

UNIVERSITY OF SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2008**

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, 2008, 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, 2 percent, and 6 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 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 85 percent, 90 percent, and 97 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, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the 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, 2008, 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 15, 2008 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 37 and 38 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 39 through 74 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 15, 2008

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 2008. While audited financial statements for fiscal year 2007 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, 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.

Statement 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.

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Management's Discussion and Analysis
(Unaudited)

Summary of Net Assets				
	<u>2008</u>	<u>2007</u>	<u>Increase/ Decrease</u>	<u>Percent Change</u>
Assets				
Current Assets	\$ 413,197,669	\$ 334,590,279	\$ 78,607,390	23.49%
Capital Assets, Net	910,730,242	835,777,182	74,953,060	8.97%
Other Assets	<u>66,675,990</u>	<u>64,552,835</u>	<u>2,123,155</u>	3.29%
Total Assets	<u>1,390,603,901</u>	<u>1,234,920,296</u>	<u>155,683,605</u>	12.61%
Liabilities				
Current Liabilities	104,654,382	103,414,873	1,239,509	1.20%
Noncurrent Liabilities	<u>397,612,557</u>	<u>312,171,703</u>	<u>85,440,854</u>	27.37%
Total Liabilities	<u>502,266,939</u>	<u>415,586,576</u>	<u>86,680,363</u>	20.86%
Net Assets				
Invested in capital assets, net of related debt	533,500,422	538,158,359	(4,657,937)	(0.87%)
Restricted - nonexpendable	24,470,320	25,451,702	(981,382)	(3.86%)
Restricted - expendable	67,378,572	41,062,336	26,316,236	64.09%
Unrestricted	<u>262,987,648</u>	<u>214,661,323</u>	<u>48,326,325</u>	22.51%
Total Net Assets	<u>\$ 888,336,962</u>	<u>\$ 819,333,720</u>	<u>\$ 69,003,242</u>	8.42%

- Total Assets of the University increased by \$156 million. Capital assets increased \$75 million, primarily due to major building projects completed and in progress. Total cash and cash equivalents increased \$100 million, driven by the increase in unexpended bond proceeds on hand for capital projects and the increase in unrestricted net assets.
 - The increase in Current Liabilities is attributable to an increase in the current portion of long term debt.
 - The \$85 million increase in Noncurrent Liabilities is attributable to issuance of long term bonds.
 - Net Assets of the University increased during the year by \$69 million. The increase is driven largely by the \$26 million increase in restricted expendable funds for capital projects and a \$48 million increase in unrestricted net assets.
- Unrestricted net assets result from accumulated excesses of revenue over expenses derived from University current fund operations. The University's unrestricted current funds are derived from state appropriations, student fees, institutional revenue and auxiliary operations that are not restricted for specific purposes. Unrestricted net assets include balances from operations of Education and General (E&G) activities, auxiliary enterprises, quasi-endowments and unexpended plant funds. Although unrestricted net assets are not subject to externally imposed stipulations, most of these resources have been committed for specific University activities including academic and research programs, capital projects, and significant upgrades to the campus technology network.
- Unrestricted net assets increased by \$48.3 million, based on the following:
- Education and general - increase of \$30.4 million primarily due to additional tuition collections from higher student enrollments, more indirect cost recoveries from grant activities, and collection of funds for

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(Unaudited)

OneCarolina, a planned replacement of all administrative computing technology. Academic funds will support anticipated new faculty hires and replacement for retiring faculty as well as start up packages for new faculty.

- Auxiliaries - increase of \$4.3 million from FY2007. Athletics Department revenues were up significantly with increases in football ticket prices, additional contributions to the Gamecock Club, and increased Southeastern Conference revenues. Other auxiliaries experienced an increase in revenues from higher student enrollments.
- Quasi-endowments - increase of \$200,000 from interest earnings.
- Unexpended plant funds - increase of \$13.4 million is primarily due to an additional \$5.5 million in Institutional Capital Project Funds from excess debt service. Funds collected from student tuition for state institution bond debt has escalated as enrollment increases and as more non-resident students enroll in the University. The University did not issue any state institution bonds in FY2008. Also contributing to this increase is \$6 million in the housing maintenance reserve for deferred projects.

Statement 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.

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".

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Management's Discussion and Analysis
(Unaudited)

Summary of Revenues, Expenses and Changes in Net Assets	2008	2007	Increase/ Decrease	Percent Change
Operating Revenues:				
Student tuition and fees	\$ 401,799,739	\$ 359,555,566	\$ 42,244,173	11.75%
Less scholarship allowance	(86,840,289)	(77,166,394)	(9,673,895)	12.54%
Federal grants and contracts	138,819,747	129,675,143	9,144,604	7.05%
State grants and contracts	73,803,285	65,857,618	7,945,667	12.06%
Local grants and contracts	959,597	773,548	186,049	24.05%
Nongovernmental grants and contracts	28,606,395	25,470,938	3,135,457	12.31%
Sales and services of educational and other activities	22,682,311	20,082,186	2,600,125	12.95%
Sales and services of auxiliary enterprises	102,715,745	94,903,105	7,812,640	8.23%
Less scholarship allowance	(3,279,411)	(2,166,725)	(1,112,686)	51.35%
Interest collected on student loans	224,271	224,001	270	0.12%
Other fees	6,439,112	6,927,800	(488,688)	(7.05%)
Other operating revenues	<u>4,213,095</u>	<u>4,238,375</u>	<u>(25,280)</u>	(0.60%)
Total operating revenues	<u>690,143,597</u>	<u>628,375,161</u>	<u>61,768,436</u>	9.83%
Operating Expenses:				
Compensation and employee benefits	575,609,932	529,084,925	46,525,007	8.79%
Services and supplies	187,875,929	186,501,583	1,374,346	0.74%
Utilities	26,600,555	24,703,496	1,897,059	7.68%
Scholarships and fellowships	74,854,215	63,858,245	10,995,970	17.22%
Depreciation expense	<u>40,888,598</u>	<u>42,769,038</u>	<u>(1,880,440)</u>	(4.40%)
Total operating expenses	<u>905,829,229</u>	<u>846,917,287</u>	<u>58,911,942</u>	6.96%
Operating loss	(215,685,632)	(218,542,126)	2,856,494	(1.31%)
Non-operating revenues, net	<u>265,035,965</u>	<u>258,513,593</u>	<u>6,522,372</u>	2.52%
Income before other revenues, expenses, and transfers	49,350,333	39,971,467	9,378,866	23.46%
Other revenues, expenses, and transfers	<u>19,652,909</u>	<u>45,217,802</u>	<u>(25,564,893)</u>	(56.54%)
Increase in net assets	69,003,242	85,189,269	(16,186,027)	(19.00%)
Net assets at beginning of year	<u>819,333,720</u>	<u>734,144,451</u>	<u>85,189,269</u>	11.60%
Net assets at end of year	<u>\$ 888,336,962</u>	<u>\$ 819,333,720</u>	<u>\$ 69,003,242</u>	8.42%

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Management's Discussion and Analysis
(Unaudited)

The Statement 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 \$32.5 million increase in student tuition and fees, a \$9.3 million increase in sales and service and \$20.4 million increase in grants and contracts were largely responsible for the overall \$61.8 million increase in Operating Revenues. The increase in student tuition and fees is due to enrollment growth across the system and the 6.9% 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 \$58.9 million or 6.96 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.
- The \$6.5 million increase in non-operating revenues and expenses was primarily attributable to an increase in state appropriations.
- The \$25.6 million decrease in other revenues, expenses, and transfers was attributable to decreases in state capital appropriations, capital gifts and grants and additions to permanent endowments.

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

During the year, various projects on the Columbia campus began construction including the honors residence hall with approximately 538 beds, scheduled to open in the Fall of 2009. The residence hall will also include a 10,000 square foot dining facility and an 8,000 square foot academic center. Construction also started on a band hall and dance facility. The band hall will provide a practice facility for the band along with instrument storage. The facility will also be home to three dance studios and an observation room for the Dance department. The Athletics department began construction on an 8,000 seat baseball stadium which will be ready for the 2009 baseball season. The stadium will also include suites and club seating, a weight room, indoor batting area and a training room.

