bonds			
Series 2000	Variable	09/01/25	<u>8,075,000</u>
 Total Bonds Payable			 \$ <u>259,260,000</u>

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

State institution bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged up to the amount of the annual debt requirements for the payment of principal and interest on state institution bonds. The legal debt margin for state institution bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year.

Tuition bond fees for the preceding year were \$15,707,313, which results in a legal annual debt service at June 30, 2007 of \$14,136,582. The annual debt service payments for the fiscal year were \$10,908,805. Tuition revenue pledged in fiscal year 2007 was \$18,583,926 for state institution bonds.

General revenue bonds are payable from and secured by a pledge of net revenues derived by the University from the operation of the facilities constructed with the bond proceeds. General revenue bonds are additionally secured by a pledge of additional funds. Additional funds are all available funds and academic fees of the University which are not (i) otherwise designated or restricted; (ii) funds derived from appropriations; and (iii) tuition funds pledged to the repayment of state institution bonds. Pledged net revenues for general revenue bonds in fiscal year 2007 were \$8,440,590.

Athletic facilities revenue bonds are payable and secured by a pledge of net revenues of the athletic department, gross receipts of a special admission fee to facilities and a special student fee as authorized by the governing board. Pledged revenues for athletic facilities revenue bonds in fiscal year 2007 were \$1,291,238 special student fees, \$2,085,553 special admission fee, and \$652,054 athletic department net revenues.

The University has secured insurance contracts for revenue bonds which guarantee payment of principal and interest, in the event such required payment has not been made, for a period equal to the final maturity of the bonds. Certain of the bonds payable are callable at the option of the University.

The University believes it is in compliance with all related bond covenants of its issued debt.

During the current fiscal year, the University issued state institution bonds in the amount of \$58,000,000 for various capital projects.

The advanced refunded maturities of certain bonds are considered defeased and the liability for these bonds has been removed from the University's financial statements. Of bonds outstanding, \$17,495,000 is considered defeased.

The blended component unit revenue bonds are limited obligations of the Trust. The terms of indebtedness provide that bondholders may redeem, or put, the bonds to the remarketing agent on dates that approximate a monthly basis. The remarketing agent is obligated to remarket the redeemed bonds on a "best efforts" basis. Redeemed bonds are repaid to bondholders from the proceeds of the remarketing effort or, in the event of an inability to remarket the bonds, from a renewing, 13-month letter of credit provided by Wachovia Bank, N.A. ("Wachovia"). In connection with the issuance of the bonds, the University has pledged that for as long as any bonds remain outstanding, the University will not terminate the Trust and will cause it to be operated so that all interest and principal on the bonds will be paid. As additional security to Wachovia, the Trust has granted Wachovia a security interest in substantially all real and personal property of the Trust, in the Trust's rights to medical office building rents, and in its land lease with the University.

The terms of the indenture of Trust (the "Indenture") relating to the issuance of the bonds provide that they bear interest at a variable rate, not to exceed 12%. Interest is paid each September 1 and quarterly thereafter. The interest rate was initially computed weekly. The Indenture provides the Trust with options that include monthly or longer interest computational periods as well as a conversion privilege to fixed interest rate obligations. Administrative procedures associated with the selection of any option include approval by the bondholders. Management expects that in the normal course of business, interest will be computed on a weekly basis. At December 31, 2006, the average interest rate on the bonds was 3.18%.

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

The scheduled redemptions of the blended component unit revenue bonds are as follows:

2007	\$ 425,000
2008	425,000
2009	425,000
2010	425,000
2011	425,000
2012-2016	2,125,000
2017-2021	2,125,000
2022-2025	<u>1,700,000</u>
	<u>\$ 8,075,000</u>

The scheduled maturities of the University bonds payable by type are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
State Institution Bonds			
2008	\$ 5,745,000	\$ 5,514,768	\$ 11,259,768
2009	6,020,000	5,244,874	11,264,874
2010	6,290,000	4,962,399	11,252,399
2011	6,585,000	4,665,336	11,250,336
2012	6,895,000	4,350,186	11,245,186
2013-2017	37,250,000	16,522,091	53,772,091
2018-2022	35,410,000	7,674,128	43,084,128
2023-2026	<u>17,820,000</u>	<u>1,363,911</u>	<u>19,183,911</u>
Total	<u>\$ 122,015,000</u>	<u>\$ 50,297,693</u>	<u>\$ 172,312,693</u>
Revenue Bonds			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 4,020,000	\$ 5,824,728	\$ 9,844,728
2009	4,165,000	5,674,646	9,839,646
2010	4,345,000	5,515,856	9,860,856
2011	4,525,000	5,348,700	9,873,700
2012	4,740,000	5,149,608	9,889,608
2013-2017	25,800,000	22,498,125	48,298,125
2018-2022	26,930,000	16,588,510	43,518,510
2023-2027	28,350,000	10,135,400	38,485,400
2028-2032	20,545,000	4,250,056	24,795,056
2033-2035	<u>5,750,000</u>	<u>461,625</u>	<u>6,211,625</u>
Total	<u>\$ 129,170,000</u>	<u>\$ 81,447,254</u>	<u>\$ 210,617,254</u>

Notes Payable

Notes payable consisted of the following:

University note payable to acquire rare literary collection, dated January, 2001, payable in annual installments of \$36,667, matures July 2009, imputed interest rate of 4.38%.

\$ 101,025

University note payable secured by aircraft, dated July, 2001, payable in monthly interest

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

<p>payments of \$6,458, through June, 2003 and monthly principal payments of \$10,417 plus interest matures June 2011, interest rate of 7.75%</p>	500,000
<p>University note payable secured by energy management equipment, dated July, 2004, payable in varying semi-annual principal and interest payments, matures July, 2011, interest rate of 3.9695%.</p>	26,355,000
<p>University note payable secured by telecommunications equipment, dated October, 2004, payable in annual installments of \$106,107, matures October, 2008, interest rate of 2.9475%.</p>	203,187
<p>University note payable secured by fitness equipment, dated October, 2004, payable in annual installments of \$36,153, matures October, 2007, interest rate of 2.86%.</p>	35,148
<p>University note payable to acquire energy savings lighting retrofit, dated December, 2004, payable in annual installments of \$130,719, matures December, 2012, interest rate of 1.00%.</p>	757,449
<p>University note payable secured by video conference equipment, dated February, 2005, payable in annual installments of \$48,351, matures February, 2008, interest rate of 3.249%.</p>	46,830
<p>University note payable secured by bio mass energy management equipment, dated June 10, 2005, payable in semi-annual principal and interest payments, matures June 30, 2013, interest rate of 4.0%.</p>	15,249,870
<p>University note payable secured by telecommunication equipment, dated August, 2005, payable in annual installments of \$44,452, matures August, 2008, interest rate of 3.9%.</p>	83,960
<p>University note payable secured by athletic ticketing system, dated February, 2007, payable in annual installments of \$90,727, matures February, 2011, interest rate of 5.908%.</p>	<u>315,037</u>
<p>Total Notes Payable</p>	<u><u>\$43,647,506</u></u>

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

The scheduled maturities of the notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 3,477,920	\$ 1,693,511	\$ 5,171,431
2009	3,499,097	1,553,256	5,052,353
2010	3,458,636	1,411,302	4,869,938
2011	3,529,230	1,269,803	4,799,033
2012	19,271,108	815,436	20,086,544
2013	10,411,515	412,585	10,824,100
Total	\$ 43,647,506	\$ 7,155,893	\$ 50,803,399

Note 11 – Long-Term Liabilities

Long-term liability activity was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due Within One Year</u>
Bonds and Notes Payable and Capital Lease Obligations					
State Institution Bonds	\$ 70,675,000	\$ 58,000,000	\$ 6,660,000	\$ 122,015,000	\$ 5,745,000
Revenue Bonds	133,030,000	—	3,860,000	129,170,000	4,020,000
Blended Component Unit Revenue Bonds	8,500,000	—	425,000	8,075,000	425,000
Subtotal Bonds Payable	212,205,000	58,000,000	10,945,000	259,260,000	10,190,000
Add: Unamortized Bond Premiums	1,042,442	—	68,064	974,378	68,064
Less: Unamortized Bond Discounts	72,275	—	14,777	57,498	12,530
Less: Unamortized Loss on Bond Refunding	2,767,065	—	136,502	2,630,563	136,502
Total Bonds Payable	210,408,102	58,000,000	10,861,785	257,546,317	10,109,032
Notes Payable	47,165,001	—	3,517,495	43,647,506	3,477,920
Capital Lease Obligations	440,426	—	114,033	326,393	118,153
Total Bonds, Notes and Capital Leases	258,013,529	58,000,000	14,493,313	301,520,216	13,705,105
Other Liabilities					
Accrued Compensated Absences	22,158,438	13,543,734	11,688,637	24,013,535	13,158,421
Retainage Payable	1,464,152	1,496,967	767,655	2,193,464	1,516,839
Deferred Revenues	33,660,583	33,604,793	31,568,916	35,696,460	33,604,793
Federal Loan Funds	18,690,199	—	98,773	18,591,426	—
Total Other Liabilities	75,973,372	48,645,494	44,123,981	80,494,885	48,280,053
Total Long-Term Liabilities	\$ 333,986,901	\$ 106,645,494	\$ 58,617,294	\$ 382,015,101	\$ 61,985,158

Additional information regarding bonds and notes payable is included at Note 10. Additional information regarding capital lease obligations is included at Note 8.

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

Note 12 – Component Units

Certain separately chartered legal entities whose activities are related to those of the University exist primarily to provide financial assistance and other support to the University and its educational program. They include the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the Greater University of South Carolina Alumni Association; the Carolina Piedmont Foundation; the University of South Carolina Development Foundation; the Educational Foundation of the University of South Carolina – Lancaster; the University of South Carolina Research Foundation; and the University of South Carolina Research Campus Foundation. Because the activities and resources of these entities are for the sole benefit of the University, they are considered component units of the University and are discretely presented in the University's financial statements accordingly as a non-governmental or governmental reporting entity.

Following is a more detailed discussion of each of these entities and a summary of significant transactions (if any) between these entities and the University.

The University of South Carolina Educational Foundation operates for the benefit and support of the University of South Carolina. Its objectives include the establishment and implementation of long-range fund-raising programs to assist in the expansion and improvement of the educational functions of the University. The University receives from the Foundation funds for scholarships, awards and stipends to students, faculty and administrative staff; library collections; reimbursement for computer and personnel services provided by the University; and interest earnings on notes receivable from the Foundation (See Note 3). The Foundation's net assets consist of permanently restricted net assets or permanent endowments of \$133,152,485 or 46 % of total net assets. Complete financial statements for the Foundation can be obtained at USC Foundations, 208 Osborne Building, USC, Columbia, SC 29208, Attention Russell Meekins.

The University of South Carolina Business Partnership Foundation was formed to bring together representatives of business and government to assist them in conducting conferences, seminars, and management programs to further the education, development and effectiveness of management

personnel in the State and region. The University receives funds for scholarships, reimbursement of personal service and fringe benefit and other administrative costs from the Foundation. The Foundation's net assets consist of permanently restricted net assets or permanent endowments of \$21,055,087 or 46% of total net assets. Complete financial statements for the Foundation can be obtained at USC Foundations, 208 Osborne Building, USC, Columbia, SC 29208, Attention: Russell Meekins.

The Educational Foundation of the University of South Carolina – Lancaster operates for the benefit and support of the University of South Carolina at Lancaster. Its objectives include the establishment and implementation of long-range fund-raising programs to assist in the expansion and improvement of the educational functions of the University. The University receives from the Foundation funds for scholarships, rent, and reimbursement for computer and personnel services provided by the University. Complete financial statements for the Foundation can be obtained at PO Box 809, Lancaster, SC 29721.

The Greater University of South Carolina Alumni Association was formed to serve the students after they graduate. The Alumni Association's objectives are providing job placement and counseling, communicating the aspirations and needs of the University, helping graduates keep in touch with one another, and providing programs of continuing education. The University receives funds for scholarships from the Association and provides office and meeting space at no cost to the Association. Complete financial statements for the Association can be obtained at USC Foundations, 208 Osborne Building, USC, Columbia, SC 29208, Attention: Russell Meekins.

The Carolina Piedmont Foundation was established to accept gifts for charitable, benevolent, cultural, and education purposes and to provide student housing and other real property for the exclusive use and benefit of the University of South Carolina Upstate. The University receives funds from the Foundation for scholarships and reimbursement for personnel and student housing services provided by the University. The Foundation's capital debt liability is \$15,975,285 which exists to provide capital assets for the University. Complete financial statements for the Foundation can

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

be obtained at Carolina Piedmont Foundation, 800 University Way, Spartanburg, SC 29303.

The University of South Carolina Development Foundation operates exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the University including, but not limited to, promoting, encouraging, and aiding scientific research and investigation at the University. The University receives funds for rent and reimbursement for computer and personnel services provided by the University from the Foundation. The University also pays the Foundation for the lease of aircraft and real property and for research programs. Complete financial statements for the Foundation can be obtained at USC Foundations, 208 Osborne Building, USC, Columbia, SC 29208, Attention: Russell Meekins.

The University of South Carolina Research Foundation exists exclusively to facilitate the University of South Carolina’s teaching, research and public service missions. It will support research programs of clear relevance to the state and nation. The research areas focus on the environment, new technologies, economic development, health sciences and social issues. The Foundation receives research funding from private sources and also competes for federal funds. The University receives funds for research from the Foundation. Complete financial statements for the Foundation can be obtained at USC Foundations, 208 Osborne Building, USC, Columbia, SC 29208, Attention: Russell Meekins.

The University of South Carolina Research Campus Foundation was established to facilitate the University of South Carolina’s education and scientific research mission. It will support research activities by establishing a research campus to foster basic and applied research and an advanced public/private collaboration. Complete financial statements for the Foundation can be obtained from the Office of Business and Finance, 201 Osborne Building, USC, Columbia, SC 29208.

Various transactions occur between the University and the component units. A summary of those transactions follows:

Funds Received from Component Units

Carolina Piedmont Foundation	\$ 240,780
USC Development Foundation	720,011
USC Business Partnership Foundation	482,671
USC Educational Foundation	12,375,681
Greater USC Alumni Association	1,294,858
Educational Foundation of USC Lancaster	98,484
USC Research Foundation	<u>87,687,206</u>
	<u>\$102,899,691</u>

The majority of the University of South Carolina Research Foundation revenues are recorded by the University as federal grants and contracts revenues and the majority of revenues from the other related parties are recorded as private gifts revenue. Federal grants and contracts receivables include \$17,190,613 due from the University of South Carolina Research Foundation at June 30, 2007.

Funds Paid to Component Units

USC Development Foundation	\$ 35,291
USC Educational Foundation	86,333
USC Business Partnership Foundation	9,678
Educational Foundation of Lancaster	3,160
Carolina Piedmont Foundation	<u>187,026</u>
	<u>\$ 721,488</u>

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

Note 13 – Risk Management

The University of South Carolina (USC) has a comprehensive risk management program which incorporates the fundamentals of risk identification, risk evaluation, risk control and risk financing alternatives in reducing loss potential. The risk management office provides for the financial consequences of loss by purchasing insurance through the State Budget and Control Board, Office of the Insurance Reserve Fund (IRF) and the private insurance market. Several sections of the South Carolina Code of Laws authorize and require the State Budget and Control Board, through the IRF, to provide insurance to governmental entities. These statutes in turn require most state entities to purchase insurance through the IRF. These sections include:

Title 1 – Administration of Government, Section 1-11-140 - 141. Authority to provide tort liability insurance to governmental entities, their employees, and charitable medical facilities.

Title 1 – Administration of Government: Section 1-11-147. Automobile Liability Reinsurance.

Title 10 – Public Buildings and Property: Section 10-7-10 through 10-7-40. Authority to insure public buildings and contents.