In Fall, 2008, the USC Aiken campus opened Pacer Crossings, a four story 88,930 square foot residence hall. Pacer Crossings provides living space for 300 freshman with amenities which include four bedroom suites, study rooms, kitchens and a learning center. The new residential hall serves as the third residential complex on the USC Aiken campus.

The USC Upstate campus is in the final stages of construction of the Health Education Complex. The 150,000 square foot facility will be home to the Mary Black College of Nursing, College of Education, Wellness/Fitness Center, Enrollment Services and Bookstore. The facility should be completed in Spring, 2009.

The University's indebtedness consists of bonds payable of \$336,940,729 and notes payable of \$40,289,091. During the current year, \$94,185,000 in revenue bonds were issued to fund various capital projects.

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Management's Discussion and Analysis
(Unaudited)

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 2008 with a funds deficit. The University received a 2.68% reduction of state funding for fiscal year 2009. In September, 2008 the State further reduced appropriations by 3%. Additional State reductions are possible by the end of the 2009 fiscal year.

The University's overall financial position remains strong, despite projected reductions in state appropriations. 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, 2008	December 31, 2007	
	University	Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 277,525,776	\$ 2,658,499	\$ 280,184,275
Investments	-	8,000,365	8,000,365
Accounts receivable, net	38,669,019	2,757,439	41,426,458
Student loans receivable	7,896	-	7,896
Patients accounts receivable, net	-	2,972,000	2,972,000
Capital improvement bonds proceeds receivable	2,851,891	-	2,851,891
Inventories	3,020,530	-	3,020,530
Prepaid items	5,356,668	-	5,356,668
Restricted cash and cash equivalents	72,853,412	-	72,853,412
Funds due from others	12,912,477	-	12,912,477
Total current assets	413,197,669	16,388,303	429,585,972
Noncurrent assets:			
Investments	5,616,499	-	5,616,499
Notes receivable	19,943,910	-	19,943,910
Restricted - cash and cash equivalents	19,370,787	-	19,370,787
Restricted - federal student loans receivable	19,161,233	-	19,161,233
Capital assets, net of accumulated depreciation	910,730,242	13,507,074	924,237,316
Other assets	2,583,561	-	2,583,561
Total noncurrent assets	977,406,232	13,507,074	990,913,306
Total assets	1,390,603,901	29,895,377	1,420,499,278
LIABILITIES			
Current liabilities:			
Accounts payable	24,204,748	3,581,183	27,785,931
Retainage payable - current portion	878,565	-	878,565
Accrued interest payable	3,290,123	-	3,290,123
Accrued payroll and related liabilities	10,948,479	(1,912)	10,946,567
Accrued compensated absences - current portion	12,992,797	998,519	13,991,316
Long-term liabilities - current portion	14,305,949	545,037	14,850,986
Deferred revenues	30,512,490	-	30,512,490
Deposits	2,017,709	-	2,017,709
Other liabilities	369,734	-	369,734
Funds held for others	5,133,788	-	5,133,788
Total current liabilities	104,654,382	5,122,827	109,777,209
Noncurrent liabilities:			
Retainage payable	2,581,821	-	2,581,821
Accrued compensated absences	11,993,352	-	11,993,352
Deferred revenues	1,708,333	-	1,708,333
Federal loan funds	18,405,180	-	18,405,180
Long-term liabilities	362,923,871	7,313,203	370,237,074
Other liabilities	-	401,148	401,148
Total noncurrent liabilities	397,612,557	7,714,351	405,326,908
Total liabilities	502,266,939	12,837,178	515,104,117
Total net assets	888,336,962	17,058,199	905,395,161
NET ASSETS			
Invested in capital assets, net of related debt	533,500,422	5,648,834	539,149,256
Restricted for:			
Nonexpendable	24,470,320	-	24,470,320
Expendable			
Scholarships, research, instruction, and other	9,104,269	-	9,104,269
Loans	2,963,014	-	2,963,014
Capital projects	48,664,223	-	48,664,223
Debt service	6,647,066	-	6,647,066
Unrestricted	262,987,648	11,409,365	274,397,013
Total net assets	\$ 888,336,962	\$ 17,058,199	\$ 905,395,161

See accompanying notes to the financial statements which are an integral part of these statements.

UNIVERSITY OF SOUTH CAROLINA

Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended		Total
	June 30, 2008	December 31, 2007	
	University	Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$20,437,198 pledged as security for bonds)	\$ 401,799,739	\$ -	\$ 401,799,739
Less scholarship allowance	(86,840,289)	-	(86,840,289)
Patient services, net	-	29,770,943	29,770,943
Federal grants and contracts	138,819,747	-	138,819,747
State grants and contracts	73,803,285	-	73,803,285
Local grants and contracts	959,597	-	959,597
Nongovernmental grants and contracts	28,606,395	-	28,606,395
Sales and services of educational and other activities	22,682,311	-	22,682,311
Sales and services of auxiliary enterprise			
(\$11,356,862 pledged as security for bonds)	102,715,745	-	102,715,745
Less scholarship allowance	(3,279,411)	-	(3,279,411)
Interest collected on student loans	224,271	-	224,271
Other fees (\$2,024,474 pledged as security for bonds)	6,439,112	-	6,439,112
Other operating revenues	4,213,095	23,953,082	28,166,177
Total operating revenues	690,143,597	53,724,025	743,867,622
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	575,609,932	32,494,407	608,104,339
Services and supplies	187,875,929	15,132,970	203,008,899
Utilities	26,600,555	-	26,600,555
Scholarships and fellowships	74,854,215	-	74,854,215
Depreciation expense	40,888,598	1,088,940	41,977,538
Total operating expenses	905,829,229	48,716,317	954,545,546
Operating income (loss)	(215,685,632)	5,007,708	(210,677,924)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	230,507,978	-	230,507,978
Gifts	37,848,492	-	37,848,492
Investment income	8,495,693	738,008	9,233,701
Endowment income	1,761,750	-	1,761,750
Loss on disposal of capital assets	(777,254)	-	(777,254)
Interest on capital asset related debt	(12,800,404)	(380,993)	(13,181,397)
Other nonoperating expenses	(290)	-	(290)
Net nonoperating revenues	265,035,965	357,015	265,392,980
Income before other revenue, expenses, gains or losses	49,350,333	5,364,723	54,715,056
State capital appropriations	18,380,146	-	18,380,146
Capital grants and gifts	2,501,276	-	2,501,276
Additions to permanent endowments	100,576	-	100,576
Transfers to/from other state funds	(1,329,089)	-	(1,329,089)
Increase in net assets	69,003,242	5,364,723	74,367,965
NET ASSETS			
Net assets - beginning of year	819,333,720	11,693,476	831,027,196
Net assets - end of year	\$ 888,336,962	\$ 17,058,199	\$ 905,395,161

See accompanying notes to the financial statements which are an integral part of these statements.