Title 10 – Public Buildings and Property: Section 10-7-12. Authority to purchase reinsurance.

Title 10 – Public Buildings and Property: Section 10-7-130. Authority to hold monies paid as premiums for the purpose of paying Insured losses.

Title 11 – Public Finance: Section 11-9-75. Debt Collection Procedures.

Title 15 – Civil Remedies and Procedures: Section 15-78-10 through 15-78-150. S.C. Governmental Tort Claims Act. Authority to provide liability insurance.

Title 38 – Insurance: Section 38-13-190. Requires South Carolina Insurance Department Audits of Insurance Reserve Fund Finance.

Title 59 – Education: Section 59-67-710 & 59-67-790. Authority to insure school buses and pupils transported by school bus.

Title 59 – Education: Section 59-67-790. Pupil Injury Fund.

The IRF functions as a governmental insurance operation with the mission to provide insurance specifically designed to meet the needs of governmental entities at the lowest possible cost. The Insurance Reserve Fund operates like an insurance company, by issuing policies, collecting premiums (based on actuarially calculated rates), and by paying claims from the accumulated premiums in accordance with the terms and conditions of the insurance policies it has issued.

All premiums received by the IRF are deposited with the Office of the State Treasurer where the funds are maintained as the IRF Trust Account. By statutory requirement, these funds are to be used to pay claims and operating expenses of the fund. The Office of the State Treasurer is responsible for investing these funds.

The IRF uses no agents, brokers, or advertising, and does not actively solicit accounts. The lack of a profit motive and the lack of acquisition expenses such as agents' commissions, along with the use of the investment income in rate determination allows the Insurance Reserve Fund to maintain the lowest possible rate structure. Not all governmental entities elect to purchase their insurance through the Insurance Reserve Fund. The South Carolina Tort Claims Act allows political subdivisions of the State access to other mechanisms to meet their insurance needs at their discretion. Some entities participate in other self-insurance pools, some purchase commercial insurance, and some elect to self-insure their insurance exposures.

The majority of insurance policies carried by USC are purchased through the IRF. The various types of property and casualty insurance policies maintained by the University include: Building and Contents, Inland Marine, Data Processing Equipment, Business Interruption, Builders' Risk, Automobile Property Damage and Liability, Aircraft Property Damage and Liability, Tort Liability, Medical Professional Liability, Employee Dishonesty, and Workers' Compensation.

However there are cases in which the IRF does not provide specific policies that are necessary to reduce the potential for financial loss and/or to meet contractual obligations entered into by USC. Consequently, in order to mitigate these potential loss exposures, private insurance carriers are commonly utilized in the areas of Medical Professional Liability, General Tort Liability, Automobile Comprehensive & Liability Insurance, Event Interruption, Aircraft Coverage and Employee Dishonesty.

UNIVERSITY OF SOUTH CAROLINA – Notes to the Financial Statements

Note 14—Operating Expenses By Function

Operating expenses by functional classification are summarized as follows:

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 247,741,774	\$ 32,699,552	\$ 18,489	\$ 165,982	\$ -	\$ 280,625,797
Research	66,377,111	34,403,358	23,690	528,831	-	101,332,990
Public service	38,688,796	16,139,104	18,105	877,441	-	55,723,446
Academic support	40,264,967	25,990,219	-	24,577	-	66,279,763
Student services	28,166,655	15,911,173	626,522	236,061	-	44,940,411
Institutional support	47,425,644	2,280,029	-	82,349	-	49,788,022
Operation and maintenance of plant	26,406,948	16,117,126	17,426,138	14,192	-	59,964,404
Auxiliary Enterprises	31,236,231	42,839,688	6,590,552	3,437,950	-	84,104,421
Scholarships and fellowships	2,776,799	121,334	-	58,490,862	-	61,388,995
Blended Component Unit	30,554,900	15,681,263	-	-	1,065,106	47,301,269
Depreciation	-	-	-	-	42,769,038	42,769,038
Total Operating Expenses	<u>\$ 559,639,825</u>	<u>\$ 202,182,846</u>	<u>\$ 24,703,496</u>	<u>\$ 63,858,245</u>	<u>\$ 43,834,144</u>	<u>\$ 894,218,556</u>

Note 15—Endowments and Similar Funds

The University's endowment funds and type consist of the following:

<u>Net Asset Classification</u>	<u>True Endowment</u>	<u>Term Endowment</u>	<u>Quasi Endowment</u>	<u>Annuity & Life Income</u>	<u>Total</u>
Restricted - Nonexpendable	\$25,392,818	\$ 58,884	\$ -	\$ -	\$ 25,451,702
Restricted – Expendable					
Scholarships, research, and other	-	-	1,918,049	-	1,918,049
Capital Projects	-	-	-	1,078,572	1,078,572
Unrestricted	-	-	27,415,586	-	27,415,586
Total	<u>\$25,392,818</u>	<u>\$ 58,884</u>	<u>\$ 29,333,635</u>	<u>\$ 1,078,572</u>	<u>\$ 55,863,909</u>

Note 16- Prior Period Adjustments

The University made adjustments to correct the balances of various assets and liabilities as of June 30, 2006 as detailed below.

Net assets, June 30, 2006 as previously reported	\$738,915,286
Correction of errors:	
Adjust local grants and contract receivable	(3,503,176)
Adjust funds due from others	2,459,069
Adjust construction in progress	(3,803,176)
Adjust accounts payable	1,004,653
Adjust retainage payable – current	39,454
Adjust deferred revenues	<u>(967,659)</u>
Net assets, June 30, 2006, as restated	<u>\$734,144,451</u>

INDIVIDUAL CAMPUS
SUPPLEMENTAL STATEMENTS AND SCHEDULES
(Unaudited)

Statement of Net Assets
Statement of Revenues, Expenses and Changes in Net Assets
Statement of Cash Flows
Schedule of Operating Expenses by Function

Aiken

Beaufort

Columbia

Lancaster

Medical School

Salkehatchie

Sumter

Union

Upstate

UNIVERSITY OF SOUTH CAROLINA - Supplemental Schedules

The following supplemental information is provided at the request of the State of South Carolina Office of Comptroller General.

Non-Capital Appropriations

Current year's appropriations:

Original appropriations per Annual Appropriations Act	\$ 199,001,542
Budget and Control Board Allocations	6,999,453
Supplemental Appropriations (Proviso 73.14)	6,246,562
From Commission on Higher Education	
Technology Initiative	1,834,071
Academic Endowment Incentive	127,441
Gifts Project	10,000
Transfer from Department of Revenue - EIA	653,144
Transfer from Department of Health and Environmental Control	174,055
Total non-capital appropriations recorded as current year revenue	<u>\$ 215,046,268</u>

State Capital Appropriations

Capital Improvement Bond Proceeds:

Proceeds drawn during the current fiscal year	\$ 5,417,339
Plus: Expenses incurred but not drawn during current fiscal year	751,834
Less: Proceeds drawn but not expended during current fiscal year	<u>(28,512)</u>
Total capital improvement bond proceeds recorded as current year revenue	<u>6,140,661</u>

Research Infrastructure Bond Proceeds:

Proceeds drawn during the current fiscal year	17,271,667
Plus: Expenses incurred but not drawn during current fiscal year	3,667,996
Less: Proceeds drawn but not expended during current fiscal year	<u>(772,871)</u>
Total research infrastructure bond proceeds recorded as current year revenue	<u>20,166,792</u>

University Infrastructure Bond Proceeds:

Proceeds drawn during the current fiscal year	1,499,100
Plus: Expenses incurred but not drawn during current fiscal year	92,563
Less: Proceeds drawn but not expended during current fiscal year	<u>(66,949)</u>
Total university infrastructure bond proceeds recorded as current year revenue	<u>1,524,714</u>

Capital Reserve Fund Appropriations:

Proceeds drawn during the current fiscal year	<u>446,002</u>
Total capital reserve fund appropriations recorded as current year revenue	<u>446,002</u>

Total state capital appropriations recorded as current year revenue \$ 28,278,169

UNIVERSITY OF SOUTH CAROLINA - Supplemental Schedules

Information for Statement of Activities

	<u>2007</u>	<u>Comparative Amounts for 2006</u>	<u>Increase/ (Decrease)</u>
University			
Charges for services	\$ 624,136,786	\$ 581,843,791	\$ 42,292,995
Operating grants and contributions	60,913,381	49,948,164	10,965,217
Capital grants and contributions	11,740,839	33,854,403	(22,113,564)
Less expenses	<u>(860,124,968)</u>	<u>(801,759,934)</u>	<u>(58,365,034)</u>
Net program revenue (expense)	<u>(163,333,962)</u>	<u>(136,113,576)</u>	<u>(27,220,386)</u>
Additions to permanent endowments	6,536,400	2,664,145	3,872,255
Transfers:			
State appropriations	215,046,268	199,309,025	15,737,243
Capital improvement bond proceeds	28,278,169	11,052,199	17,225,970
Transfers to/from other state agencies	<u>(1,337,606)</u>	<u>(1,456,508)</u>	<u>118,902</u>
Total contributions and transfers	<u>248,523,231</u>	<u>211,568,861</u>	<u>36,954,370</u>
Changes in net assets	85,189,269	75,455,285	9,733,984
Net assets-beginning as originally reported	738,915,286	-	738,915,286
Prior period adjustment	(4,770,835)	-	(4,770,835)
Net assets – beginning restated	<u>734,144,451</u>	<u>658,689,166</u>	<u>75,455,285</u>
Net assets - ending	<u>\$ 819,333,720</u>	<u>\$ 734,144,451</u>	<u>\$ 85,189,269</u>

	<u>2007</u>	<u>Comparative Amounts for 2006</u>	<u>Increase/ (Decrease)</u>
Trust			
Charges for services	\$ 25,692,019	\$ 22,013,918	\$ 3,678,101
Operating grants and contributions	19,633,501	15,026,492	4,607,009
Less expenses	<u>(47,702,972)</u>	<u>(38,247,317)</u>	<u>(9,455,655)</u>
Net program revenue (expense)	<u>(2,377,452)</u>	<u>(1,206,907)</u>	<u>(1,170,545)</u>
Changes in net assets	(2,377,452)	(1,206,907)	(1,170,545)
Net assets - beginning	<u>14,070,928</u>	<u>15,277,835</u>	<u>(1,206,907)</u>
Net assets - ending	<u>\$ 11,693,476</u>	<u>\$ 14,070,928</u>	<u>\$ (2,377,452)</u>

UNIVERSITY OF SOUTH CAROLINA

**Aiken Campus
Statement of Net Assets
(Unaudited)**

	June 30, 2007	December 31, 2006	
	<u>Aiken Campus</u>	<u>Trust</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,658,427.25	\$ -	\$ 6,658,427.25
Investments	-	-	-
Accounts receivable, net	568,433.30	-	568,433.30
Pledges receivable	-	-	-
Student loans receivable, current	1,200.00	-	1,200.00
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	106,699.06	-	106,699.06
Inventories	401,506.63	-	401,506.63
Prepaid items	96,251.30	-	96,251.30
Restricted cash and cash equivalents	1,063,347.51	-	1,063,347.51
Funds due from others	-	-	-
Total current assets	<u>8,895,865.05</u>	<u>-</u>	<u>8,895,865.05</u>
Noncurrent assets:			
Investments	-	-	-
Notes receivable	200,000.00	-	200,000.00
Restricted - cash and cash equivalents	185,591.07	-	185,591.07
Restricted - federal student loans receivable	865,652.63	-	865,652.63
Capital assets, net of accumulated depreciation	69,007,437.07	-	69,007,437.07
Other assets	-	-	-
Total noncurrent assets	<u>70,258,680.77</u>	<u>-</u>	<u>70,258,680.77</u>
Total assets	<u>79,154,545.82</u>	<u>-</u>	<u>79,154,545.82</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,113,322.97	-	1,113,322.97
Retainage payable - current portion	633,563.39	-	633,563.39
Accrued interest payable	184,506.88	-	184,506.88
Accrued payroll and related liabilities	138,339.37	-	138,339.37
Accrued compensated absences - current portion	528,659.47	-	528,659.47
Short - term debt	-	-	-
Long-term liabilities - current portion	1,107,788.00	-	1,107,788.00
Deferred revenues	540,791.93	-	540,791.93
Deposits	130,981.03	-	130,981.03
Other liabilities	64,707.77	-	64,707.77
Funds held for others	76,149.34	-	76,149.34
Total current liabilities	<u>4,518,810.15</u>	<u>-</u>	<u>4,518,810.15</u>
Noncurrent liabilities:			
Retainage payable	22,689.86	-	22,689.86
Accrued compensated absences	468,811.23	-	468,811.23
Deferred revenues	-	-	-
Federal loan funds	855,428.79	-	855,428.79
Long-term liabilities	25,530,668.00	-	25,530,668.00
Other liabilities	-	-	-
Total noncurrent liabilities	<u>26,877,597.88</u>	<u>-</u>	<u>26,877,597.88</u>
Total liabilities	<u>31,396,408.03</u>	<u>-</u>	<u>31,396,408.03</u>
NET ASSETS			
Invested in capital assets, net of related debt	42,368,981.07	-	42,368,981.07
Restricted for:			
Nonexpendable	267,871.00	-	267,871.00
Expendable	-	-	-
Scholarships, research, instruction, and other	46,553.27	-	46,553.27
Loans	130,222.69	-	130,222.69
Capital projects	(805,285.50)	-	(805,285.50)
Debt service	54,852.84	-	54,852.84
Unrestricted	5,694,942.42	-	5,694,942.42
Total net assets	<u>\$ 47,758,137.79</u>	<u>\$ -</u>	<u>\$ 47,758,137.79</u>

UNIVERSITY OF SOUTH CAROLINA
Aiken Campus
Statement of Revenues, Expenses, and Changes in Net Assets
(Unaudited)

	Year ended		Total
	June 30, 2007 Aiken Campus	December 31, 2006 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$1,158,099.05 pledged as security for bonds)	\$ 20,542,295.74	\$ -	\$ 20,542,295.74
Less scholarship allowance	(4,892,598.67)	-	(4,892,598.67)
Patient services, net	-	-	-
Federal grants and contracts	3,426,252.94	-	3,426,252.94
State grants and contracts	5,624,446.38	-	5,624,446.38
Local grants and contracts	153,845.59	-	153,845.59
Nongovernmental grants and contracts	243,318.16	-	243,318.16
Sales and services of educational and other activities	1,492,495.97	-	1,492,495.97
Sales and services of auxiliary enterprises (\$1,434,640.00 pledged as security for bonds)	4,579,043.17	-	4,579,043.17
Less scholarship allowance	(157,549.52)	-	(157,549.52)
Interest collected on student loans	11,499.68	-	11,499.68
Other fees	113,877.40	-	113,877.40
Other operating revenues	263,607.94	-	263,607.94
Total operating revenues	<u>31,400,534.78</u>	<u>-</u>	<u>31,400,534.78</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	24,269,738.54	-	24,269,738.54
Services and supplies	9,740,398.48	-	9,740,398.48
Utilities	1,315,342.00	-	1,315,342.00
Scholarships and fellowships	5,505,692.73	-	5,505,692.73
Depreciation expense	2,477,482.20	-	2,477,482.20
Total operating expenses	<u>43,308,653.95</u>	<u>-</u>	<u>43,308,653.95</u>
Operating Income (loss)	<u>(11,908,119.17)</u>	<u>-</u>	<u>(11,908,119.17)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	11,452,237.00	-	11,452,237.00
Gifts	711,941.41	-	711,941.41
Investment income	375,034.35	-	375,034.35
Endowment income	30,328.87	-	30,328.87
Gain (loss) on disposal of capital assets	-	-	-
Interest on capital asset related debt	(1,027,585.34)	-	(1,027,585.34)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>11,541,956.29</u>	<u>-</u>	<u>11,541,956.29</u>
Income (loss) before other revenue, expenses, gains or losses	<u>(366,162.88)</u>	<u>-</u>	<u>(366,162.88)</u>
State capital appropriations	1,532,753.95	-	1,532,753.95
Capital grants and gifts	5,232,411.41	-	5,232,411.41
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	(8,387.00)	-	(8,387.00)
Transfers to/from other campuses	31,993.57	-	31,993.57
Increase (decrease) in net assets	<u>6,422,609.05</u>	<u>-</u>	<u>6,422,609.05</u>
NET ASSETS			
Net assets - beginning of year	41,335,528.74	-	41,335,528.74
Net assets - end of year	<u>\$ 47,758,137.79</u>	<u>\$ -</u>	<u>\$ 47,758,137.79</u>