UNIVERSITY OF SOUTH CAROLINA

Statements of Cash Flows

	Year Ended		Total
	June 30, 2008 University	December 31 2007 Trust	
CASH FLOWS FROM OPERATING ACTIVITIES			
Student tuition and fees	\$ 314,628,666	\$ -	\$ 314,628,666
Patient services, net	-	29,310,943	29,310,943
Research grants and contracts	240,846,920	-	240,846,920
Sales and services of educational and other activities	22,282,581	-	22,282,581
Sales and services of auxiliary enterprises	95,157,439	-	95,157,439
Student loans disbursed	(3,909,025)	-	(3,909,025)
Student loans collected	3,093,651	-	3,093,651
Interest Collected on Student Loans	224,271	-	224,271
Inflows from Federal Family Education loans	216,159,994	-	216,159,994
Outflows from Federal Family Education loans	(213,182,588)	-	(213,182,588)
Payments to employees for services	(573,460,705)	(32,429,298)	(605,890,003)
Payments to suppliers	(212,461,293)	(17,923,548)	(230,384,841)
Payments to students for scholarships and fellowships	(74,854,215)	-	(74,854,215)
Other receipts	10,616,418	23,493,082	34,109,500
Inflows from agency funds	65,685,209	-	65,685,209
Outflows from agency funds	(58,898,621)	-	(58,898,621)
Net cash provided (used) by operating activities	<u>(168,071,298)</u>	<u>2,451,179</u>	<u>(165,620,119)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	230,507,978	-	230,507,978
Gifts	39,992,669	-	39,992,669
Additions to permanent endowments	100,575	-	100,575
Other nonoperating revenues expenses	(290)	-	(290)
Transfers to/from other state agencies/campuses	(1,329,089)	-	(1,329,089)
Federal Loan Liability	(186,245)	-	(186,245)
Net cash provided by noncapital financing activities	<u>269,085,598</u>	<u>-</u>	<u>269,085,598</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	94,185,000	-	94,185,000
State capital appropriations	19,952,259	-	19,952,259
Capital grants and gifts	2,332,614	-	2,332,614
Gain on disposal of capital assets	108,965	-	108,965
Purchase and construction of capital assets	(109,357,519)	(653,412)	(110,010,931)
Principal paid on capital asset related debt	(18,151,414)	(543,153)	(18,694,567)
Interest paid on capital asset related debt	(10,229,849)	(380,993)	(10,610,842)
Net cash used by capital and related financing activities	<u>(21,159,944)</u>	<u>(1,577,558)</u>	<u>(22,737,502)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(6,368,961)	(6,368,961)
Proceeds from the sale of investments	81,695	6,222,008	6,303,703
Investment Income	18,215,832	357,484	18,573,316
Endowment Income	2,740,953	-	2,740,953
Net cash provided by investing activities	<u>21,038,480</u>	<u>210,531</u>	<u>21,249,011</u>
Net increase in cash and cash equivalents	100,892,836	1,084,152	101,976,988
Cash and cash equivalents, beginning of year	268,857,139	1,574,347	270,431,486
Cash and cash equivalents, end of year	<u>\$ 369,749,975</u>	<u>\$ 2,658,499</u>	<u>\$ 372,408,474</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities			
Operating Expenses over revenues	\$ (215,685,632)	\$ 5,007,708	\$ (210,677,924)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense	40,888,598	1,088,940	41,977,538
Change in current assets and liabilities			
Accounts receivable, net	(2,310,287)	(460,000)	(2,770,287)
Student loans receivable	(588,397)	(1,741,143)	(2,329,540)
Capital improvement bond receivable - non-capital	88,389	-	88,389
Inventories	(482,013)	-	(482,013)
Prepaid items	(149,881)	-	(149,881)
Other assets	-	-	-
Accounts payable	2,700,020	(1,615,265)	1,084,755
Retainage payable - non-capital	(279,911)	-	(279,911)
Accrued payroll and related liabilities	259,065	(15,862)	243,203
Accrued annual leave and related liabilities	1,890,162	80,971	1,971,133
Deferred revenues	(3,475,637)	-	(3,475,637)
Deposits	109,809	-	109,809
Other liabilities	(799,576)	105,830	(693,746)
Funds held for others	9,763,993	-	9,763,993
Net cash provided (used) by operating activities	<u>\$ (168,071,298)</u>	<u>\$ 2,451,179</u>	<u>\$ (165,620,119)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ 509,672	\$ -	\$ 509,672
Losses on disposal of capital assets	\$ (886,219)	\$ -	\$ (886,219)
Capitalized interest reducing interest paid on capital asset related debt	\$ 679,445	\$ -	\$ 679,445
Change in value of investments recognized in endowment income	\$ (1,081,891)	\$ (227,583)	\$ (1,309,474)
Student loans cancelled	\$ 226,976	\$ -	\$ 226,976

See accompanying notes to the financial statements which are an integral part of these statements.

UNIVERSITY OF SOUTH CAROLINA

Governmental Discretely Presented Component Unit

Statement of Net Assets
June 30, 2008

	<u>University of South Carolina Research Foundation</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 927,448
Restricted cash and cash equivalents	27,131,308
Accounts receivable	15,286,782
Prepaid expenses and deposits	216,841
Total current assets	<u>43,562,379</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>17,677</u>
Total noncurrent assets	<u>17,677</u>
Total assets	<u>43,580,056</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	18,746,084
Deferred revenue	23,649,518
Total current liabilities	<u>42,395,602</u>
Total liabilities	<u>42,395,602</u>
NET ASSETS	
Invested in capital assets, net of related debt	17,677
Restricted - expendable for research	246,857
Unrestricted	919,920
Total net assets	<u>\$ 1,184,454</u>

See accompanying notes to the financial statements which are an integral part of these statements.

UNIVERSITY OF SOUTH CAROLINA

Governmental Discretely Presented Component Unit

**Statement of Revenues, Expenses and Changes in Net Assets
Year ended June 30, 2008**

	<u>University of South Carolina Research Foundation</u>
REVENUES	
Operating revenues	
Federal grants and contracts	\$ 83,832,274
Nongovernmental grants and contracts	20,848,275
Management fees and recoveries	18,955,600
Royalty income	56,647
Rental income	70,988
Other operating revenues	<u>583,160</u>
Total operating revenues	<u>124,346,944</u>
EXPENSES	
Operating Expenses	
Salaries and benefits	418,633
Services and supplies	779,253
Research and development direct costs	<u>120,962,361</u>
Total operating expenses	<u>122,160,247</u>
Operating income	<u>2,186,697</u>
NONOPERATING REVENUES (EXPENSES)	
Private gifts and donations	(3,325,806)
Interest income	<u>423,964</u>
Net nonoperating expenses	<u>(2,901,842)</u>
Change in net assets	(715,145)
Net assets at beginning of year	<u>1,899,599</u>
Net assets at end of year	<u><u>\$ 1,184,454</u></u>

See accompanying notes to the financial statements which are an integral part of these statements.

UNIVERSITY OF SOUTH CAROLINA

Non-Governmental Discretely Presented Component Units

Condensed Statements of Financial Position

	June 30,2008	June 30,2008	June 30,2008	June 30,2008	June 30,2008	December 31. 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	Total
ASSETS							
Cash and cash equivalents	\$ 3,805,262	\$ 7,263,743	\$ 5,640,606	\$ 3,215,904	\$ 2,874,700	\$ 78,320	\$ 22,878,535
Investments	21,886,893	222,317,801	33,671,611	3,940,387	6,219,356	4,718,480	292,754,528
Real estate held for investment	30,529,480	1,047,411	-	-	-	-	31,576,891
Assets held in trust	-	60,168,135	-	-	199,249	-	60,367,384
Accounts receivable	270,535	158,998	697,099	883,715	16,998	500	2,027,845
Contributions receivable, net	3,620,757	14,470,819	5,808,136	-	9,091,442	15,000	33,006,154
Prepaid expenses	24,442	-	18,790	639,285	271,517	90,000	1,044,034
Other assets	213,009	-	92,789	30,252	8,039	-	344,089
Fixed assets, net of depreciation	18,179,764	39,308	-	90,039	12,240,308	2,108,296	32,657,715
Total assets	\$ 78,530,142	\$ 305,466,215	\$ 45,929,031	\$ 8,799,582	\$ 30,921,609	\$ 7,010,596	\$ 476,657,175
LIABILITIES							
Accounts payable	\$ 961,487	\$ 5,767,730	\$ 324,311	\$ 218,440	\$ 538,714	\$ 78,844	\$ 7,889,526
Deferred revenues	-	-	62,220	932,778	-	62,835	1,057,833
Bonds and notes payable	39,200,663	19,969,984	-	-	14,884,922	-	74,055,569
Other liabilities	19,355	-	-	-	459,397	-	478,752
Total liabilities	40,181,505	25,737,714	386,531	1,151,218	15,883,033	141,679	83,481,680
NET ASSETS							
Unrestricted	17,351,672	57,307,928	6,093,299	6,846,029	(890,164)	355,250	87,064,014
Temporarily restricted	17,731,037	80,784,400	18,060,558	802,335	13,024,540	171,371	130,574,241
Permanently restricted	3,265,928	141,636,173	21,388,643	-	2,904,200	6,342,296	175,537,240
Total net assets	38,348,637	279,728,501	45,542,500	7,648,364	15,038,576	6,868,917	393,175,495
Total liabilities and net assets	\$ 78,530,142	\$ 305,466,215	\$ 45,929,031	\$ 8,799,582	\$ 30,921,609	\$ 7,010,596	\$ 476,657,175

See accompanying notes to the financial statements which are an integral part of these statements.