UNIVERSITY OF SOUTH CAROLINA
Aiken Campus
Statement of Cash Flows
(Unaudited)

	Year ended		
	June 30, 2007	December 31, 2006	Total
	Aiken Campus	Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 15,537,569.00	\$ -	\$ 15,537,569.00
Patient services, net	-	-	-
Research grants and contracts	9,685,093.53	-	9,685,093.53
Sales and services of educational and other activities	1,487,111.84	-	1,487,111.84
Sales and services of auxiliary enterprises	4,351,446.03	-	4,351,446.03
Student loans disbursed	(282,722.36)	-	(282,722.36)
Student loans collected	190,370.61	-	190,370.61
Interest collected on student loans	11,499.68	-	11,499.68
Inflows from federal family education loans	12,786,657.55	-	12,786,657.55
Outflows from federal family education loans	(12,986,191.66)	-	(12,986,191.66)
Payments to employees for services	(24,201,684.86)	-	(24,201,684.86)
Payments to suppliers	(10,877,762.67)	-	(10,877,762.67)
Payments to students for scholarships and fellowships	(5,505,692.73)	-	(5,505,692.73)
Other receipts	286,962.65	-	286,962.65
Inflows from agency funds	42,331.20	-	42,331.20
Outflows from agency funds	(39,949.52)	-	(39,949.52)
Net cash provided (used) by operating activities	<u>(9,514,961.71)</u>	<u>-</u>	<u>(9,514,961.71)</u>
Cash flows from non-capital financing activities			
State appropriations	11,452,237.00	-	11,452,237.00
Gifts for other than capital purposes	703,779.47	-	703,779.47
Additions to permanent endowments	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Transfers to/from other state agencies/campuses	23,606.57	-	23,606.57
Federal loan liability	(22,031.55)	-	(22,031.55)
Net cash provided (used) by noncapital financing activities	<u>12,157,591.49</u>	<u>-</u>	<u>12,157,591.49</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	6,900,000.00	-	6,900,000.00
State capital appropriations	1,516,577.58	-	1,516,577.58
Capital grants and gifts	7,115,000.00	-	7,115,000.00
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(17,369,511.00)	-	(17,369,511.00)
Principal paid on capital asset related debt	(1,215,000.00)	-	(1,215,000.00)
Interest paid on capital asset related debt	(1,011,068.14)	-	(1,011,068.14)
New cash provided (used) by capital and related financing activities	<u>(4,064,001.56)</u>	<u>-</u>	<u>(4,064,001.56)</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment income	364,866.07	-	364,866.07
Endowment Income	30,328.87	-	30,328.87
Net cash provided (used) by investing activities	<u>395,194.94</u>	<u>-</u>	<u>395,194.94</u>
Net increase(decrease) in cash and cash equivalents	<u>(1,026,176.84)</u>	<u>-</u>	<u>(1,026,176.84)</u>
Cash and cash equivalents, beginning of year	<u>8,933,542.67</u>	<u>-</u>	<u>8,933,542.67</u>
Cash and cash equivalents, end of year	<u>\$ 7,907,365.83</u>	<u>\$ -</u>	<u>\$ 7,907,365.83</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities:			
Operating expenses over revenues	\$ (11,908,119.17)	\$ -	\$ (11,908,119.17)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities			
Depreciation expense	2,477,482.20	-	2,477,482.20
Change in current assets and liabilities			
Accounts receivable, net	195,908.55	-	195,908.55
Patients accounts receivable, net	-	-	-
Student loans receivable	(67,642.24)	-	(67,642.24)
Capital improvement bond receivable - non-capital	(90,522.69)	-	(90,522.69)
Inventories	(50,808.35)	-	(50,808.35)
Prepaid items	(20,713.95)	-	(20,713.95)
Other assets	-	-	-
Accounts payable	232,492.17	-	232,492.17
Retainage payable	(7,701.57)	-	(7,701.57)
Accrued payroll and related liabilities	(57,261.34)	-	(57,261.34)
Accrued compensated absences	125,315.02	-	125,315.02
Deferred revenues	(128,300.99)	-	(128,300.99)
Deposits	(23,279.00)	-	(23,279.00)
Other liabilities	5,342.08	-	5,342.08
Funds held for others	(197,152.43)	-	(197,152.43)
Net cash provided by (used in) operating activities	<u>\$ (9,514,961.71)</u>	<u>\$ -</u>	<u>\$ (9,514,961.71)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ 373,000.00	\$ -	\$ 373,000.00
Gains (losses) on disposal of capital assets	-	-	-
Capitalized interest reducing interest paid on capital asset related debt	\$ 54,325.00	\$ -	\$ 54,325.00
Change in value of investments recognized in endowment income	-	-	-
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	-	-	-
Student loans cancelled	\$ 18,489.34	-	\$ 18,489.34

UNIVERSITY OF SOUTH CAROLINA
Aiken Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2007

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 13,141,537.49	\$ 1,796,831.81	\$	\$ 524.86	\$	\$ 14,938,894.16
Research	104,989.29	79,640.25				184,629.54
Public service	1,496,187.78	607,061.19		29,456.23		2,132,705.20
Academic support	1,887,847.31	935,440.37				2,823,287.68
Student services	3,303,837.23	1,378,900.28		1,973.23		4,684,710.74
Institutional support	2,047,714.84	1,523,167.88		213.59		3,571,096.31
Operation and maintenance of plant	1,494,562.61	1,339,985.58	1,039,508.97	2,522.04		3,876,579.20
Auxiliary enterprises	631,175.44	2,079,371.12	275,833.03	101.71		2,986,481.30
Scholarships and fellowships	161,886.55			5,470,901.07		5,632,787.62
Component Unit						
Depreciation					2,477,482.20	2,477,482.20
Total Operating Expenses	<u>\$ 24,269,738.54</u>	<u>\$ 9,740,398.48</u>	<u>\$ 1,315,342.00</u>	<u>\$ 5,505,692.73</u>	<u>\$2,477,482.20</u>	<u>\$ 43,308,653.95</u>

UNIVERSITY OF SOUTH CAROLINA
Beaufort Campus
Statement of Net Assets
(Unaudited)

	June 30, 2007 Beaufort Campus	December 31, 2006 Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,562,042.56	\$ -	\$ 5,562,042.56
Investments	-	-	-
Accounts receivable, net	516,185.78	-	516,185.78
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	-	-	-
Inventories	207,296.02	-	207,296.02
Prepaid items	10,247.15	-	10,247.15
Restricted cash and cash equivalents	228.81	-	228.81
Funds due from others	-	-	-
Total current assets	6,296,000.32	-	6,296,000.32
Noncurrent assets:			
Investments	-	-	-
Notes receivable	-	-	-
Restricted - cash and cash equivalents	39,000.00	-	39,000.00
Restricted - federal student loans receivable	-	-	-
Capital assets, net of accumulated depreciation	39,554,465.64	-	39,554,465.64
Other assets	-	-	-
Total noncurrent assets	39,593,465.64	-	39,593,465.64
Total assets	45,889,465.96	-	45,889,465.96
LIABILITIES			
Current liabilities:			
Accounts payable	170,488.04	-	170,488.04
Retainage payable - current portion	-	-	-
Accrued interest payable	1,312.50	-	1,312.50
Accrued payroll and related liabilities	114,204.12	-	114,204.12
Accrued compensated absences - current portion	180,369.22	-	180,369.22
Short - term debt	-	-	-
Long-term liabilities - current portion	10,000.00	-	10,000.00
Deferred revenues	355,599.02	-	355,599.02
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	14,726.66	-	14,726.66
Total current liabilities	846,699.56	-	846,699.56
Noncurrent liabilities:			
Retainage payable	-	-	-
Accrued compensated absences	159,950.07	-	159,950.07
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	95,000.00	-	95,000.00
Other liabilities	-	-	-
Total noncurrent liabilities	254,950.07	-	254,950.07
Total liabilities	1,101,649.63	-	1,101,649.63
NET ASSETS			
Invested in capital assets, net of related debt	39,449,465.64	-	39,449,465.64
Restricted for:			
Nonexpendable	39,000.00	-	39,000.00
Expendable	-	-	-
Scholarships, research, instruction, and other	447,010.54	-	447,010.54
Loans	314.00	-	314.00
Capital projects	-	-	-
Debt service	(562.12)	-	(562.12)
Unrestricted	4,852,588.27	-	4,852,588.27
Total net assets	\$ 44,787,816.33	\$ -	\$ 44,787,816.33

UNIVERSITY OF SOUTH CAROLINA
Beaufort Campus
Statement of Revenues, Expenses, and Changes in Net Assets
(Unaudited)

	Year ended		Total
	June 30, 2007 Beaufort Campus	December 31, 2006 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$85,571.16 pledged as security for bonds)	\$ 7,053,340.47	\$ -	\$ 7,053,340.47
Less scholarship allowance	(1,608,760.07)	-	(1,608,760.07)
Patient services, net	-	-	-
Federal grants and contracts	1,315,717.46	-	1,315,717.46
State grants and contracts	1,102,375.84	-	1,102,375.84
Local grants and contracts	-	-	-
Nongovernmental grants and contracts	9,955.46	-	9,955.46
Sales and services of educational and other activities	407,863.12	-	407,863.12
Sales and services of auxiliary enterprises	721,498.32	-	721,498.32
Less scholarship allowance	-	-	-
Interest collected on student loans	-	-	-
Other fees	67,739.85	-	67,739.85
Other operating revenues	56,632.14	-	56,632.14
Total operating revenues	9,126,362.59	-	9,126,362.59
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	10,087,810.67	-	10,087,810.67
Services and supplies	4,159,846.16	-	4,159,846.16
Utilities	537,032.29	-	537,032.29
Scholarships and fellowships	321,700.78	-	321,700.78
Depreciation expense	1,258,093.04	-	1,258,093.04
Total operating expenses	16,364,482.94	-	16,364,482.94
Operating Income (loss)	(7,238,120.35)	-	(7,238,120.35)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	3,477,625.00	-	3,477,625.00
Gifts	2,394,538.95	-	2,394,538.95
Investment income	224,368.81	-	224,368.81
Endowment income	2,449.47	-	2,449.47
Gain (loss) on disposal of capital assets	-	-	-
Interest on capital asset related debt	(5,437.50)	-	(5,437.50)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	6,093,544.73	-	6,093,544.73
Income (loss) before other revenue, expenses, gains or losses	(1,144,575.62)	-	(1,144,575.62)
State capital appropriations	182,440.00	-	182,440.00
Capital grants and gifts	464,844.00	-	464,844.00
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	(8,069.81)	-	(8,069.81)
Transfers to/from other campuses	172,511.40	-	172,511.40
Increase (decrease) in net assets	(332,850.03)	-	(332,850.03)
NET ASSETS			
Net assets - beginning of year	45,120,666.36	-	45,120,666.36
Net assets - end of year	\$ 44,787,816.33	\$ -	\$ 44,787,816.33

UNIVERSITY OF SOUTH CAROLINA
Beaufort Campus
Statement of Cash Flows
(Unaudited)

	Year ended		Total
	June 30, 2007 Beaufort Campus	December 31, 2006 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 5,190,026.83	\$ -	\$ 5,190,026.83
Patient services, net	-	-	-
Research grants and contracts	2,607,239.44	-	2,607,239.44
Sales and services of educational and other activities	408,228.12	-	408,228.12
Sales and services of auxiliary enterprises	705,432.35	-	705,432.35
Student loans disbursed	-	-	-
Student loans collected	-	-	-
Interest collected on student loans	-	-	-
Inflows from federal family education loans	3,610,784.20	-	3,610,784.20
Outflows from federal family education loans	(3,662,922.20)	-	(3,662,922.20)
Payments to employees for services	(10,020,420.65)	-	(10,020,420.65)
Payments to suppliers	(4,667,735.67)	-	(4,667,735.67)
Payments to students for scholarships and fellowships	(321,700.78)	-	(321,700.78)
Other receipts	124,622.99	-	124,622.99
Inflows from agency funds	10,257.05	-	10,257.05
Outflows from agency funds	-	-	-
Net cash provided (used) by operating activities	<u>(6,016,188.32)</u>	<u>-</u>	<u>(6,016,188.32)</u>
Cash flows from non-capital financing activities			
State appropriations	3,477,625.00	-	3,477,625.00
Gifts for other than capital purposes	2,394,523.89	-	2,394,523.89
Additions to permanent endowments	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Transfers to/from other state agencies/campuses	164,441.59	-	164,441.59
Federal loan liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>6,036,590.48</u>	<u>-</u>	<u>6,036,590.48</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	-	-
State capital appropriations	182,440.00	-	182,440.00
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(221,109.86)	-	(221,109.86)
Principal paid on capital asset related debt	(5,000.00)	-	(5,000.00)
Interest paid on capital asset related debt	(5,500.00)	-	(5,500.00)
New cash provided (used) by capital and related financing activities	<u>(49,169.86)</u>	<u>-</u>	<u>(49,169.86)</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment income	224,600.64	-	224,600.64
Endowment Income	2,449.47	-	2,449.47
Net cash provided (used) by investing activities	<u>227,050.11</u>	<u>-</u>	<u>227,050.11</u>
Net increase(decrease) in cash and cash equivalents	<u>198,282.41</u>	<u>-</u>	<u>198,282.41</u>
Cash and cash equivalents, beginning of year	5,402,988.96	-	5,402,988.96
Cash and cash equivalents, end of year	<u>\$ 5,601,271.37</u>	<u>\$ -</u>	<u>\$ 5,601,271.37</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities:			
Operating expenses over revenues	\$ (7,238,120.35)	\$ -	\$ (7,238,120.35)
Adjustments to reconcile operating income(loss) to net cash used by operating activities			
Depreciation expense	1,258,093.04	-	1,258,093.04
Change in current assets and liabilities			
Accounts receivable, net	(244,968.24)	-	(244,968.24)
Patients accounts receivable, net	-	-	-
Student loans receivable	-	-	-
Capital improvement bond receivable - non-capital	251.00	-	251.00
Inventories	33,454.77	-	33,454.77
Prepaid items	(651.53)	-	(651.53)
Other assets	-	-	-
Accounts payable	(3,660.46)	-	(3,660.46)
Retainage payable	-	-	-
Accrued payroll and related liabilities	41,774.38	-	41,774.38
Accrued compensated absences	25,615.64	-	25,615.64
Deferred revenues	153,904.38	-	153,904.38
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	(41,880.95)	-	(41,880.95)
Net cash provided by (used in) operating activities	<u>\$ (6,016,188.32)</u>	<u>\$ -</u>	<u>\$ (6,016,188.32)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ 464,844.00	\$ -	\$ 464,844.00
Gains (losses) on disposal of capital assets	-	-	-
Capitalized interest reducing interest paid on capital asset related debt	-	-	-
Change in value of investments recognized in endowment income	-	-	-
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	-	-	-
Student loans cancelled	-	-	-

UNIVERSITY OF SOUTH CAROLINA
 Beaufort Campus
 Schedule of Operating Expenses by Function
 (Unaudited)
 Year ended June 30, 2007