UNIVERSITY OF SOUTH CAROLINA

Non-Governmental Discretely Presented Component Units

Condensed Statements of Activities

	June 30,2008	June 30,2008	June 30,2008	June 30,2008	June 30,2008	December 31. 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	Total
CHANGES IN UNRESTRICTED NET ASSETS:							
Revenues, gains and other support							
Contributions	\$ 35,250	\$ 11,207,205	\$ 705,673	\$ 1,581,513	\$ 637,826	\$ 105	\$ 14,167,572
Investment income	-	6,012,503	137,765	225,458	163,114	9,566	6,548,406
Net realized and unrealized gains (losses)	(1,940,061)	(21,411,888)	(436,955)	(401,652)	(407,185)	-	(24,597,741)
Earned income	3,660,480	-	2,275,556	1,975,595	1,014,161	6,000	8,931,792
Miscellaneous income	466,019	718,611	-	-	-	-	1,184,630
Gain (loss) on disposal of assets	-	-	-	-	(18,010)	-	(18,010)
Net assets released from restrictions:							
Restrictions satisfied by payments	49,783	-	-	347,093	-	214,022	610,898
Satisfaction of program restrictions	-	4,881,297	2,769,909	-	1,690,400	-	9,341,606
Expiration of time restrictions	-	(1,044,023)	-	-	-	-	(1,044,023)
Total revenues, gains and other support	2,271,471	363,705	5,451,948	3,728,007	3,080,306	229,693	15,125,130
Expenses							
Scholarships and student assistance	-	8,699,532	1,288,360	606,750	72,057	102,805	10,769,504
Program services	-	9,752,868	3,953,334	2,202,413	1,876,726	287,533	18,072,874
Supporting services	7,236,363	4,196,919	183,721	858,083	1,832,885	129,396	14,437,367
Total expenses	7,236,363	22,649,319	5,425,415	3,667,246	3,781,668	519,734	43,279,745
Excess revenues over (under) expenses	(4,964,892)	(22,285,614)	26,533	60,761	(701,362)	(290,041)	(28,154,615)
Interest rate swap fair value adjustment	-	-	-	-	(470,680)	-	(470,680)
Change in unrestricted net assets	(4,964,892)	(22,285,614)	26,533	60,761	(1,172,042)	(290,041)	(28,625,295)

UNIVERSITY OF SOUTH CAROLINA

Non-Governmental Discretely Presented Component Units

Condensed Statements of Activities (continued)

	June 30,2008	June 30,2008	June 30,2008	June 30,2008	June 30,2008	December 31. 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	Total
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS							
Contributions	2,490,535	4,311,307	4,084,209	233,856	12,823,575	-	23,943,482
Investment income	-	181,998	764,081	-	-	-	946,079
Net realized and unrealized gains (losses)	(50,295)	5,541,523	(2,525,190)	-	(212,247)	-	2,753,791
Other	612,049	(31,898)	-	222,111	341,643	221,371	1,365,276
Net assets released from restrictions:							
Restrictions satisfied by payments	(49,783)	-	-	(347,093)	-	(50,000)	(446,876)
Satisfaction of program restrictions	-	(6,752,292)	(2,779,784)	-	(1,690,400)	-	(11,222,476)
Expiration of time restrictions	-	(687,258)	-	-	-	-	(687,258)
Change in temporarily restricted net assets	<u>3,002,506</u>	<u>2,563,380</u>	<u>(456,684)</u>	<u>108,874</u>	<u>11,262,571</u>	<u>171,371</u>	<u>16,652,018</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS							
Contributions	-	5,033,323	323,681	-	163,541	150,703	5,671,248
Other	-	(151,911)	-	-	-	558,287	406,376
Net assets released from restrictions:							
Satisfaction of program restrictions	-	1,870,995	9,875	-	-	(164,022)	1,716,848
Expiration of time restrictions	-	1,731,281	-	-	-	-	1,731,281
Change in permanently restricted net assets	<u>-</u>	<u>8,483,688</u>	<u>333,556</u>	<u>-</u>	<u>163,541</u>	<u>544,968</u>	<u>9,525,753</u>
Change in net assets	(1,962,386)	(11,238,546)	(96,595)	169,635	10,254,070	426,298	(2,447,524)
Net assets at beginning of year	<u>40,311,023</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>395,623,019</u>
Net assets at end of year	<u>\$ 38,348,637</u>	<u>\$ 279,728,501</u>	<u>\$ 45,542,500</u>	<u>\$ 7,648,364</u>	<u>\$ 15,038,576</u>	<u>\$ 6,868,917</u>	<u>\$ 393,175,495</u>

See accompanying notes to the financial statements which are an integral part of these 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 (GASB) 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 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, debt service reserve 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 2008 was \$679,445.

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

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

expense in the statement of revenues, expenses and changes in net assets.

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, 2008.

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)	\$ 280,184,275	Cash on hand	\$ 336,571
Restricted cash and cash equivalents for (current):		Deposits held by State Treasurer	369,333,247
Debt service	8,428,289	Other deposits	80,157
Capital projects	64,425,123	Blended component unit deposits	2,658,499
Restricted cash and cash equivalents (non-current):		Investments held by State Treasurer	2,202,155
Endowments	15,168,017	Other investments	3,414,344
Federal student loans	2,204,782	Blended component unit investments	8,000,365
Debt Service Reserve	1,997,988		
Investments (current)	8,000,365		
Investments (non-current)	5,616,499		
	<u>\$ 386,025,338</u>		<u>\$ 386,025,338</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 \$3,414,344 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 decreased in the amount of \$1,081,891.

Blended Component Unit Deposits

The Trust's general ledger cash and cash equivalents balance includes cash on deposit with financial institutions of \$2,658,499. At December 31, 2007, the Trust's bank balances had demand deposits and sweep accounts totaling \$4,913,033. Of these amounts, approximately \$3,549,000 exceeded the limits of federal depository insurance (FDIC).

Of the amount exceeding federal depository insurance limits, \$3,410,000 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	\$ 4,057,172	\$ 4,694,244
Mutual funds	758,936	846,953
Money market funds	522,728	522,728
Certificates of deposits		
maturing after three months	1,268,890	1,276,700
Other debt instruments	<u>654,399</u>	<u>659,740</u>
	<u>\$ 7,262,125</u>	<u>\$ 8,000,365</u>

UNIVERSITY OF SOUTH CAROLINA
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The net change in unrealized appreciation of investments for the current year decreased in the amount of (\$227,583).

Of the total cash and cash equivalents for the Trust, \$142,033 was held in escrow by the Series 2000 Bond trustee for the purpose of making required annual principal payments on September 1, 2008.

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	\$ 9,127,406
Auxiliary enterprises	3,791,135
Federal grants and contracts	18,777,887
State grants and contracts	523,568
Local grants and contracts	42,939
Non-governmental grants and contracts	4,565,117
Accrued interest	2,622,050
Blended component unit	<u>2,757,439</u>
	42,207,541
Less allowance for doubtful accounts	<u>781,083</u>
Accounts receivable, net	<u>\$ 41,426,458</u>

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

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	\$ 4,048,000
Less estimated uncollectible charges	<u>(1,076,000)</u>
Patient accounts receivable, net	<u>\$ 2,972,000</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 administering the loan programs.