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 4,814,304.49	\$ 1,039,604.90	\$ 2,451.42	\$ 133.32	\$	\$ 5,856,494.13
Research	155,236.49	8,533.33				163,769.82
Public service	356,657.36	189,478.49		438.28		546,574.13
Academic support	1,437,132.38	468,188.84		275.05		1,905,596.27
Student services	1,368,900.44	508,653.56		7,810.76		1,885,364.76
Institutional support	964,117.53	857,527.22				1,821,644.75
Operation and maintenance of plant	846,905.76	440,085.87	534,580.87			1,821,572.50
Auxiliary enterprises	144,556.22	644,549.95				789,106.17
Scholarships and fellowships		3,224.00		313,043.37		316,267.37
Component Unit						
Depreciation					1,258,093.04	1,258,093.04
Total Operating Expenses	<u>\$ 10,087,810.67</u>	<u>\$ 4,159,846.16</u>	<u>\$ 537,032.29</u>	<u>\$ 321,700.78</u>	<u>\$ 1,258,093.04</u>	<u>\$ 16,364,482.94</u>

UNIVERSITY OF SOUTH CAROLINA
Columbia Campus
Statement of Net Assets
(Unaudited)

	June 30, 2007 Columbia Campus	December 31, 2006 Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 177,427,501.26	\$ -	\$ 177,427,501.26
Investments	-	-	-
Accounts receivable, net	38,994,161.81	-	38,994,161.81
Pledges receivable	2,042,880.00	-	2,042,880.00
Student loans receivable, current	2,340.00	-	2,340.00
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	4,403,653.55	-	4,403,653.55
Inventories	1,060,516.81	-	1,060,516.81
Prepaid items	4,766,425.97	-	4,766,425.97
Restricted cash and cash equivalents	34,190,055.27	-	34,190,055.27
Funds due from others	16,396,086.22	-	16,396,086.22
Total current assets	<u>279,283,620.89</u>	<u>-</u>	<u>279,283,620.89</u>
Noncurrent assets:			
Investments	6,617,240.85	-	6,617,240.85
Notes receivable	19,638,909.76	-	19,638,909.76
Restricted - cash and cash equivalents	16,410,815.05	-	16,410,815.05
Restricted - federal student loans receivable	16,779,848.56	-	16,779,848.56
Capital assets, net of accumulated depreciation	659,144,540.51	-	659,144,540.51
Other assets	2,480,773.21	-	2,480,773.21
Total noncurrent assets	<u>721,072,127.94</u>	<u>-</u>	<u>721,072,127.94</u>
Total assets	<u>1,000,355,748.83</u>	<u>-</u>	<u>1,000,355,748.83</u>
LIABILITIES			
Current liabilities:			
Accounts payable	13,476,904.95	-	13,476,904.95
Retainage payable - current portion	650,474.69	-	650,474.69
Accrued interest payable	2,679,877.64	-	2,679,877.64
Accrued payroll and related liabilities	9,956,502.58	-	9,956,502.58
Accrued compensated absences - current portion	8,573,071.63	-	8,573,071.63
Short - term debt	4,500,000.00	-	4,500,000.00
Long-term liabilities - current portion	10,962,811.53	-	10,962,811.53
Deferred revenues	31,742,867.28	-	31,742,867.28
Deposits	1,749,607.03	-	1,749,607.03
Other liabilities	1,103,485.89	-	1,103,485.89
Funds held for others	3,570,341.69	-	3,570,341.69
Total current liabilities	<u>88,965,944.91</u>	<u>-</u>	<u>88,965,944.91</u>
Noncurrent liabilities:			
Retainage payable	507,930.25	-	507,930.25
Accrued compensated absences	7,602,535.22	-	7,602,535.22
Deferred revenues	2,091,667.00	-	2,091,667.00
Federal loan funds	16,809,156.33	-	16,809,156.33
Long-term liabilities	234,134,837.66	-	234,134,837.66
Other liabilities	-	-	-
Total noncurrent liabilities	<u>261,146,126.46</u>	<u>-</u>	<u>261,146,126.46</u>
Total liabilities	<u>350,112,071.37</u>	<u>-</u>	<u>350,112,071.37</u>
NET ASSETS			
Invested in capital assets, net of related debt	409,546,891.32	-	409,546,891.32
Restricted for:			
Nonexpendable	24,876,986.81	-	24,876,986.81
Expendable	-	-	-
Scholarships, research, instruction, and other	5,097,180.28	-	5,097,180.28
Loans	2,709,532.53	-	2,709,532.53
Capital projects	19,961,758.46	-	19,961,758.46
Debt service	1,934,238.49	-	1,934,238.49
Unrestricted	186,117,089.57	-	186,117,089.57
Total net assets	<u>\$ 650,243,677.46</u>	<u>\$ -</u>	<u>\$ 650,243,677.46</u>

UNIVERSITY OF SOUTH CAROLINA
Columbia Campus
Statement of Revenues, Expenses, and Changes in Net Assets
(Unaudited)

	Year ended		Total
	June 30, 2007 Columbia Campus	December 31, 2006 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$15,512.632.69 pledged as security for bonds)	\$ 277,588,378.46	\$ -	\$ 277,588,378.46
Less scholarship allowance	(57,151,180.92)	-	(57,151,180.92)
Patient services, net	-	-	-
Federal grants and contracts	95,474,550.77	-	95,474,550.77
State grants and contracts	45,457,142.66	-	45,457,142.66
Local grants and contracts	466,079.73	-	466,079.73
Nongovernmental grants and contracts	13,361,294.83	-	13,361,294.83
Sales and services of educational and other activities	15,773,477.77	-	15,773,477.77
Sales and services of auxiliary enterprises (\$7,303,854.08 pledged as security for bonds)	84,304,971.30	-	84,304,971.30
Less scholarship allowance	(1,883,983.15)	-	(1,883,983.15)
Interest collected on student loans	201,979.97	-	201,979.97
Other fees	6,323,088.24	-	6,323,088.24
Other operating revenues	2,596,568.78	-	2,596,568.78
Total operating revenues	<u>482,512,368.44</u>	<u>-</u>	<u>482,512,368.44</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	395,774,456.31	-	395,774,456.31
Services and supplies	137,009,507.65	-	137,009,507.65
Utilities	19,703,688.32	-	19,703,688.32
Scholarships and fellowships	46,539,298.98	-	46,539,298.98
Depreciation expense	34,993,966.27	-	34,993,966.27
Total operating expenses	<u>634,020,917.53</u>	<u>-</u>	<u>634,020,917.53</u>
Operating Income (loss)	<u>(151,508,549.09)</u>	<u>-</u>	<u>(151,508,549.09)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	151,028,525.00	-	151,028,525.00
Gifts	40,420,248.91	-	40,420,248.91
Investment income	6,029,821.27	-	6,029,821.27
Endowment income	3,647,644.99	-	3,647,644.99
Gain (loss) on disposal of capital assets	(716,974.62)	-	(716,974.62)
Interest on capital asset related debt	(10,769,292.06)	-	(10,769,292.06)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>189,639,973.49</u>	<u>-</u>	<u>189,639,973.49</u>
Income (loss) before other revenue, expenses, gains or losses	<u>38,131,424.40</u>	<u>-</u>	<u>38,131,424.40</u>
State capital appropriations	21,910,435.05	-	21,910,435.05
Capital grants and gifts	6,043,583.13	-	6,043,583.13
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	6,536,400.00	-	6,536,400.00
Transfers to/from other state funds	(927,045.00)	-	(927,045.00)
Transfers to/from other campuses	(420,816.99)	-	(420,816.99)
Increase (decrease) in net assets	<u>71,273,980.59</u>	<u>-</u>	<u>71,273,980.59</u>
NET ASSETS			
Net assets - beginning of year as originally reported	738,915,286.00	-	738,915,286.00
Prior period adjustment	(4,770,835.00)	-	(4,770,835.00)
Net assets - beginning of year restated	<u>578,969,696.87</u>	<u>-</u>	<u>578,969,696.87</u>
Net assets - end of year	<u>\$ 650,243,677.46</u>	<u>\$ -</u>	<u>\$ 650,243,677.46</u>

UNIVERSITY OF SOUTH CAROLINA
Columbia Campus
Statement of Cash Flows
(Unaudited)

	Year ended		Total
	June 30, 2007 Columbia Campus	December 31, 2006 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 220,094,332.62	\$ -	\$ 220,094,332.62
Patient services, net	-	-	-
Research grants and contracts	153,296,691.07	-	153,296,691.07
Sales and services of educational and other activities	15,904,162.98	-	15,904,162.98
Sales and services of auxiliary enterprises	87,197,935.89	-	87,197,935.89
Student loans disbursed	(4,385,764.09)	-	(4,385,764.09)
Student loans collected	3,690,053.64	-	3,690,053.64
Interest collected on student loans	201,979.97	-	201,979.97
Inflows from federal family education loans	148,950,395.74	-	148,950,395.74
Outflows from federal family education loans	(150,837,333.76)	-	(150,837,333.76)
Payments to employees for services	(393,011,030.43)	-	(393,011,030.43)
Payments to suppliers	(155,699,758.96)	-	(155,699,758.96)
Payments to students for scholarships and fellowships	(46,539,298.98)	-	(46,539,298.98)
Other receipts	8,542,974.45	-	8,542,974.45
Inflows from agency funds	33,341,941.17	-	33,341,941.17
Outflows from agency funds	(40,732,016.24)	-	(40,732,016.24)
Net cash provided (used) by operating activities	<u>(119,984,734.93)</u>	<u>-</u>	<u>(119,984,734.93)</u>
Cash flows from non-capital financing activities			
State appropriations	151,028,525.00	-	151,028,525.00
Gifts for other than capital purposes	40,556,256.55	-	40,556,256.55
Additions to permanent endowments	6,536,400.00	-	6,536,400.00
Other nonoperating revenues (expenses)	-	-	-
Transfers to/from other state agencies/campuses	(1,347,861.99)	-	(1,347,861.99)
Federal loan liability	(56,677.84)	-	(56,677.84)
Net cash provided (used) by noncapital financing activities	<u>196,716,641.72</u>	<u>-</u>	<u>196,716,641.72</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	44,750,000.00	-	44,750,000.00
State capital appropriations	18,279,652.09	-	18,279,652.09
Capital grants and gifts	2,016,241.98	-	2,016,241.98
Gain (loss) on disposal of capital assets	660,524.00	-	660,524.00
Purchase and construction of capital assets	(62,654,130.80)	-	(62,654,130.80)
Principal paid on capital asset related debt	(18,403,674.56)	-	(18,403,674.56)
Interest paid on capital asset related debt	(10,638,993.84)	-	(10,638,993.84)
New cash provided (used) by capital and related financing activities	<u>(25,990,381.13)</u>	<u>-</u>	<u>(25,990,381.13)</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	223,535.00	-	223,535.00
Investment income	4,337,621.63	-	4,337,621.63
Endowment Income	2,558,064.32	-	2,558,064.32
Net cash provided (used) by investing activities	<u>7,119,220.95</u>	<u>-</u>	<u>7,119,220.95</u>
Net increase(decrease) in cash and cash equivalents	<u>57,860,746.61</u>	<u>-</u>	<u>57,860,746.61</u>
Cash and cash equivalents, beginning of year	170,167,624.97	-	170,167,624.97
Cash and cash equivalents, end of year	<u>\$ 228,028,371.58</u>	<u>\$ -</u>	<u>\$ 228,028,371.58</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities:			
Operating expenses over revenues	\$ (151,508,549.09)	\$ -	\$ (151,508,549.09)
Adjustments to reconcile operating income(loss) to net cash used by operating activities			
Depreciation expense	34,993,966.27	-	34,993,966.27
Change in current assets and liabilities			
Accounts receivable, net	(1,272,314.45)	-	(1,272,314.45)
Patients accounts receivable, net	-	-	-
Student loans receivable	(460,553.18)	-	(460,553.18)
Capital improvement bond receivable - non-capital	-	-	-
Inventories	(151,065.33)	-	(151,065.33)
Prepaid items	(15,237.59)	-	(15,237.59)
Other assets	12,910.00	-	12,910.00
Accounts payable	935,677.50	-	935,677.50
Retainage payable	8,905.16	-	8,905.16
Accrued payroll and related liabilities	1,431,971.66	-	1,431,971.66
Accrued compensated absences	1,331,454.22	-	1,331,454.22
Deferred revenues	3,189,165.33	-	3,189,165.33
Deposits	96,368.81	-	96,368.81
Other liabilities	699,578.85	-	699,578.85
Funds held for others	(9,277,013.09)	-	(9,277,013.09)
Net cash provided by (used in) operating activities	<u>\$ (119,984,734.93)</u>	<u>\$ -</u>	<u>\$ (119,984,734.93)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ 3,680,120.00	\$ -	\$ 3,680,120.00
Gains (losses) on disposal of capital assets	\$ (1,324,858.62)	\$ -	\$ (1,324,858.62)
Capitalized interest reducing interest paid on capital asset related debt	\$ 244,126.00	\$ -	\$ -
Change in value of investments recognized in endowment income	\$ 980,897.67	\$ -	\$ 980,897.67
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ 85,148.00	\$ -	\$ -
Student loans cancelled	\$ 235,157.27	\$ -	\$ 235,157.27

UNIVERSITY OF SOUTH CAROLINA
Columbia Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2007

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 181,836,046.41	\$ 25,138,508.40	\$ 16,038.14	\$ 153,314.85	\$	\$ 207,143,907.80
Research	59,954,872.39	31,759,093.20	23,690.36	522,154.37		92,259,810.32
Public service	20,002,159.06	9,503,177.12	7,339.51	683,979.63		30,196,655.32
Academic support	31,154,672.26	19,571,308.96		23,156.69		50,749,137.91
Student services	15,182,934.42	10,799,856.17	626,521.59	138,901.29		26,748,213.47
Institutional support	35,600,845.88	(4,020,500.26)		46,746.12		31,627,091.74
Operation and maintenance of plant	19,770,476.53	7,198,337.70	12,840,946.67	11,874.58		39,821,635.48
Auxiliary enterprises	29,673,463.80	36,937,772.77	6,189,152.05	3,398,203.97		76,198,592.59
Scholarships and fellowships	2,598,985.56	121,953.59		41,560,967.48		44,281,906.63
Component Unit						
Depreciation					34,993,966.27	34,993,966.27
Total Operating Expenses	\$ 395,774,456.31	\$ 137,009,507.65	\$ 19,703,688.32	\$ 46,539,298.98	\$ 34,993,966.27	634,020,917.53

UNIVERSITY OF SOUTH CAROLINA
Lancaster Campus
Statement of Net Assets
(Unaudited)

	June 30, 2007 <u>Lancaster Campus</u>	December 31, 2006 <u>Trust</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,747,185.77	\$ -	\$ 1,747,185.77
Investments	-	-	-
Accounts receivable, net	110,808.35	-	110,808.35
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	-	-	-
Inventories	-	-	-
Prepaid items	8,585.16	-	8,585.16
Restricted cash and cash equivalents	303,046.69	-	303,046.69
Funds due from others	-	-	-
Total current assets	<u>2,169,625.97</u>	<u>-</u>	<u>2,169,625.97</u>
Noncurrent assets:			
Investments	-	-	-
Notes receivable	-	-	-
Restricted - cash and cash equivalents	-	-	-
Restricted - federal student loans receivable	-	-	-
Capital assets, net of accumulated depreciation	13,579,950.67	-	13,579,950.67
Other assets	-	-	-
Total noncurrent assets	<u>13,579,950.67</u>	<u>-</u>	<u>13,579,950.67</u>
Total assets	<u>15,749,576.64</u>	<u>-</u>	<u>15,749,576.64</u>
LIABILITIES			
Current liabilities:			
Accounts payable	164,833.20	-	164,833.20
Retainage payable - current portion	-	-	-
Accrued interest payable	-	-	-
Accrued payroll and related liabilities	75,834.59	-	75,834.59
Accrued compensated absences - current portion	119,536.48	-	119,536.48
Short - term debt	-	-	-
Long-term liabilities - current portion	-	-	-
Deferred revenues	33,695.87	-	33,695.87
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	17,991.20	-	17,991.20
Total current liabilities	<u>411,891.34</u>	<u>-</u>	<u>411,891.34</u>
Noncurrent liabilities:			
Retainage payable	-	-	-
Accrued compensated absences	106,004.04	-	106,004.04
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	-	-	-
Other liabilities	-	-	-
Total noncurrent liabilities	<u>106,004.04</u>	<u>-</u>	<u>106,004.04</u>
Total liabilities	<u>517,895.38</u>	<u>-</u>	<u>517,895.38</u>
NET ASSETS			
Invested in capital assets, net of related debt	13,579,950.67	-	13,579,950.67
Restricted for:			
Nonexpendable	-	-	-
Expendable	-	-	-
Scholarships, research, instruction, and other	125,565.77	-	125,565.77
Loans	-	-	-
Capital projects	302,937.00	-	302,937.00
Debt service	359.66	-	359.66
Unrestricted	1,222,868.16	-	1,222,868.16
Total net assets	<u>\$ 15,231,681.26</u>	<u>\$ -</u>	<u>\$ 15,231,681.26</u>

UNIVERSITY OF SOUTH CAROLINA
Lancaster Campus
Statement of Revenues, Expenses, and Changes in Net Assets
(Unaudited)

	Year ended		Total
	June 30, 2007 Lancaster Campus	December 31, 2006 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$36,962.99 pledged as security for bonds)	\$ 3,974,278.96	\$ -	\$ 3,974,278.96
Less scholarship allowance	(1,429,968.98)	-	(1,429,968.98)
Patient services, net	-	-	-
Federal grants and contracts	1,503,744.10	-	1,503,744.10
State grants and contracts	1,795,139.88	-	1,795,139.88
Local grants and contracts	-	-	-
Nongovernmental grants and contracts	144,579.13	-	144,579.13
Sales and services of educational and other activities	688,199.98	-	688,199.98
Sales and services of auxiliary enterprises	27,844.27	-	27,844.27
Less scholarship allowance	-	-	-
Interest collected on student loans	-	-	-
Other fees	34,023.95	-	34,023.95
Other operating revenues	375,755.81	-	375,755.81
Total operating revenues	<u>7,113,597.10</u>	<u>-</u>	<u>7,113,597.10</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	6,351,591.72	-	6,351,591.72
Services and supplies	2,265,500.49	-	2,265,500.49
Utilities	341,046.22	-	341,046.22
Scholarships and fellowships	1,632,700.95	-	1,632,700.95
Depreciation expense	523,464.64	-	523,464.64
Total operating expenses	<u>11,114,304.02</u>	<u>-</u>	<u>11,114,304.02</u>
Operating Income (loss)	<u>(4,000,706.92)</u>	<u>-</u>	<u>(4,000,706.92)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	3,635,152.00	-	3,635,152.00
Gifts	549,474.67	-	549,474.67
Investment income	25,955.78	-	25,955.78
Endowment income	-	-	-
Gain (loss) on disposal of capital assets	(17,626.00)	-	(17,626.00)
Interest on capital asset related debt	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>4,192,956.45</u>	<u>-</u>	<u>4,192,956.45</u>
Income (loss) before other revenue, expenses, gains or losses	<u>192,249.53</u>	<u>-</u>	<u>192,249.53</u>
State capital appropriations	19,667.28	-	19,667.28
Capital grants and gifts	-	-	-
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	-	-	-
Transfers to/from other campuses	(12,268.28)	-	(12,268.28)
Increase (decrease) in net assets	<u>199,648.53</u>	<u>-</u>	<u>199,648.53</u>
NET ASSETS			
Net assets - beginning of year	15,032,032.73	-	15,032,032.73
Net assets - end of year	<u>\$ 15,231,681.26</u>	<u>\$ -</u>	<u>\$ 15,231,681.26</u>

UNIVERSITY OF SOUTH CAROLINA
Lancaster Campus
Statement of Cash Flows
(Unaudited)

	Year ended		Total
	June 30, 2007 Lancaster Campus	December 31, 2006 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 2,521,524.91	\$ -	\$ 2,521,524.91
Patient services, net	-	-	-
Research grants and contracts	3,472,540.37	-	3,472,540.37
Sales and services of educational and other activities	685,434.98	-	685,434.98
Sales and services of auxiliary enterprises	125,449.33	-	125,449.33
Student loans disbursed	-	-	-
Student loans collected	-	-	-
Interest collected on student loans	-	-	-
Inflows from federal family education loans	2,321,865.00	-	2,321,865.00
Outflows from federal family education loans	(2,341,080.39)	-	(2,341,080.39)
Payments to employees for services	(6,344,543.68)	-	(6,344,543.68)
Payments to suppliers	(2,598,649.31)	-	(2,598,649.31)
Payments to students for scholarships and fellowships	(1,632,700.95)	-	(1,632,700.95)
Other receipts	409,779.76	-	409,779.76
Inflows from agency funds	1,200.00	-	1,200.00
Outflows from agency funds	-	-	-
Net cash provided (used) by operating activities	<u>(3,379,179.98)</u>	<u>-</u>	<u>(3,379,179.98)</u>
Cash flows from non-capital financing activities			
State appropriations	3,635,152.00	-	3,635,152.00
Gifts for other than capital purposes	566,144.67	-	566,144.67
Additions to permanent endowments	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Transfers to/from other state agencies/campuses	(12,268.28)	-	(12,268.28)
Federal loan liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>4,189,028.39</u>	<u>-</u>	<u>4,189,028.39</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	-	-
State capital appropriations	19,667.28	-	19,667.28
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(101,600.48)	-	(101,600.48)
Principal paid on capital asset related debt	-	-	-
Interest paid on capital asset related debt	-	-	-
New cash provided (used) by capital and related financing activities	<u>(81,933.20)</u>	<u>-</u>	<u>(81,933.20)</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment income	26,628.25	-	26,628.25
Endowment Income	-	-	-
Net cash provided (used) by investing activities	<u>26,628.25</u>	<u>-</u>	<u>26,628.25</u>
Net increase(decrease) in cash and cash equivalents	<u>754,543.46</u>	<u>-</u>	<u>754,543.46</u>
Cash and cash equivalents, beginning of year	<u>1,295,689.00</u>	<u>-</u>	<u>1,295,689.00</u>
Cash and cash equivalents, end of year	<u>\$ 2,050,232.46</u>	<u>\$ -</u>	<u>\$ 2,050,232.46</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities:			
Operating expenses over revenues	\$ (4,000,706.92)	\$ -	\$ (4,000,706.92)
Adjustments to reconcile operating income(loss) to net cash used by operating activities			
Depreciation expense	523,464.64	-	523,464.64
Change in current assets and liabilities			
Accounts receivable, net	146,410.99	-	146,410.99
Patients accounts receivable, net	-	-	-
Student loans receivable	-	-	-
Capital improvement bond receivable - non-capital	-	-	-
Inventories	-	-	-
Prepaid items	269.54	-	269.54
Other assets	-	-	-
Accounts payable	7,627.86	-	7,627.86
Retainage payable	-	-	-
Accrued payroll and related liabilities	15,186.85	-	15,186.85
Accrued compensated absences	(8,138.81)	-	(8,138.81)
Deferred revenues	(45,278.74)	-	(45,278.74)
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	(18,015.39)	-	(18,015.39)
Net cash provided by (used in) operating activities	<u>\$ (3,379,179.98)</u>	<u>\$ -</u>	<u>\$ (3,379,179.98)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ -	\$ -	\$ -
Gains (losses) on disposal of capital assets	\$ (17,626.00)	\$ (17,626.00)	\$ (35,252.00)
Capitalized interest reducing interest paid on capital asset related debt	\$ -	\$ -	\$ -
Change in value of investments recognized in endowment income	\$ -	\$ -	\$ -
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ -	\$ -	\$ -
Student loans cancelled	\$ -	\$ -	\$ -

UNIVERSITY OF SOUTH CAROLINA
Lancaster Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2007

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 3,402,320.51	\$ 726,377.89	\$	\$ 53.31	\$	\$ 4,128,751.71
Research	167.05	467.22				634.27
Public service	909,464.86	161,986.76		1,675.68		1,073,127.30
Academic support	303,780.05	255,007.65		266.55		559,054.25
Student services	729,147.14	296,070.98		8,466.98		1,033,685.10
Institutional support	584,777.81	494,549.09		39,950.93		1,119,277.83
Operation and maintenance of plant	418,619.15	325,351.97	341,046.22			1,085,017.34
Auxiliary enterprises	3,315.15	5,688.93				9,004.08
Scholarships and fellowships Component Unit				1,582,287.50		1,582,287.50
Depreciation					523,464.64	523,464.64
Total Operating Expenses	\$ 6,351,591.72	\$ 2,265,500.49	\$ 341,046.22	\$ 1,632,700.95	\$ 523,464.64	\$ 11,114,304.02

UNIVERSITY OF SOUTH CAROLINA
Medical School
Statement of Net Assets
(Unaudited)

	June 30, 2007 Medical School	December 31, 2006 Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ (4,043,941.77)	\$ 1,574,347.00	\$ (2,469,594.77)
Investments	-	7,472,888.00	7,472,888.00
Accounts receivable, net	4,621,000.80	1,016,296.00	5,637,296.80
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	2,512,000.00	2,512,000.00
Capital improvement bonds proceeds receivable	-	-	-
Inventories	-	-	-
Prepaid items	216,851.19	-	216,851.19
Restricted cash and cash equivalents	57,337.17	-	57,337.17
Funds due from others	5,432,835.22	-	5,432,835.22
Total current assets	6,284,082.61	12,575,531.00	18,859,613.61
Noncurrent assets:			
Investments	-	-	-
Notes receivable	-	-	-
Restricted - cash and cash equivalents	-	-	-
Restricted - federal student loans receivable	-	-	-
Capital assets, net of accumulated depreciation	7,749,535.67	13,946,262.00	21,695,797.67
Other assets	100.00	-	100.00
Total noncurrent assets	7,749,635.67	13,946,262.00	21,695,897.67
Total assets	14,033,718.28	26,521,793.00	40,555,511.28
LIABILITIES			
Current liabilities:			
Accounts payable	851,492.77	5,196,448.00	6,047,940.77
Retainage payable - current portion	226,687.80	-	226,687.80
Accrued interest payable	63,650.94	-	63,650.94
Accrued payroll and related liabilities	112,159.32	13,950.00	126,109.32
Accrued compensated absences - current portion	1,780,873.37	917,548.00	2,698,421.37
Short - term debt	-	-	-
Long-term liabilities - current portion	245,000.00	543,153.00	788,153.00
Deferred revenues	321,652.77	-	321,652.77
Deposits	8,300.00	-	8,300.00
Other liabilities	-	-	-
Funds held for others	-	-	-
Total current liabilities	3,609,816.97	6,671,099.00	10,280,915.97
Noncurrent liabilities:			
Retainage payable	-	-	-
Accrued compensated absences	1,579,265.06	-	1,579,265.06
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	6,090,000.00	7,858,240.00	13,948,240.00
Other liabilities	-	298,978.00	298,978.00
Total noncurrent liabilities	7,669,265.06	8,157,218.00	15,826,483.06
Total liabilities	11,279,082.03	14,828,317.00	26,107,399.03
NET ASSETS			
Invested in capital assets, net of related debt	1,414,535.67	5,544,869.00	6,959,404.67
Restricted for:			
Nonexpendable	-	-	-
Expendable	-	-	-
Scholarships, research, instruction, and other	(63,627.73)	-	(63,627.73)
Loans	-	-	-
Capital projects	-	-	-
Debt service	(2,122.17)	-	(2,122.17)
Unrestricted	1,405,850.48	6,148,607.00	7,554,457.48
Total net assets	\$ 2,754,636.25	\$ 11,693,476.00	\$ 14,448,112.25

UNIVERSITY OF SOUTH CAROLINA
Medical School
Statement of Revenues, Expenses, and Changes in Net Assets
(Unaudited)

	Year ended		Total
	June 30, 2007 Medical School	December 31, 2006 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$637,771.02 pledged as security for bonds)	\$ 7,932,305.44	\$ -	\$ 7,932,305.44
Less scholarship allowance	(397,658.80)	-	(397,658.80)
Patient services, net	-	25,692,019.00	25,692,019.00
Federal grants and contracts	17,283,982.75	-	17,283,982.75
State grants and contracts	1,060,828.51	-	1,060,828.51
Local grants and contracts	-	-	-
Nongovernmental grants and contracts	11,060,530.88	-	11,060,530.88
Sales and services of educational and other activities	59,488.18	-	59,488.18
Sales and services of auxiliary enterprises	-	-	-
Less scholarship allowance	-	-	-
Interest collected on student loans	-	-	-
Other fees	66,900.00	-	66,900.00
Other operating revenues	48,331.72	18,645,472.00	18,693,803.72
Total operating revenues	<u>37,114,708.68</u>	<u>44,337,491.00</u>	<u>81,452,199.68</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	45,032,782.58	30,554,900.00	75,587,682.58
Services and supplies	13,384,220.31	15,681,263.00	29,065,483.31
Utilities	896,688.42	-	896,688.42
Scholarships and fellowships	128,445.89	-	128,445.89
Depreciation expense	1,096,185.40	1,065,106.00	2,161,291.40
Total operating expenses	<u>60,538,322.60</u>	<u>47,301,269.00</u>	<u>107,839,591.60</u>
Operating Income (loss)	<u>(23,423,613.92)</u>	<u>(2,963,778.00)</u>	<u>(26,387,391.92)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	22,416,678.00	-	22,416,678.00
Gifts	947,563.09	-	947,563.09
Investment income	86,553.88	988,029.00	1,074,582.88
Endowment income	-	-	-
Gain (loss) on disposal of capital assets	(2,142.18)	-	(2,142.18)
Interest on capital asset related debt	(256,185.01)	(401,703.00)	(657,888.01)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>23,192,467.78</u>	<u>586,326.00</u>	<u>23,778,793.78</u>
Income (loss) before other revenue, expenses, gains or losses	<u>(231,146.14)</u>	<u>(2,377,452.00)</u>	<u>(2,608,598.14)</u>
State capital appropriations	-	-	-
Capital grants and gifts	-	-	-
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	(345,236.53)	-	(345,236.53)
Transfers to/from other campuses	277,060.62	-	277,060.62
Increase (decrease) in net assets	<u>(299,322.05)</u>	<u>(2,377,452.00)</u>	<u>(2,676,774.05)</u>
NET ASSETS			
Net assets - beginning of year	3,053,958.30	14,070,928.00	17,124,886.30
Net assets - end of year	<u>\$ 2,754,636.25</u>	<u>\$ 11,693,476.00</u>	<u>\$ 14,448,112.25</u>

See accompanying notes to financial statements

UNIVERSITY OF SOUTH CAROLINA
 Medical School
 Statement of Cash Flows
 (Unaudited)