Capital Improvement, Infrastructure Bonds and Capital Reserve Fund Appropriation Receivable

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

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

The State has authorized capital improvement bonds, research infrastructure bonds, state university infrastructure bonds and capital reserve fund appropriation 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 \$15,205,783 of outstanding state capital improvement bond authorization, \$17,079,241 of outstanding research infrastructure bond authorization, \$709,277 of outstanding state university infrastructure bond authorization and \$491,828 of capital reserve fund appropriation 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 \$1,039,161 respectively are included in the Notes Receivable, and Accounts Receivable, net.

Note 4 - Capital Assets

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Land and improvements	\$ 65,079,021	\$ 140,000	\$ -	\$ 65,219,021
Construction in-progress	61,545,749	103,682,524	33,952,148	131,276,125
Works of art and historical treasures	16,005,029	25,000	-	16,030,029
Total capital assets not being depreciated	<u>142,629,799</u>	<u>103,847,524</u>	<u>33,952,148</u>	<u>212,525,175</u>
Other capital assets:				
Land improvements	74,834,825	9,955,179	-	84,790,004
Buildings and improvements	945,692,138	23,127,333	1,065,809	967,753,662
Machinery, equipment, and other	128,161,982	12,093,086	6,132,897	134,122,171
Vehicles	10,371,365	1,656,328	315,902	11,711,791
Intangibles	5,804,346	31,500	-	5,835,846
Blended Component Unit buildings and improvements	16,644,704	274,660	3,490	16,915,874
Blended Component Unit medical and office equipment	6,175,482	378,754	58,120	6,496,116
Total capital assets at historical cost	<u>1,187,684,842</u>	<u>47,516,840</u>	<u>7,576,218</u>	<u>1,227,625,464</u>
Less accumulated depreciation for:				
Land improvements	7,002,851	3,246,482	-	10,249,333
Buildings and improvements	362,114,815	26,003,522	652,189	387,466,148
Machinery, equipment, and other	90,572,187	10,455,939	5,710,184	95,317,942
Vehicles	7,509,504	920,056	235,091	8,194,469
Intangibles	4,517,916	262,599	-	4,780,515
Blended Component Unit buildings and improvements	4,341,916	535,591	3,490	4,874,017
Blended Component Unit medical and office equipment	4,532,008	553,349	54,458	5,030,899
Total accumulated depreciation	<u>480,591,197</u>	<u>41,977,538</u>	<u>6,655,412</u>	<u>515,913,323</u>
Other capital assets, net	<u>707,093,645</u>	<u>5,539,302</u>	<u>920,806</u>	<u>711,712,141</u>
Capital Assets, Net	<u>\$ 849,723,444</u>	<u>\$ 109,386,826</u>	<u>\$ 34,872,954</u>	<u>\$ 924,237,316</u>

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

Gains on disposals	\$ 108,965
Losses on disposals	<u>(886,219)</u>
Net gain (loss) on disposals	<u>\$ (777,254)</u>

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

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.

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, 2007, the employer contribution rate became 12.48 percent which included a 3.42 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, 2008, 2007, and 2006, were \$22,235,000, \$17,682,000, and \$17,235,000, respectively, and equaled the required contributions of 9.06 percent (excluding the surcharge) for each year.

Also, the University paid employer group-life insurance contributions of \$368,000 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, 2007, the employer contribution rate became 13.72 percent which, as for the SCRS, includes the 3.42 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2008, 2007, and 2006 were \$445,600, \$379,500, and \$337,000, 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 \$8,700 and accidental death insurance contributions of \$8,700 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.

UNIVERSITY OF SOUTH CAROLINA
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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, 9.06 percent plus the retiree surcharge of 3.42 percent from the employer in fiscal year 2008.

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 \$13,148,000 (excluding the surcharge) from the University as employer and \$9,433,000 from its employees as plan members. In fiscal year 2008, the University paid \$218,000 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 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, 2007 amounted to \$1,347,000 and is included as a component of personal services and related expenses.

Note 6 - Postemployment And Other Employee Benefits

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the Retiree Medical Plan (RMP) and the Long-term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

Funding Policies

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability

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benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.42% and 3.35% of annual covered payroll for 2008 and 2007, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$13,504,000 and \$11,711,300 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2008 and 2007, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2008 and 2007.

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

primarily funded through investment income and employer contributions.

One may obtain complete financial statements for the benefit plans and the trust funds from Employee Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

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 \$76,935,899 for capital and \$43,256,952 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 relate entirely to agreements entered into by the blended component unit and have remaining noncancelable terms in excess of one year as follows.

Equipment Capital Leases

	2008	\$	129,915
	2009		86,823
	2010		5,160
Total minimum lease payments		\$	221,898
Less interest, executory and other costs			13,658
Present value of minimum lease payments		\$	208,240

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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 \$562,353. Accumulated depreciation of this equipment totaled \$455,704.

Real Property Operating Leases

	External Parties	Other State Agencies	Total
2009	\$ 577,080	\$ 31,600	\$ 608,680
2010	414,617	33,000	447,617
2011	265,507	-	265,507
2012	96,275	-	96,275
2013	15,005	-	15,005
Total minimum lease payments	\$ <u>1,368,484</u>	\$ <u>64,600</u>	\$ <u>1,433,084</u>

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.

as other State agencies and related parties. Certain operating leases provide for renewal options for periods from 2008 to 2038 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 \$1,177,517 for fiscal year 2008. Of this amount, \$204,212 was paid to other State agencies. In the current fiscal year, the University incurred expenses of \$1,118,691 for office copier contingent rentals on a cost per copy basis.

The University's noncancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2008-2038. These noncancelable operating leases include agreements between the University and third party vendors as well

Note 9 - Short-Term Debt

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 2008, \$2,700,000 athletic facilities revenue BANS Series 2008A, and \$1,800,000 athletic facilities revenue BANS Series 2008B were retired. Short-term debt activity was as follows:

	Beginning balance	Additions	Reductions	Ending balance
Revenue BANS	\$ <u>4,500,000</u>	\$ <u>-</u>	\$ <u>4,500,000</u>	\$ <u>-</u>
Total short-term debt	\$ <u>4,500,000</u>	\$ <u>-</u>	\$ <u>4,500,000</u>	\$ <u>-</u>

UNIVERSITY OF SOUTH CAROLINA
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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	\$ 16,180,000
Series 2001B	4.5% to 5.0%	07/01/21	26,830,000
Series 2002E	3.0% to 5.0%	09/01/22	14,230,000
Series 2003I	3.0% to 4.625%	10/01/23	6,090,000
Series 2006B	3.25% to 5.25%	04/01/26	<u>52,940,000</u>
Total State Institution Bonds			<u>116,270,000</u>
Revenue Bonds			
Series 1999A	4.40% to 5.0%	06/01/19	3,280,000
Series 2000A	5.0%	06/01/10	900,000
Series 2002 Athletic	4.25% to 5.5%	05/01/32	19,115,000
Series 2003B	2.75 to 4.25%	05/01/23	4,395,000
Series 2004A	3.375% to 5.375%	05/01/34	28,595,000
Series 2005A	3.0% to 5.0%	05/01/35	11,755,000
Series 2005A Refunding	3.5% to 5.0%	06/01/30	44,080,000
Series 2006A	3.75% to 4.375%	06/01/26	13,030,000
Series 2008A	3.0% to 5.25%	06/01/38	64,335,000
Series 2008A Athletic	4.0% to 5.5%	05/01/38	27,395,000
Series 2008B Athletic	5.4%	05/01/13	<u>2,455,000</u>
Total Revenue Bonds			<u>219,335,000</u>
Blended Component Unit Revenue Bonds			
Series 2000	Variable	09/01/25	<u>7,650,000</u>
 Total Bonds Payable			 \$ <u>343,255,000</u>

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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 \$18,583,927, which results in a legal annual debt service at June 30, 2008 of \$16,725,534. The annual debt service payments for the fiscal year were \$11,259,768. Tuition revenue pledged in fiscal year 2008 was \$19,121,331 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 2008 were \$8,714,348.