	Year ended		Total
	June 30, 2007 Medical School	December 31, 2006 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 7,280,403.67	\$ -	\$ 7,280,403.67
Patient services, net	-	25,577,019	25,577,019.00
Research grants and contracts	26,889,133.84	-	26,889,133.84
Sales and services of educational and other activities	58,983.18	-	58,983.18
Sales and services of auxiliary enterprises	-	-	-
Student loans disbursed	-	-	-
Student loans collected	-	-	-
Interest collected on student loans	-	-	-
Inflows from federal family education loans	-	-	-
Outflows from federal family education loans	-	-	-
Payments to employees for services	(44,990,008.37)	(30,649,216)	(75,639,224.37)
Payments to suppliers	(14,383,691.51)	(13,801,989)	(28,185,680.51)
Payments to students for scholarships and fellowships	(128,445.89)	-	(128,445.89)
Other receipts	113,031.72	18,502,104	18,615,135.72
Inflows from agency funds	19,851,394.49	-	19,851,394.49
Outflows from agency funds	(21,999,026.43)	-	(21,999,026.43)
Net cash provided (used) by operating activities	<u>(27,308,225.30)</u>	<u>(372,082)</u>	<u>(27,680,307.30)</u>
Cash flows from non-capital financing activities			
State appropriations	22,416,678.00	-	22,416,678.00
Gifts for other than capital purposes	947,263.09	-	947,263.09
Additions to permanent endowments	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Transfers to/from other state agencies/campuses	(68,175.91)	-	(68,175.91)
Federal loan liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>23,295,765.18</u>	<u>-</u>	<u>23,295,765.18</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	-	-
State capital appropriations	-	-	-
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(782,783.45)	(894,929)	(1,677,712.45)
Principal paid on capital asset related debt	(230,000.00)	(539,033)	(769,033.00)
Interest paid on capital asset related debt	(257,766.26)	(401,703)	(659,469.26)
New cash provided (used) by capital and related financing activities	<u>(1,270,549.71)</u>	<u>(1,835,665)</u>	<u>(3,106,214.71)</u>
Cash flows from investing activities			
Purchase of investments	-	(3,502,033)	(3,502,033.00)
Proceeds from the sale of investments	-	5,033,878	5,033,878.00
Investment income	85,820.33	414,996	500,816.33
Endowment Income	-	-	-
Net cash provided (used) by investing activities	<u>85,820.33</u>	<u>1,946,841</u>	<u>2,032,661.33</u>
Net increase(decrease) in cash and cash equivalents	<u>(5,197,189.50)</u>	<u>(260,906)</u>	<u>(5,458,095.50)</u>
Cash and cash equivalents, beginning of year	<u>1,210,584.90</u>	<u>1,835,253</u>	<u>3,045,837.90</u>
Cash and cash equivalents, end of year	<u>\$ (3,986,604.60)</u>	<u>\$ 1,574,347</u>	<u>\$ (2,412,257.60)</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities:			
Operating expenses over revenues	\$ (23,423,613.92)	\$ (2,963,778)	\$ (26,387,391.92)
Adjustments to reconcile operating income(loss) to net cash used by operating activities			
Depreciation expense	1,096,185.40	1,065,106	2,161,291.40
Change in current assets and liabilities			
Accounts receivable, net	(1,514,091.46)	(143,368)	(1,657,459.46)
Patients accounts receivable, net	-	(115,000)	(115,000.00)
Student loans receivable	-	-	-
Capital improvement bond receivable - non-capital	-	-	-
Inventories	-	-	-
Prepaid items	(20,949.06)	-	(20,949.06)
Other assets	-	-	-
Accounts payable	(27,758.07)	1,667,805	1,640,046.93
Retainage payable	(54,075.65)	-	(54,075.65)
Accrued payroll and related liabilities	(3,762.05)	(8,721)	(12,483.05)
Accrued compensated absences	46,536.26	103,037	149,573.26
Deferred revenues	(1,256,864.81)	-	(1,256,864.81)
Deposits	(2,200.00)	-	(2,200.00)
Other liabilities	-	22,837	22,837.00
Funds held for others	(2,147,631.94)	-	(2,147,631.94)
Net cash provided by (used in) operating activities	<u>\$ (27,308,225.30)</u>	<u>\$ (372,082)</u>	<u>\$ (27,680,307.30)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ -	\$ -	\$ -
Gains (losses) on disposal of capital assets	<u>\$ (2,142.18)</u>	<u>\$ -</u>	<u>\$ (2,142.18)</u>
Capitalized interest reducing interest paid on capital asset related debt	\$ -	\$ -	\$ -
Change in value of investments recognized in endowment income	<u>\$ -</u>	<u>\$ 573,033</u>	<u>\$ 573,033.00</u>
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ -	\$ -	\$ -
Student loans cancelled	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

UNIVERSITY OF SOUTH CAROLINA
 Medical School
 Schedule of Operating Expenses by Function
 (Unaudited)
 Year ended June 30, 2007

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 18,095,817.91	\$ 1,771,697.80	\$	\$ 207.29	\$	\$ 19,867,723.00
Research	6,022,351.68	2,379,676.99		212.41		8,402,241.08
Public service	14,362,398.77	4,876,440.81	5,058.83	78,865.63		19,322,764.04
Academic support	2,180,501.34	933,449.23		37.84		3,113,988.41
Student services	1,343,075.13	121,034.53		4,283.77		1,468,393.43
Institutional support	2,410,551.08	1,532,980.99		99.36		3,943,631.43
Operation and maintenance of plant Auxiliary enterprises	618,086.67	1,768,939.96	891,629.59			3,278,656.22
Scholarships and fellowships				44,739.59		44,739.59
Component Unit	30,554,900.00	15,681,263.00			1,065,106.00	47,301,269.00
Depreciation					1,096,185.40	1,096,185.40
Total Operating Expenses	\$ 75,587,682.58	\$ 29,065,483.31	\$ 896,688.42	\$ 128,445.89	\$ 2,161,291.40	\$ 107,839,591.60

UNIVERSITY OF SOUTH CAROLINA
Salkehatchie Campus
Statement of Net Assets
(Unaudited)

	June 30, 2007 <u>Salkehatchie Campus</u>	December 31, 2006 <u>Trust</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,675,896.89	\$ -	\$ 1,675,896.89
Investments	-	-	-
Accounts receivable, net	182,161.52	-	182,161.52
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	-	-	-
Inventories	89,417.92	-	89,417.92
Prepaid items	8,962.37	-	8,962.37
Restricted cash and cash equivalents	9,076.47	-	9,076.47
Funds due from others	-	-	-
Total current assets	<u>1,965,515.17</u>	<u>-</u>	<u>1,965,515.17</u>
Noncurrent assets:			
Investments	-	-	-
Notes receivable	-	-	-
Restricted - cash and cash equivalents	-	-	-
Restricted - federal student loans receivable	-	-	-
Capital assets, net of accumulated depreciation	2,079,310.32	-	2,079,310.32
Other assets	-	-	-
Total noncurrent assets	<u>2,079,310.32</u>	<u>-</u>	<u>2,079,310.32</u>
Total assets	<u>4,044,825.49</u>	<u>-</u>	<u>4,044,825.49</u>
LIABILITIES			
Current liabilities:			
Accounts payable	37,865.19	-	37,865.19
Retainage payable - current portion	3,658.38	-	3,658.38
Accrued interest payable	-	-	-
Accrued payroll and related liabilities	20,682.96	-	20,682.96
Accrued compensated absences - current portion	104,396.50	-	104,396.50
Short - term debt	-	-	-
Long-term liabilities - current portion	-	-	-
Deferred revenues	6,781.30	-	6,781.30
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	22,789.21	-	22,789.21
Total current liabilities	<u>196,173.54</u>	<u>-</u>	<u>196,173.54</u>
Noncurrent liabilities:			
Retainage payable	-	-	-
Accrued compensated absences	92,578.02	-	92,578.02
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	-	-	-
Other liabilities	-	-	-
Total noncurrent liabilities	<u>92,578.02</u>	<u>-</u>	<u>92,578.02</u>
Total liabilities	<u>288,751.56</u>	<u>-</u>	<u>288,751.56</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,079,310.32	-	2,079,310.32
Restricted for:			
Nonexpendable	-	-	-
Expendable	-	-	-
Scholarships, research, instruction, and other	92,682.44	-	92,682.44
Loans	-	-	-
Capital projects	9,018.29	-	9,018.29
Debt service	190.69	-	190.69
Unrestricted	1,574,872.19	-	1,574,872.19
Total net assets	<u>\$ 3,756,073.93</u>	<u>\$ -</u>	<u>\$ 3,756,073.93</u>

UNIVERSITY OF SOUTH CAROLINA
Salkehatchie Campus
Statement of Revenues, Expenses, and Changes in Net Assets
(Unaudited)

	Year ended		Total
	June 30, 2007 Salkehatchie Campus	December 31, 2006 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$19,307.99 pledged as security for bonds)	\$ 2,695,027.95	\$ -	\$ 2,695,027.95
Less scholarship allowance	(974,373.51)	-	(974,373.51)
Patient services, net	-	-	-
Federal grants and contracts	1,571,340.60	-	1,571,340.60
State grants and contracts	1,151,690.22	-	1,151,690.22
Local grants and contracts	122,631.50	-	122,631.50
Nongovernmental grants and contracts	272,426.93	-	272,426.93
Sales and services of educational and other activities	119,255.16	-	119,255.16
Sales and services of auxiliary enterprises	280,308.26	-	280,308.26
Less scholarship allowance	-	-	-
Interest collected on student loans	-	-	-
Other fees	3,370.31	-	3,370.31
Other operating revenues	6,987.80	-	6,987.80
Total operating revenues	<u>5,248,665.22</u>	<u>-</u>	<u>5,248,665.22</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	3,970,442.85	-	3,970,442.85
Services and supplies	2,274,149.47	-	2,274,149.47
Utilities	200,012.51	-	200,012.51
Scholarships and fellowships	1,365,725.19	-	1,365,725.19
Depreciation expense	171,493.24	-	171,493.24
Total operating expenses	<u>7,981,823.26</u>	<u>-</u>	<u>7,981,823.26</u>
Operating Income (loss)	<u>(2,733,158.04)</u>	<u>-</u>	<u>(2,733,158.04)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	2,442,582.00	-	2,442,582.00
Gifts	81,059.00	-	81,059.00
Investment income	26,543.04	-	26,543.04
Endowment income	-	-	-
Gain (loss) on disposal of capital assets	5,248.95	-	5,248.95
Interest on capital asset related debt	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>2,555,432.99</u>	<u>-</u>	<u>2,555,432.99</u>
Income (loss) before other revenue, expenses, gains or losses	<u>(177,725.05)</u>	<u>-</u>	<u>(177,725.05)</u>
State capital appropriations	194,791.88	-	194,791.88
Capital grants and gifts	-	-	-
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	-	-	-
Transfers to/from other campuses	(15,296.60)	-	(15,296.60)
Increase (decrease) in net assets	<u>1,770.23</u>	<u>-</u>	<u>1,770.23</u>
NET ASSETS			
Net assets - beginning of year	3,754,303.70	-	3,754,303.70
Net assets - end of year	<u>\$ 3,756,073.93</u>	<u>\$ -</u>	<u>\$ 3,756,073.93</u>

UNIVERSITY OF SOUTH CAROLINA
Salkehatchie Campus
Statement of Cash Flows
(Unaudited)

	Year ended		Total
	June 30, 2007 Salkehatchie Campus	December 31, 2006 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 1,781,009.97	\$ -	\$ 1,781,009.97
Patient services, net	-	-	-
Research grants and contracts	3,051,880.34	-	3,051,880.34
Sales and services of educational and other activities	119,315.16	-	119,315.16
Sales and services of auxiliary enterprises	279,281.41	-	279,281.41
Student loans disbursed	-	-	-
Student loans collected	-	-	-
Interest collected on student loans	-	-	-
Inflows from federal family education loans	1,601,530.52	-	1,601,530.52
Outflows from federal family education loans	(1,597,570.18)	-	(1,597,570.18)
Payments to employees for services	(3,940,574.83)	-	(3,940,574.83)
Payments to suppliers	(2,506,530.71)	-	(2,506,530.71)
Payments to students for scholarships and fellowships	(1,365,725.19)	-	(1,365,725.19)
Other receipts	31,090.91	-	31,090.91
Inflows from agency funds	-	-	-
Outflows from agency funds	(500.00)	-	(500.00)
Net cash provided (used) by operating activities	<u>(2,546,792.60)</u>	<u>-</u>	<u>(2,546,792.60)</u>
Cash flows from non-capital financing activities			
State appropriations	2,442,582.00	-	2,442,582.00
Gifts for other than capital purposes	81,059.00	-	81,059.00
Additions to permanent endowments	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Transfers to/from other state agencies/campuses	(15,296.60)	-	(15,296.60)
Federal loan liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>2,508,344.40</u>	<u>-</u>	<u>2,508,344.40</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	-	-
State capital appropriations	194,791.88	-	194,791.88
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(24,498.40)	-	(24,498.40)
Principal paid on capital asset related debt	-	-	-
Interest paid on capital asset related debt	-	-	-
New cash provided (used) by capital and related financing activities	<u>170,293.48</u>	<u>-</u>	<u>170,293.48</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment income	26,518.30	-	26,518.30
Endowment Income	-	-	-
Net cash provided (used) by investing activities	<u>26,518.30</u>	<u>-</u>	<u>26,518.30</u>
Net increase(decrease) in cash and cash equivalents	<u>158,363.58</u>	<u>-</u>	<u>158,363.58</u>
Cash and cash equivalents, beginning of year	1,526,609.78	-	1,526,609.78
Cash and cash equivalents, end of year	<u>\$ 1,684,973.36</u>	<u>\$ -</u>	<u>\$ 1,684,973.36</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities:			
Operating expenses over revenues	\$ (2,733,158.04)	\$ -	\$ (2,733,158.04)
Adjustments to reconcile operating income(loss) to net cash provided by operating activities			
Depreciation expense	171,493.24	-	171,493.24
Change in current assets and liabilities			
Accounts receivable, net	23,301.73	-	23,301.73
Patients accounts receivable, net	-	-	-
Student loans receivable	-	-	-
Capital improvement bond receivable - non-capital	20,732.80	-	20,732.80
Inventories	(7,434.82)	-	(7,434.82)
Prepaid items	(3,427.37)	-	(3,427.37)
Other assets	-	-	-
Accounts payable	(25,164.92)	-	(25,164.92)
Retainage payable	3,658.38	-	3,658.38
Accrued payroll and related liabilities	6,457.87	-	6,457.87
Accrued compensated absences	23,410.15	-	23,410.15
Deferred revenues	(30,121.96)	-	(30,121.96)
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	3,460.34	-	3,460.34
Net cash provided by (used in) operating activities	<u>\$ (2,546,792.60)</u>	<u>\$ -</u>	<u>\$ (2,546,792.60)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ -	\$ -	\$ -
Gains (losses) on disposal of capital assets	\$ 5,248.95	\$ -	\$ 5,248.95
Capitalized interest reducing interest paid on capital asset related debt	\$ -	\$ -	\$ -
Change in value of investments recognized in endowment income	\$ -	\$ -	\$ -
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ -	\$ -	\$ -
Student loans cancelled	\$ -	\$ -	\$ -

UNIVERSITY OF SOUTH CAROLINA
Salkehatchie Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2007

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 1,735,548.32	\$ 378,763.35	\$	\$	\$	\$ 2,114,311.67
Research	48,698.57	34,863.93				83,562.50
Public service	517,725.08	129,761.67		1,834.02		649,320.77
Academic support	231,441.01	181,395.38				412,836.39
Student services	503,882.98	259,941.90		7,120.15		770,945.03
Institutional support	576,579.42	304,068.91				880,648.33
Operation and maintenance of plant	346,586.15	760,073.12	200,012.51			1,306,671.78
Auxiliary enterprises	4,767.32	225,143.23				229,910.55
Scholarships and fellowships	5,214.00	137.98		1,356,771.02		1,362,123.00
Component Unit						
Depreciation					171,493.24	171,493.24
Total Operating Expenses	\$ 3,970,442.85	\$ 2,274,149.47	\$ 200,012.51	\$ 1,365,725.19	\$ 171,493.24	\$ 7,981,823.26

UNIVERSITY OF SOUTH CAROLINA
Sumter Campus
Statement of Net Assets
(Unaudited)

	June 30, 2007 Sumter Campus	December 31, 2006 Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,619,439.71	\$ -	\$ 2,619,439.71
Investments	-	-	-
Accounts receivable, net	105,426.40	-	105,426.40
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	2,040.00	-	2,040.00
Inventories	140,612.89	-	140,612.89
Prepaid items	18,526.05	-	18,526.05
Restricted cash and cash equivalents	138,353.43	-	138,353.43
Funds due from others	-	-	-
Total current assets	3,024,398.48	-	3,024,398.48
Noncurrent assets:			
Investments	109,767.48	-	109,767.48
Notes receivable	-	-	-
Restricted - cash and cash equivalents	-	-	-
Restricted - federal student loans receivable	-	-	-
Capital assets, net of accumulated depreciation	9,612,493.52	-	9,612,493.52
Other assets	-	-	-
Total noncurrent assets	9,722,261.00	-	9,722,261.00
Total assets	12,746,659.48	-	12,746,659.48
LIABILITIES			
Current liabilities:			
Accounts payable	109,517.37	-	109,517.37
Retainage payable - current portion	-	-	-
Accrued interest payable	4,625.00	-	4,625.00
Accrued payroll and related liabilities	36,455.31	-	36,455.31
Accrued compensated absences - current portion	165,589.63	-	165,589.63
Short - term debt	-	-	-
Long-term liabilities - current portion	35,000.00	-	35,000.00
Deferred revenues	16,871.54	-	16,871.54
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	11,788.21	-	11,788.21
Total current liabilities	379,847.06	-	379,847.06
Noncurrent liabilities:			
Retainage payable	-	-	-
Accrued compensated absences	146,843.64	-	146,843.64
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	335,000.00	-	335,000.00
Other liabilities	-	-	-
Total noncurrent liabilities	481,843.64	-	481,843.64
Total liabilities	861,690.70	-	861,690.70
NET ASSETS			
Invested in capital assets, net of related debt	9,242,493.52	-	9,242,493.52
Restricted for:			
Nonexpendable	109,767.48	-	109,767.48
Expendable	-	-	-
Scholarships, research, instruction, and other	178,967.98	-	178,967.98
Loans	-	-	-
Capital projects	130,698.88	-	130,698.88
Debt service	3,237.84	-	3,237.84
Unrestricted	2,219,803.08	-	2,219,803.08
Total net assets	\$ 11,884,968.78	\$ -	\$ 11,884,968.78

UNIVERSITY OF SOUTH CAROLINA
Sumter Campus
Statement of Revenues, Expenses, and Changes in Net Assets
(Unaudited)

	Year ended		Total
	June 30, 2007 Sumter Campus	December 31, 2006 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$70,479.83 pledged as security for bonds)	\$ 3,781,135.34	\$ -	\$ 3,781,135.34
Less scholarship allowance	(1,328,526.52)	-	(1,328,526.52)
Patient services, net	-	-	-
Federal grants and contracts	1,381,344.58	-	1,381,344.58
State grants and contracts	1,636,769.66	-	1,636,769.66
Local grants and contracts	-	-	-
Nongovernmental grants and contracts	1,982.34	-	1,982.34
Sales and services of educational and other activities	133,784.55	-	133,784.55
Sales and services of auxiliary enterprises	625,713.91	-	625,713.91
Less scholarship allowance	-	-	-
Interest collected on student loans	-	-	-
Other fees	31,445.69	-	31,445.69
Other operating revenues	3,829.94	-	3,829.94
Total operating revenues	<u>6,267,479.49</u>	<u>-</u>	<u>6,267,479.49</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	6,839,823.15	-	6,839,823.15
Services and supplies	2,205,208.50	-	2,205,208.50
Utilities	383,500.83	-	383,500.83
Scholarships and fellowships	1,500,824.11	-	1,500,824.11
Depreciation expense	452,866.05	-	452,866.05
Total operating expenses	<u>11,382,222.64</u>	<u>-</u>	<u>11,382,222.64</u>
Operating Income (loss)	<u>(5,114,743.15)</u>	<u>-</u>	<u>(5,114,743.15)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	4,302,724.00	-	4,302,724.00
Gifts	354,919.80	-	354,919.80
Investment income	35,175.40	-	35,175.40
Endowment income	16,534.11	-	16,534.11
Gain (loss) on disposal of capital assets	17,626.01	-	17,626.01
Interest on capital asset related debt	(19,625.00)	-	(19,625.00)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>4,707,354.32</u>	<u>-</u>	<u>4,707,354.32</u>
Income (loss) before other revenue, expenses, gains or losses	<u>(407,388.83)</u>	<u>-</u>	<u>(407,388.83)</u>
State capital appropriations	478,125.26	-	478,125.26
Capital grants and gifts	-	-	-
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	-	-	-
Transfers to/from other campuses	(9,550.41)	-	(9,550.41)
Increase (decrease) in net assets	<u>61,186.02</u>	<u>-</u>	<u>61,186.02</u>
NET ASSETS			
Net assets - beginning of year	<u>11,823,782.77</u>	<u>-</u>	<u>11,823,782.77</u>
Net assets - end of year	<u>\$ 11,884,968.79</u>	<u>\$ -</u>	<u>\$ 11,884,968.79</u>

UNIVERSITY OF SOUTH CAROLINA
Sumter Campus
Statement of Cash Flows
(Unaudited)

	Year ended		Total
	June 30, 2007 Sumter Campus	December 31, 2006 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 2,419,321.02	\$ -	\$ 2,419,321.02
Patient services, net	-	-	-
Research grants and contracts	3,021,038.69	-	3,021,038.69
Sales and services of educational and other activities	130,244.55	-	130,244.55
Sales and services of auxiliary enterprises	631,205.87	-	631,205.87
Student loans disbursed	-	-	-
Student loans collected	-	-	-
Interest collected on student loans	-	-	-
Inflows from federal family education loans	2,675,321.83	-	2,675,321.83
Outflows from federal family education loans	(2,706,321.48)	-	(2,706,321.48)
Payments to employees for services	(6,812,978.58)	-	(6,812,978.58)
Payments to suppliers	(2,543,517.52)	-	(2,543,517.52)
Payments to students for scholarships and fellowships	(1,500,824.11)	-	(1,500,824.11)
Other receipts	33,252.26	-	33,252.26
Inflows from agency funds	1,700.00	-	1,700.00
Outflows from agency funds	-	-	-
Net cash provided (used) by operating activities	<u>(4,651,557.47)</u>	<u>-</u>	<u>(4,651,557.47)</u>
Cash flows from non-capital financing activities			
State appropriations	4,302,724.00	-	4,302,724.00
Gifts for other than capital purposes	354,919.80	-	354,919.80
Additions to permanent endowments	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Transfers to/from other state agencies/campuses	(9,550.41)	-	(9,550.41)
Federal loan liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>4,648,093.39</u>	<u>-</u>	<u>4,648,093.39</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	-	-
State capital appropriations	478,125.26	-	478,125.26
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(319,180.18)	-	(319,180.18)
Principal paid on capital asset related debt	(30,000.00)	-	(30,000.00)
Interest paid on capital asset related debt	(20,000.00)	-	(20,000.00)
New cash provided (used) by capital and related financing activities	<u>108,945.08</u>	<u>-</u>	<u>108,945.08</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment income	35,346.66	-	35,346.66
Endowment Income	3,828.03	-	3,828.03
Net cash provided (used) by investing activities	<u>39,174.69</u>	<u>-</u>	<u>39,174.69</u>
Net increase(decrease) in cash and cash equivalents	<u>144,655.69</u>	<u>-</u>	<u>144,655.69</u>
Cash and cash equivalents, beginning of year	2,613,137.45	-	2,613,137.45
Cash and cash equivalents, end of year	<u>\$ 2,757,793.14</u>	<u>\$ -</u>	<u>\$ 2,757,793.14</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities:			
Operating expenses over revenues	\$ (5,114,743.15)	\$ -	\$ (5,114,743.15)
Adjustments to reconcile operating income(loss) to net cash used by operating activities			
Depreciation expense	452,866.05	-	452,866.05
Change in current assets and liabilities			
Accounts receivable, net	26,955.30	-	26,955.30
Patients accounts receivable, net	-	-	-
Student loans receivable	-	-	-
Capital improvement bond receivable - non-capital	(2,023.37)	-	(2,023.37)
Inventories	5,226.52	-	5,226.52
Prepaid items	(6,699.34)	-	(6,699.34)
Other assets	-	-	-
Accounts payable	46,664.63	-	46,664.63
Retainage payable	-	-	-
Accrued payroll and related liabilities	(1,891.83)	-	(1,891.83)
Accrued compensated absences	28,736.40	-	28,736.40
Deferred revenues	(57,349.03)	-	(57,349.03)
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	(29,299.65)	-	(29,299.65)
Net cash provided by (used in) operating activities	<u>\$ (4,651,557.47)</u>	<u>\$ -</u>	<u>\$ (4,651,557.47)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ -	\$ -	\$ -
Gains (losses) on disposal of capital assets	\$ 17,626.01	\$ -	\$ 17,626.01
Capitalized interest reducing interest paid on capital asset related debt	\$ -	\$ -	\$ -
Change in value of investments recognized in endowment income	\$ 12,706.08	\$ -	\$ 12,706.08
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ -	\$ -	\$ -
Student loans cancelled	\$ -	\$ -	\$ -

UNIVERSITY OF SOUTH CAROLINA
Sumter Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2007

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 3,861,828.76	\$ 56,238.59	\$	\$ 23.87	\$	\$ 3,918,091.22
Research	23,033.20	30,101.45				53,134.65
Public service	2,072.00	5,103.52				7,175.52
Academic support	764,390.04	612,956.86				1,377,346.90
Student services	839,820.88	269,557.57		17,813.51		1,127,191.96
Institutional support	821,438.38	397,587.52				1,219,025.90
Operation and maintenance of plant	411,789.85	396,538.29	383,500.83			1,191,828.97
Auxiliary enterprises	115,450.04	437,124.70				552,574.74
Scholarships and fellowships				1,482,986.73		1,482,986.73
Component Unit						
Depredation					452,866.05	452,866.05
Total Operating Expenses	\$ 6,839,823.15	\$ 2,205,208.50	\$ 383,500.83	\$ 1,500,824.11	\$ 452,866.05	\$ 11,382,222.64

UNIVERSITY OF SOUTH CAROLINA
Union Campus
Statement of Net Assets

	June 30, 2007 Union Campus	December 31, 2006 Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,992,046.04	\$ -	\$ 1,992,046.04
Investments	-	-	-
Accounts receivable, net	58,562.59	-	58,562.59
Pledges receivable	-	-	-
Student loans receivable, current	2,282.00	-	2,282.00
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	-	-	-
Inventories	38,193.64	-	38,193.64
Prepaid items	1,649.78	-	1,649.78
Restricted cash and cash equivalents	11,130.72	-	11,130.72
Funds due from others	-	-	-
Total current assets	2,103,864.77	-	2,103,864.77
Noncurrent assets:			
Investments	-	-	-
Notes receivable	-	-	-
Restricted - cash and cash equivalents	-	-	-
Restricted - federal student loans receivable	-	-	-
Capital assets, net of accumulated depreciation	1,685,701.58	-	1,685,701.58
Other assets	-	-	-
Total noncurrent assets	1,685,701.58	-	1,685,701.58
Total assets	3,789,566.35	-	3,789,566.35
LIABILITIES			
Current liabilities:			
Accounts payable	20,823.71	-	20,823.71
Retainage payable - current portion	-	-	-
Accrued interest payable	-	-	-
Accrued payroll and related liabilities	7,254.67	-	7,254.67
Accrued compensated absences - current portion	37,491.65	-	37,491.65
Short - term debt	-	-	-
Long-term liabilities - current portion	-	-	-
Deferred revenues	26,983.66	-	26,983.66
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	5,383.38	-	5,383.38
Total current liabilities	97,937.07	-	97,937.07
Noncurrent liabilities:			
Retainage payable	-	-	-
Accrued compensated absences	33,247.32	-	33,247.32
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	-	-	-
Other liabilities	-	-	-
Total noncurrent liabilities	33,247.32	-	33,247.32
Total liabilities	131,184.39	-	131,184.39
NET ASSETS			
Invested in capital assets, net of related debt	1,685,701.58	-	1,685,701.58
Restricted for:			
Nonexpendable	-	-	-
Expendable	-	-	-
Scholarships, research, instruction, and other	260,084.06	-	260,084.06
Loans	5,360.87	-	5,360.87
Capital projects	11,080.16	-	11,080.16
Debt service	165.04	-	165.04
Unrestricted	1,695,990.25	-	1,695,990.25
Total net assets	\$ 3,658,381.96	\$ -	\$ 3,658,381.96

UNIVERSITY OF SOUTH CAROLINA
Union Campus
Statement of Revenues, Expenses, and Changes in Net Assets
(Unaudited)

	Year ended		Total
	June 30, 2007 Union Campus	December 31, 2006 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$16,742.40 pledged as security for bonds)	\$ 1,208,377.80	\$ -	\$ 1,208,377.80
Less scholarship allowance	(560,259.47)	-	(560,259.47)
Patient services, net	-	-	-
Federal grants and contracts	712,272.73	-	712,272.73
State grants and contracts	659,742.18	-	659,742.18
Local grants and contracts	11,640.58	-	11,640.58
Nongovernmental grants and contracts	-	-	-
Sales and services of educational and other activities	4,676.40	-	4,676.40
Sales and services of auxiliary enterprises	158,153.95	-	158,153.95
Less scholarship allowance	-	-	-
Interest collected on student loans	-	-	-
Other fees	11,487.90	-	11,487.90
Other operating revenues	220.00	-	220.00
Total operating revenues	<u>2,206,312.07</u>	<u>-</u>	<u>2,206,312.07</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	1,710,305.20	-	1,710,305.20
Services and supplies	681,054.74	-	681,054.74
Utilities	75,988.36	-	75,988.36
Scholarships and fellowships	590,138.53	-	590,138.53
Depreciation expense	105,987.08	-	105,987.08
Total operating expenses	<u>3,163,473.91</u>	<u>-</u>	<u>3,163,473.91</u>
Operating Income (loss)	<u>(957,161.84)</u>	<u>-</u>	<u>(957,161.84)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	1,133,404.00	-	1,133,404.00
Gifts	50,948.64	-	50,948.64
Investment income	27,391.43	-	27,391.43
Endowment income	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Interest on capital asset related debt	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>1,211,744.07</u>	<u>-</u>	<u>1,211,744.07</u>
Income (loss) before other revenue, expenses, gains or losses	<u>254,582.23</u>	<u>-</u>	<u>254,582.23</u>
State capital appropriations	17,504.06	-	17,504.06
Capital grants and gifts	-	-	-
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	-	-	-
Transfers to/from other campuses	(9,566.80)	-	(9,566.80)
Increase (decrease) in net assets	<u>262,519.49</u>	<u>-</u>	<u>262,519.49</u>
NET ASSETS			
Net assets - beginning of year	3,395,862.46	-	3,395,862.46
Net assets - end of year	<u>\$ 3,658,381.95</u>	<u>\$ -</u>	<u>\$ 3,658,381.95</u>

UNIVERSITY OF SOUTH CAROLINA
Union Campus
Statement of Cash Flows
(Unaudited)