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 2008 were \$1,315,867 special student fees, \$2,024,474 special admission fee, and \$2,642,514 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 revenue bonds in the amount of \$64,335,000 for the construction of new student housing facilities and

athletic facilities revenue bonds in the amount of \$29,850,000 for the construction of a baseball stadium.

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, 2007, the average interest rate on the bonds was 3.73%.

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

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

2008	\$ 425,000
2009	425,000
2010	425,000
2011	425,000
2012	425,000
2013-2017	2,125,000
2018-2022	2,125,000
2023-2025	<u>1,275,000</u>
	<u>\$ 7,650,000</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			
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	7,230,000	4,041,430	11,271,430
2014-2018	36,470,000	14,695,610	51,165,610
2019-2023	34,390,000	6,028,606	40,418,606
2024-2026	12,390,000	794,485	13,184,485
Total	<u>\$ 116,270,000</u>	<u>\$ 44,782,926</u>	<u>\$ 161,052,926</u>
Revenue Bonds	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,825,000	\$ 10,259,533	\$ 15,084,533
2010	5,910,000	10,198,645	16,108,645
2011	6,170,000	9,951,259	16,121,259
2012	6,465,000	9,667,836	16,132,836
2013	6,760,000	9,390,429	16,150,429
2014-2018	36,295,000	42,252,859	78,547,859
2019-2023	40,540,000	33,801,484	74,341,484
2024-2028	42,835,000	23,842,744	66,677,744
2029-2033	39,460,000	13,776,038	53,236,038
2034-2038	30,075,000	4,618,175	34,693,175
Total	<u>\$ 219,335,000</u>	<u>\$ 167,759,002</u>	<u>\$ 387,094,002</u>

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

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%.	\$ 68,783
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%.	24,370,000
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%.	103,069
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%.	634,342
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%.	14,332,684
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%.	42,783
University note payable secured by athletic ticketing system, dated February, 2008, payable in annual installments of \$90,727, matures February, 2011, Interest rate of 5.908%,	242,924
University note payable secured by printing press equipment, dated September, 2007, payable in semi-annual installments of \$43,008, matures September, 2014. interest rate of 3.6%.	494,506
	\$40,289,091

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>
2009	\$ 3,442,907	\$ 1,545,839	\$ 4,988,746
2010	3,404,948	1,411,070	4,816,018
2011	3,478,135	1,276,666	4,754,801
2012	19,347,700	824,859	20,172,559
2013	10,490,892	419,223	10,910,115
2014 - 2015	124,509	4,513	129,022
Total	\$ 40,289,091	\$ 5,482,170	\$ 45,771,261

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	\$ 122,015,000	\$ -	\$ 5,745,000	\$ 116,270,000	\$ 6,020,000
Revenue Bonds	129,170,000	94,185,000	4,020,000	219,335,000	4,825,000
Blended Component Unit Revenue Bonds	8,075,000	-	425,000	7,650,000	425,000
Subtotal Bonds Payable	259,260,000	94,185,000	10,190,000	343,255,000	11,270,000
Add: Unamortized Bond Premiums	974,378	2,968,444	68,064	3,874,758	167,074
Less: Unamortized Bond Discounts	57,498	-	12,530	44,968	12,530
Less: Unamortized Loss on Bond Refunding	2,630,563	-	136,502	2,494,061	136,502
Total Bonds Payable	257,546,317	97,153,444	10,109,032	344,590,729	11,288,042
Notes Payable	43,647,505	528,000	3,886,414	40,289,091	3,442,907
Capital Lease Obligations	326,393	-	118,153	208,240	120,037
Total Bonds, Notes and Capital Leases	301,520,215	97,681,444	14,113,599	385,088,060	14,850,986
Other Liabilities					
Accrued Compensated Absences	24,013,535	14,221,064	12,249,931	25,984,668	13,991,316
Retainage Payable	2,193,465	2,946,482	1,679,561	3,460,386	878,565
Deferred Revenues	35,696,460	30,522,490	33,998,127	32,220,823	30,512,490
Federal Loan Funds	18,591,426	-	186,246	18,405,180	-
Total Other Liabilities	80,494,886	47,690,036	48,113,865	80,071,057	45,382,371
Total Long-Term Liabilities	\$ 382,015,101	\$ 145,371,480	\$ 62,227,464	\$ 465,159,117	\$ 60,233,357

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; and the University of South Carolina Research 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 \$141,636,173 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 \$21,388,643 or 47% 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 \$14,884,922 which exists to provide capital assets for the University. Complete financial statements for the Foundation can be obtained at Carolina Piedmont Foundation, 800 University Way, Spartanburg, SC 29303.

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

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.

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

Funds Received from Component Units

Carolina Piedmont Foundation	\$ 973,876
USC Development Foundation	181,913
USC Business Partnership Foundation	524,404
USC Educational Foundation	13,470,173
Greater USC Alumni Association	1,384,061
Educational Foundation of USC Lancaster	117,909
USC Research Foundation	<u>92,471,560</u>
	<u>\$109,123,896</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 \$18,075,437 due from the University of South Carolina Research Foundation at June 30, 2008.

Funds Paid to Component Units

USC Development Foundation	\$ 783,628
USC Educational Foundation	114,804
USC Business Partnership Foundation	8,532
USC Alumni Association	1,836
Educational Foundation of Lancaster	2,500
Carolina Piedmont Foundation	<u>188,642</u>
	<u>\$ 1,099,942</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	\$ 268,320,804	\$ 28,708,222	\$ 17,059	\$ 141,458	-	\$ 297,187,543
Research	72,871,306	33,214,501	3,548	416,412	-	106,505,767
Public service	41,788,194	16,125,063	14,540	907,009	-	58,834,806
Academic support	42,442,475	27,523,796	120	24,450	-	69,990,841
Student services	31,775,997	15,559,157	661,123	825,093	-	48,821,370
Institutional support	51,568,897	6,809,505	-	75,051	-	58,453,453
Operation and maintenance of plant	30,851,015	10,550,058	19,472,896	22,081	-	60,896,050
Auxiliary Enterprises	32,663,831	49,103,265	6,491,269	3,828,755	-	92,087,120
Scholarships and fellowships	3,327,413	282,362	-	68,613,906	-	72,223,681
Blended Component Unit	32,494,407	15,132,970	-	-	1,088,940	48,716,317
Depreciation	-	-	-	-	40,888,598	40,888,598
Total Operating Expenses	<u>\$ 608,104,339</u>	<u>\$ 203,008,899</u>	<u>\$ 26,600,555</u>	<u>\$ 74,854,215</u>	<u>\$ 41,977,538</u>	<u>\$ 954,605,546</u>

Note 15 - Endowments and Similar Funds

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

<u>Net Asset Classification</u>	True Endowment	Quasi Endowment	Annuity & Life Endowment	Total
Restricted - Nonexpendable	\$ 24,470,320	\$ -	\$ -	\$ 24,470,320
Restricted - Expendable				
Scholarships, research, and other	-	1,918,049	-	1,918,049
Capital Projects	-	-	1,078,638	1,078,638
Unrestricted	-	27,649,161	-	27,649,161
Total	<u>\$ 24,470,320</u>	<u>\$ 29,567,210</u>	<u>\$ 1,078,638</u>	<u>\$ 55,116,168</u>

UNIVERSITY OF SOUTH CAROLINA
Supplemental Schedules - June 30, 2008

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	\$ 214,034,674
Budget and Control Board Allocations	7,576,080
Supplemental Appropriations (Proviso 73.12)	4,259,375
From Commission on Higher Education	
Parity Funds – Proviso 52-25	1,517,041
Technology Initiative	1,878,952
Academic Endowment Incentive	119,177
Critical Needs Nursing Initiative	227,785
Transfer from Department of Revenue - EIA	724,221
Return of FY07 EIA Funds	(3,382)
Transfer from Department of Health and Environmental Control	<u>174,055</u>
Total non-capital appropriations recorded as current year revenue	<u>\$ 230,507,978</u>

State Capital Appropriations

Capital Improvement Bond Proceeds:

Proceeds drawn during the current fiscal year	\$ 3,894,612
Plus: Expenses incurred but not drawn during current fiscal year	9,614
Less: Proceeds drawn but not expended during current fiscal year	<u>(751,834)</u>
Total capital improvement bond proceeds recorded as current year revenue	<u>3,152,392</u>

Research Infrastructure Bond Proceeds:

Proceeds drawn during the current fiscal year	15,057,507
Plus: Expenses incurred but not drawn during current fiscal year	2,542,323
Less: Proceeds drawn but not expended during current fiscal year	<u>(3,667,996)</u>
Total research infrastructure bond proceeds recorded as current year revenue	<u>13,931,834</u>

University Infrastructure Bond Proceeds:

Proceeds drawn during the current fiscal year	784,306
Plus: Expenses incurred but not drawn during current fiscal year	142,007
Less: Proceeds drawn but not expended during current fiscal year	<u>(92,563)</u>
Total university infrastructure bond proceeds recorded as current year revenue	<u>833,750</u>

Capital Reserve Fund Appropriations:

Proceeds drawn during the current fiscal year	304,223
Plus: Expenses incurred but not drawn during current fiscal year	<u>157,947</u>
Total capital reserve fund appropriations recorded as current year revenue	<u>462,170</u>

Total state capital appropriations recorded as current year revenue \$ 18,380,146

UNIVERSITY OF SOUTH CAROLINA
Supplemental Schedules - June 30, 2008

Information for Statement of Activities

Additions to permanent endowments	100,576	6,536,400	(6,435,824)
Transfers:			
State appropriations	230,507,978	215,046,268	15,461,710
Capital improvement bond proceeds	18,380,146	28,278,169	(9,898,023)
Transfers to/from other state agencies	<u>(1,329,089)</u>	<u>(1,337,606)</u>	<u>8,517</u>
Total contributions and transfers	<u>247,659,611</u>	<u>248,523,231</u>	<u>(863,620)</u>
Changes in net assets	69,003,242	85,189,269	(16,186,027)
Net assets - beginning of year	819,333,720	734,144,451	85,189,269
Net assets - ending	<u>\$ 888,336,962</u>	<u>\$ 819,333,720</u>	<u>\$ 69,003,242</u>

	<u>2008</u>	<u>Comparative Amounts for 2007</u>	<u>Increase/ (Decrease)</u>
Trust			
Charges for services	\$ 29,770,943	\$ 25,692,019	\$ 4,078,924
Operating grants and contributions	24,691,090	19,633,501	5,057,589
Less expenses	<u>(49,097,310)</u>	<u>(47,702,972)</u>	<u>(1,394,338)</u>
Net program revenue (expense)	<u>5,364,723</u>	<u>(2,377,452)</u>	<u>7,742,175</u>
Changes in net assets	5,364,723	(2,377,452)	7,742,175
Net assets - beginning of year	11,693,476	14,070,928	(2,377,452)
Net assets - ending	<u>\$ 17,058,199</u>	<u>\$ 11,693,476</u>	<u>\$ 5,364,723</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

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

	June 30, 2008 <u>Aiken Campus</u>	December 31, 2007 <u>Trust</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,816,262.07	\$ -	\$ 6,816,262.07
Investments	-	-	-
Accounts receivable, net	569,954.54	-	569,954.54
Pledges receivable	-	-	-
Student loans receivable, current	1,650.00	-	1,650.00
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	-	-	-
Inventories	435,128.27	-	435,128.27
Prepaid items	99,352.96	-	99,352.96
Restricted cash and cash equivalents	2,380,646.07	-	2,380,646.07
Funds due from others	-	-	-
Total current assets	<u>10,302,993.91</u>	<u>-</u>	<u>10,302,993.91</u>
Noncurrent assets:			
Notes receivable	200,000.00	-	200,000.00
Restricted - cash and cash equivalents	125,583.22	-	125,583.22
Restricted - federal student loans receivable	908,730.44	-	908,730.44
Capital assets, net of accumulated depreciation	84,967,923.12	-	84,967,923.12
Other assets	-	-	-
Total noncurrent assets	<u>86,202,236.78</u>	<u>-</u>	<u>86,202,236.78</u>
Total assets	<u>96,505,230.69</u>	<u>-</u>	<u>96,505,230.69</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,357,428.64	-	1,357,428.64
Retainage payable - current portion	500.00	-	500.00
Accrued interest payable	242,945.94	-	242,945.94
Accrued payroll and related liabilities	114,558.74	-	114,558.74
Accrued compensated absences - current portion	565,822.90	-	565,822.90
Short - term debt	-	-	-
Long-term liabilities - current portion	1,435,080.12	-	1,435,080.12
Deferred revenues	412,243.03	-	412,243.03
Deposits	96,761.00	-	96,761.00
Other liabilities	41.64	-	41.64
Funds held for others	300,654.21	-	300,654.21
Total current liabilities	<u>4,526,036.22</u>	<u>-</u>	<u>4,526,036.22</u>
Noncurrent liabilities:			
Retainage payable	135,924.00	-	135,924.00
Accrued compensated absences	522,298.07	-	522,298.07
Deferred revenues	-	-	-
Federal loan funds	836,882.75	-	836,882.75
Long-term liabilities	40,723,623.00	-	40,723,623.00
Other liabilities	-	-	-
Total noncurrent liabilities	<u>42,218,727.82</u>	<u>-</u>	<u>42,218,727.82</u>
Total liabilities	<u>46,744,764.04</u>	<u>-</u>	<u>46,744,764.04</u>
NET ASSETS			
Invested in capital assets, net of related debt	42,809,220.00	-	42,809,220.00
Restricted for:			
Nonexpendable	267,871.00	-	267,871.00
Expendable			
Scholarships, research, instruction, and other	(8,403.58)	-	(8,403.58)
Loans	127,051.44	-	127,051.44
Capital projects	(62,860.32)	-	(62,860.32)
Debt service	61,938.89	-	61,938.89
Unrestricted	6,565,649.22	-	6,565,649.22
Total net assets	<u>\$ 49,760,466.65</u>	<u>\$ -</u>	<u>\$ 49,760,466.65</u>

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

	Year ended		Total
	June 30, 2008 Aiken Campus	December 31, 2007 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$1,157,404.66 pledged as security for bonds)	\$ 21,564,687.50	\$ -	21,564,687.50
Less scholarship allowance	(5,707,299.35)	-	(5,707,299.35)
Patient services, net	-	-	-
Federal grants and contracts	3,715,528.74	-	3,715,528.74
State grants and contracts	6,225,203.29	-	6,225,203.29
Local grants and contracts	196,057.75	-	196,057.75
Nongovernmental grants and contracts	281,309.89	-	281,309.89
Sales and services of educational and other activities	1,578,618.56	-	1,578,618.56
Sales and services of auxiliary enterprises (\$1,501,030.47 pledged as security for bonds)	5,682,985.91	-	5,682,985.91
Less scholarship allowance	(247,352.90)	-	(247,352.90)
Interest collected on student loans	7,427.13	-	7,427.13
Other fees	134,851.31	-	134,851.31
Other operating revenues	339,334.01	-	339,334.01
Total operating revenues	33,771,351.84	-	33,771,351.84
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	25,837,421.39	-	25,837,421.39
Services and supplies	10,749,391.42	-	10,749,391.42
Utilities	1,639,190.40	-	1,639,190.40
Scholarships and fellowships	5,606,962.76	-	5,606,962.76
Depreciation expense	2,944,626.66	-	2,944,626.66
Total operating expenses	46,777,592.63	-	46,777,592.63
Operating Income (loss)	(13,006,240.79)	-	(13,006,240.79)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	11,717,094.00	-	11,717,094.00
Gifts	837,167.78	-	837,167.78
Investment income	282,050.78	-	282,050.78
Endowment income	39,254.34	-	39,254.34
Gain (loss) on disposal of capital assets	(59,599.80)	-	(59,599.80)
Interest on capital asset related debt	(1,181,783.79)	-	(1,181,783.79)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	11,634,183.31	-	11,634,183.31
Income (loss) before other revenue, expenses, gains or losses	(1,372,057.48)	-	(1,372,057.48)
State capital appropriations	2,632,979.38	-	2,632,979.38
Capital grants and gifts	763,305.00	-	763,305.00
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	(14,482.33)	-	(14,482.33)
Transfers to/from other campuses	(7,415.71)	-	(7,415.71)
Increase (decrease) in net assets	2,002,328.86	-	2,002,328.86
NET ASSETS			
Net assets - beginning of year	47,758,137.79	-	47,758,137.79
Net assets - end of year	\$ 49,760,466.65	\$ -	\$ 49,760,466.65