	Year ended		Total
	June 30, 2007 Union Campus	December 31, 2006 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 643,825.00	\$ -	\$ 643,825.00
Patient services, net	-	-	-
Research grants and contracts	1,378,294.82	-	1,378,294.82
Sales and services of educational and other activities	4,676.40	-	4,676.40
Sales and services of auxiliary enterprises	154,538.51	-	154,538.51
Student loans disbursed	(27,818.25)	-	(27,818.25)
Student loans collected	25,536.25	-	25,536.25
Interest collected on student loans	-	-	-
Inflows from federal family education loans	656,012.00	-	656,012.00
Outflows from federal family education loans	(653,064.74)	-	(653,064.74)
Payments to employees for services	(1,704,069.90)	-	(1,704,069.90)
Payments to suppliers	(757,159.40)	-	(757,159.40)
Payments to students for scholarships and fellowships	(590,138.53)	-	(590,138.53)
Other receipts	11,707.90	-	11,707.90
Inflows from agency funds	-	-	-
Outflows from agency funds	(500.00)	-	(500.00)
Net cash provided (used) by operating activities	<u>(858,159.94)</u>	<u>-</u>	<u>(858,159.94)</u>
Cash flows from non-capital financing activities			
State appropriations	1,133,404.00	-	1,133,404.00
Gifts for other than capital purposes	45,700.64	-	45,700.64
Additions to permanent endowments	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Transfers to/from other state agencies/campuses	(9,566.80)	-	(9,566.80)
Federal loan liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>1,169,537.84</u>	<u>-</u>	<u>1,169,537.84</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	-	-
State capital appropriations	17,504.06	-	17,504.06
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	-	-	-
Principal paid on capital asset related debt	-	-	-
Interest paid on capital asset related debt	-	-	-
New cash provided (used) by capital and related financing activities	<u>17,504.06</u>	<u>-</u>	<u>17,504.06</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment income	26,779.49	-	26,779.49
Endowment Income	-	-	-
Net cash provided (used) by investing activities	<u>26,779.49</u>	<u>-</u>	<u>26,779.49</u>
Net increase(decrease) in cash and cash equivalents	<u>355,661.45</u>	<u>-</u>	<u>355,661.45</u>
Cash and cash equivalents, beginning of year	1,647,515.31	-	1,647,515.31
Cash and cash equivalents, end of year	<u>\$ 2,003,176.76</u>	<u>\$ -</u>	<u>\$ 2,003,176.76</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities:			
Operating expenses over revenues	\$ (957,161.84)	\$ -	\$ (957,161.84)
Adjustments to reconcile operating income(loss) to net cash used by operating activities			
Depreciation expense	105,987.08	-	105,987.08
Change in current assets and liabilities			
Accounts receivable, net	(19,628.86)	-	(19,628.86)
Patients accounts receivable, net	-	-	-
Student loans receivable	(2,282.00)	-	(2,282.00)
Capital improvement bond receivable - non-capital	-	-	-
Inventories	3,384.65	-	3,384.65
Prepaid items	(1,649.78)	-	(1,649.78)
Other assets	-	-	-
Accounts payable	(1,851.17)	-	(1,851.17)
Retainage payable	-	-	-
Accrued payroll and related liabilities	3,594.72	-	3,594.72
Accrued compensated absences	2,640.58	-	2,640.58
Deferred revenues	6,359.42	-	6,359.42
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	2,447.26	-	2,447.26
Net cash provided by (used in) operating activities	<u>\$ (858,159.94)</u>	<u>\$ -</u>	<u>\$ (858,159.94)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ -	\$ -	\$ -
Gains (losses) on disposal of capital assets	\$ -	\$ -	\$ -
Change in transfer of equipment	\$ -	\$ -	\$ -
Capitalized interest reducing interest paid on capital asset related debt	\$ -	\$ -	\$ -
Change in value of investments recognized in endowment income	\$ -	\$ -	\$ -
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ -	\$ -	\$ -
Student loans cancelled	\$ -	\$ -	\$ -

UNIVERSITY OF SOUTH CAROLINA
 Union Campus
 Schedule of Operating Expenses by Function
 (Unaudited)
 Year ended June 30, 2007

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 825,696.18	\$ 155,053.83	\$	\$	\$	\$ 980,750.01
Research						
Public service		11,640.58				11,640.58
Academic support	131,612.04	112,384.41				243,996.45
Student services	324,309.73	88,657.20				412,966.93
Institutional support	306,957.06	117,917.45				424,874.51
Operation and maintenance of plant	96,556.26	73,552.15	75,988.36			246,096.77
Auxiliary enterprises	25,173.93	121,849.12				147,023.05
Scholarships and fellowships				590,138.53		590,138.53
Component Unit						
Depreciation					105,987.08	105,987.08
Total Operating Expenses	\$ 1,710,305.20	\$ 681,054.74	\$ 75,988.36	\$ 590,138.53	\$ 105,987.08	\$ 3,163,473.91

UNIVERSITY OF SOUTH CAROLINA
Upstate Campus
Statement of Net Assets
(Unaudited)

	June 30, 2007 <u>Upstate Campus</u>	December 31, 2006 <u>Trust</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,538,288.47	\$ -	\$ 12,538,288.47
Investments	-	-	-
Accounts receivable, net	1,214,137.81	-	1,214,137.81
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	-	-	-
Inventories	600,973.07	-	600,973.07
Prepaid items	79,287.20	-	79,287.20
Restricted cash and cash equivalents	10,134,620.15	-	10,134,620.15
Funds due from others	-	-	-
Total current assets	<u>24,567,306.70</u>	<u>-</u>	<u>24,567,306.70</u>
Noncurrent assets:			
Investments	53,076.70	-	53,076.70
Notes receivable	105,000.00	-	105,000.00
Restricted - cash and cash equivalents	137,651.19	-	137,651.19
Restricted - federal student loans receivable	929,408.63	-	929,408.63
Capital assets, net of accumulated depreciation	33,363,746.83	-	33,363,746.83
Other assets	-	-	-
Total noncurrent assets	<u>34,588,883.35</u>	<u>-</u>	<u>34,588,883.35</u>
Total assets	<u>59,156,190.05</u>	<u>-</u>	<u>59,156,190.05</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,453,069.82	-	1,453,069.82
Retainage payable - current portion	2,454.97	-	2,454.97
Accrued interest payable	155,562.09	-	155,562.09
Accrued payroll and related liabilities	227,981.15	-	227,981.15
Accrued compensated absences - current portion	750,885.05	-	750,885.05
Short - term debt	-	-	-
Long-term liabilities - current portion	801,352.21	-	801,352.21
Deferred revenues	559,549.44	-	559,549.44
Deposits	19,012.73	-	19,012.73
Other liabilities	1,117.12	-	1,117.12
Funds held for others	416,768.37	-	416,768.37
Total current liabilities	<u>4,387,752.95</u>	<u>-</u>	<u>4,387,752.95</u>
Noncurrent liabilities:			
Retainage payable	146,005.35	-	146,005.35
Accrued compensated absences	665,879.20	-	665,879.20
Deferred revenues	-	-	-
Federal loan funds	926,840.64	-	926,840.64
Long-term liabilities	13,771,365.10	-	13,771,365.10
Other liabilities	-	-	-
Total noncurrent liabilities	<u>15,510,090.29</u>	<u>-</u>	<u>15,510,090.29</u>
Total liabilities	<u>19,897,843.24</u>	<u>-</u>	<u>19,897,843.24</u>
NET ASSETS			
Invested in capital assets, net of related debt	18,791,029.52	-	18,791,029.52
Restricted for:			
Nonexpendable	158,076.70	-	158,076.70
Expendable	-	-	-
Scholarships, research, instruction, and other	1,156,969.86	-	1,156,969.86
Loans	138,493.43	-	138,493.43
Capital projects	9,143,062.50	-	9,143,062.50
Debt service	(6,603.56)	-	(6,603.56)
Unrestricted	9,877,318.36	-	9,877,318.36
Total net assets	<u>\$ 39,258,346.81</u>	<u>\$ -</u>	<u>\$ 39,258,346.81</u>

UNIVERSITY OF SOUTH CAROLINA
Upstate Campus
Statement of Revenues, Expenses, and Changes in Net Assets
(Unaudited)

	Year ended		Total
	June 30, 2007 Upstate Campus	December 31, 2006 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$2,337,596.99 pledged as security for bonds)	\$ 34,780,426.30	\$ -	\$ 34,780,426.30
Less scholarship allowance	(8,823,067.37)	-	(8,823,067.37)
Patient services, net	-	-	-
Federal grants and contracts	7,005,936.94	-	7,005,936.94
State grants and contracts	7,369,482.33	-	7,369,482.33
Local grants and contracts	19,350.82	-	19,350.82
Nongovernmental grants and contracts	376,850.55	-	376,850.55
Sales and services of educational and other activities	1,402,944.85	-	1,402,944.85
Sales and services of auxiliary enterprises (\$354,150.00 pledged as security for bonds)	4,205,572.11	-	4,205,572.11
Less scholarship allowance	(125,192.00)	-	(125,192.00)
Interest collected on student loans	10,521.72	-	10,521.72
Other fees	275,866.88	-	275,866.88
Other operating revenues	886,440.50	-	886,440.50
Total operating revenues	<u>47,385,133.63</u>	<u>-</u>	<u>47,385,133.63</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	35,047,973.93	-	35,047,973.93
Services and supplies	14,781,696.72	-	14,781,696.72
Utilities	1,250,197.54	-	1,250,197.54
Scholarships and fellowships	6,273,717.85	-	6,273,717.85
Depreciation expense	1,689,500.26	-	1,689,500.26
Total operating expenses	<u>59,043,086.30</u>	<u>-</u>	<u>59,043,086.30</u>
Operating Income (loss)	<u>(11,657,952.67)</u>	<u>-</u>	<u>(11,657,952.67)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	15,157,341.00	-	15,157,341.00
Gifts	243,324.77	-	243,324.77
Investment income	385,977.96	-	385,977.96
Endowment income	7,207.68	-	7,207.68
Gain (loss) on disposal of capital assets	(1,878.18)	-	(1,878.18)
Interest on capital asset related debt	(413,810.33)	-	(413,810.33)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>15,378,162.90</u>	<u>-</u>	<u>15,378,162.90</u>
Income (loss) before other revenue, expenses, gains or losses	<u>3,720,210.23</u>	<u>-</u>	<u>3,720,210.23</u>
State capital appropriations	3,942,451.93	-	3,942,451.93
Capital grants and gifts	-	-	-
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	(48,868.05)	-	(48,868.05)
Transfers to/from other campuses	(14,066.51)	-	(14,066.51)
Increase (decrease) in net assets	<u>7,599,727.60</u>	<u>-</u>	<u>7,599,727.60</u>
NET ASSETS			
Net assets - beginning of year	<u>31,658,619.21</u>	<u>-</u>	<u>31,658,619.21</u>
Net assets - end of year	<u>\$ 39,258,346.81</u>	<u>\$ -</u>	<u>\$ 39,258,346.81</u>

UNIVERSITY OF SOUTH CAROLINA
Upstate Campus
Statement of Cash Flows
(Unaudited)

	Year end		Total
	June 30, 2007 Upstate Campus	December 31, 2006 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 26,048,719.96	\$ -	\$ 26,048,719.96
Patient services, net	-	-	-
Research grants and contracts	14,841,822.58	-	14,841,822.58
Sales and services of educational and other activities	1,398,266.70	-	1,398,266.70
Sales and services of auxiliary enterprises	4,119,783.03	-	4,119,783.03
Student loans disbursed	(261,375.66)	-	(261,375.66)
Student loans collected	201,178.43	-	201,178.43
Interest collected on student loans	10,521.72	-	10,521.72
Inflows from federal family education loans	22,693,679.30	-	22,693,679.30
Outflows from federal family education loans	(22,558,983.78)	-	(22,558,983.78)
Payments to employees for services	(34,800,462.64)	-	(34,800,462.64)
Payments to suppliers	(15,984,907.28)	-	(15,984,907.28)
Payments to students for scholarships and fellowships	(6,273,717.85)	-	(6,273,717.85)
Other receipts	1,229,594.55	-	1,229,594.55
Inflows from agency funds	1,604,698.72	-	1,604,698.72
Outflows from agency funds	(1,470,595.54)	-	(1,470,595.54)
Net cash provided (used) by operating activities	<u>(9,201,777.76)</u>	<u>-</u>	<u>(9,201,777.76)</u>
Cash flows from non-capital financing activities			
State appropriations	15,157,341.00	-	15,157,341.00
Gifts for other than capital purposes	240,106.77	-	240,106.77
Additions to permanent endowments	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Transfers to/from other state agencies/campuses	(62,934.56)	-	(62,934.56)
Federal loan liability	(20,064.08)	-	(20,064.08)
Net cash provided (used) by noncapital financing activities	<u>15,314,449.13</u>	<u>-</u>	<u>15,314,449.13</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	10,850,000.00	-	10,850,000.00
State capital appropriations	3,950,230.78	-	3,950,230.78
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	420.00	-	420.00
Purchase and construction of capital assets	(4,388,137.11)	-	(4,388,137.11)
Principal paid on capital asset related debt	(1,008,820.56)	-	(1,008,820.56)
Interest paid on capital asset related debt	(404,681.79)	-	(404,681.79)
New cash provided (used) by capital and related financing activities	<u>8,999,011.32</u>	<u>-</u>	<u>8,999,011.32</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment income	368,088.08	-	368,088.08
Endowment Income	6,681.68	-	6,681.68
Net cash provided (used) by investing activities	<u>374,769.76</u>	<u>-</u>	<u>374,769.76</u>
Net increase(decrease) in cash and cash equivalents	<u>15,486,452.45</u>	<u>-</u>	<u>15,486,452.45</u>
Cash and cash equivalents, beginning of year	<u>7,324,107.36</u>	<u>-</u>	<u>7,324,107.36</u>
Cash and cash equivalents, end of year	<u>\$ 22,810,559.81</u>	<u>\$ -</u>	<u>\$ 22,810,559.81</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities:			
Operating expenses over revenues	\$ (11,657,952.67)	\$ -	\$ (11,657,952.67)
Adjustments to reconcile operating income(loss) to net cash used by operating activities			
Depreciation expense	1,689,500.26	-	1,689,500.26
Change in current assets and liabilities			
Accounts receivable, net	(6,888.74)	-	(6,888.74)
Patients accounts receivable, net	-	-	-
Student loans receivable	(35,521.67)	-	(35,521.67)
Capital improvement bond receivable - non-capital	66,681.50	-	66,681.50
Inventories	(63,858.07)	-	(63,858.07)
Prepaid items	(13,209.92)	-	(13,209.92)
Other assets	-	-	-
Accounts payable	108,160.91	-	108,160.91
Retainage payable	(8,781.50)	-	(8,781.50)
Accrued payroll and related liabilities	71,021.27	-	71,021.27
Accrued compensated absences	176,490.02	-	176,490.02
Deferred revenues	204,363.48	-	204,363.48
Deposits	(1,187.00)	-	(1,187.00)
Other liabilities	605.67	-	605.67
Funds held for others	268,798.70	-	268,798.70
Net cash provided by (used in) operating activities	<u>\$ (9,201,777.76)</u>	<u>\$ -</u>	<u>\$ (9,201,777.76)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ -	\$ -	\$ -
Gains (losses) on disposal of capital assets	\$ (2,298.18)	\$ -	\$ (2,298.18)
Capitalized interest reducing interest paid on capital asset related debt	\$ 106,550.00	\$ -	\$ -
Change in value of investments recognized in endowment income	\$ 526.00	\$ -	\$ 526.00
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ -	\$ -	\$ -
Student loans cancelled	\$ 24,675.56	\$ -	\$ 24,675.56

UNIVERSITY OF SOUTH CAROLINA
Upstate Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2007

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 20,028,674.50	\$ 1,636,475.83	\$	\$ 8,899.11	\$	\$ 21,674,049.44
Research	67,762.02	110,981.33		180.11		178,923.46
Public service	1,042,130.76	654,453.88	5,706.57	11,328.32		1,713,619.53
Academic support	2,173,590.47	2,920,087.58		112.52		5,093,790.57
Student services	4,570,746.58	2,184,519.45		34,770.62		6,790,036.65
Institutional support	4,112,662.54	1,072,729.73		1,878.37		5,187,270.64
Operation and maintenance of plant	2,403,365.30	3,814,260.91	1,118,924.38	20.61		7,336,571.20
Auxiliary enterprises	638,328.76	2,388,188.01	125,566.59			3,152,083.36
Scholarships and fellowships	10,713.00			6,216,528.19		6,227,241.19
Component Unit						
Depreciation					1,689,500.26	1,689,500.26
Total Operating Expenses	\$ 35,047,973.93	\$ 14,781,696.72	\$ 1,250,197.54	\$6,273,717.85	\$ 1,689,500.26	\$ 59,043,086.30