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

	Year ended		Total
	June 30, 2008	December 31, 2007	
	Aiken Campus	Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 15,828,261.78	\$ -	\$ 15,828,261.78
Research grants and contracts	10,334,729.80	-	10,334,729.80
Sales and services of educational and other activities	1,537,266.56	-	1,537,266.56
Sales and services of auxiliary enterprises	5,255,164.37	-	5,255,164.37
Student loans disbursed	(198,348.00)	-	(198,348.00)
Student loans collected	146,347.65	-	146,347.65
Interest Collected on Student Loans	7,427.13	-	7,427.13
Inflows from Federal Family Education loans	13,684,173.27	-	13,684,173.27
Outflows from Federal Family Education loans	(13,488,894.36)	-	(13,488,894.36)
Payments to employees for services	(25,770,551.75)	-	(25,770,551.75)
Payments to suppliers	(12,682,122.41)	-	(12,682,122.41)
Payments to students for scholarships and fellowships	(5,606,962.76)	-	(5,606,962.76)
Other receipts	564,708.01	-	564,708.01
Inflows from agency funds	32,105.25	-	32,105.25
Outflows from agency funds	(2,879.29)	-	(2,879.29)
Net cash provided (used) by operating activities	<u>(10,359,574.75)</u>	<u>-</u>	<u>(10,359,574.75)</u>
Cash flows from non-capital financing activities			
State appropriations	11,717,094.00	-	11,717,094.00
Gifts	833,572.78	-	833,572.78
Additions to permanent endowments	-	-	-
Other nonoperating revenues expenses	-	-	-
Transfers to/from other state agencies/campuses	(21,898.04)	-	(21,898.04)
Federal Loan Liability	(18,546.04)	-	(18,546.04)
Net cash provided (used) by noncapital financing activities	<u>12,510,222.70</u>	<u>-</u>	<u>12,510,222.70</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	16,110,000.00	-	16,110,000.00
State capital appropriations	2,649,155.75	-	2,649,155.75
Capital grants and gifts	745,000.00	-	745,000.00
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(18,862,332.26)	-	(18,862,332.26)
Principal paid on capital asset related debt	(1,110,000.00)	-	(1,110,000.00)
Interest paid on capital asset related debt	(697,606.61)	-	(697,606.61)
New cash provided (used) by capital and related financing activities	<u>(1,165,783.12)</u>	<u>-</u>	<u>(1,165,783.12)</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment Income	391,006.36	-	391,006.36
Endowment Income	39,254.34	-	39,254.34
Net cash provided (used) by investing activities	<u>430,260.70</u>	<u>-</u>	<u>430,260.70</u>
Net increase (decrease) in cash and cash equivalents	<u>1,415,125.53</u>	<u>-</u>	<u>1,415,125.53</u>
Cash and cash equivalents, beginning of year	<u>7,907,365.83</u>	<u>-</u>	<u>7,907,365.83</u>
Cash and cash equivalents, end of year	<u>\$ 9,322,491.36</u>	<u>\$ -</u>	<u>\$ 9,322,491.36</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities			
Operating expenses over revenues	\$ (13,006,240.79)	\$ -	\$ (13,006,240.79)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense	2,944,626.66	-	2,944,626.66
Change in current assets and liabilities			
Accounts receivable, net	(106,881.82)	-	(106,881.82)
Student loans receivable	(43,527.81)	-	(43,527.81)
Capital improvement bond receivable - non-capital	90,522.69	-	90,522.69
Inventories	(33,621.64)	-	(33,621.64)
Prepaid items	(3,101.66)	-	(3,101.66)
Other assets	-	-	-
Accounts payable	(261,528.58)	-	(261,528.58)
Retainage payable - non-capital	(3,761.25)	-	(3,761.25)
Accrued payroll and related liabilities	(23,780.63)	-	(23,780.63)
Accrued annual leave and related liabilities	90,650.27	-	90,650.27
Deferred revenues	(128,548.90)	-	(128,548.90)
Deposits	(34,220.03)	-	(34,220.03)
Other liabilities	(64,666.13)	-	(64,666.13)
Funds held for others	224,504.87	-	224,504.87
Net cash provided by operating activities	<u>\$ (10,359,574.75)</u>	<u>\$ -</u>	<u>\$ (10,359,574.75)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ 18,305.00	\$ -	\$ 18,305.00
Gains (losses) on disposal of capital assets	\$ (181,325.63)	\$ -	\$ (181,325.63)
Capitalized interest reducing interest paid on capital asset related debt	\$ 94,509.00	\$ -	\$ 94,509.00
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	\$ 8,472.54	\$ -	\$ 8,472.54

Aiken Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2008

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 13,777,797.03	\$ 1,492,801.68	\$	\$ 11,631.22	\$ -	\$ 15,282,229.93
Research	131,497.93	126,733.62				258,231.55
Public service	1,534,219.91	1,091,818.83		12,640.62		2,638,679.36
Academic support	1,977,865.52	924,377.93		94.57		2,902,338.02
Student services	3,506,601.64	1,601,893.99		2,578.37		5,111,074.00
Institutional support	2,276,386.13	1,306,123.00		485.21		3,582,994.34
Operation and maintenance of plant	1,742,804.81	1,339,371.16	1,283,270.13	2,703.67		4,368,149.77
Auxiliary enterprises	654,059.92	2,858,005.85	355,920.27	310.38		3,868,296.42
Scholarships and fellowships	236,188.50	8,265.36		5,576,518.72		5,820,972.58
Depreciation					2,944,626.66	2,944,626.66
Total Operating Expenses	\$ 25,837,421.39	\$ 10,749,391.42	\$ 1,639,190.40	\$ 5,606,962.76	\$ 2,944,626.66	\$ 46,777,592.63

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

	June 30, 2008 <u>Beaufort Campus</u>	December 31, 2007 <u>Trust</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,901,213.88	\$ -	\$ 4,901,213.88
Investments	-	-	-
Accounts receivable, net	720,425.14	-	720,425.14
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	-	-	-
Inventories	192,751.05	-	192,751.05
Prepaid items	17,717.48	-	17,717.48
Restricted cash and cash equivalents	209.13	-	209.13
Funds due from others	-	-	-
Total current assets	<u>5,832,316.68</u>	<u>-</u>	<u>5,832,316.68</u>
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	39,201,018.16	-	39,201,018.16
Other assets	-	-	-
Total noncurrent assets	<u>39,240,018.16</u>	<u>-</u>	<u>39,240,018.16</u>
Total assets	<u>45,072,334.84</u>	<u>-</u>	<u>45,072,334.84</u>
LIABILITIES			
Current liabilities:			
Accounts payable	612,574.18	-	612,574.18
Retainage payable - current portion	-	-	-
Accrued interest payable	1,187.50	-	1,187.50
Accrued payroll and related liabilities	73,776.87	-	73,776.87
Accrued compensated absences - current portion	199,189.65	-	199,189.65
Short - term debt	-	-	-
Long-term liabilities - current portion	10,000.00	-	10,000.00
Deferred revenues	265,936.49	-	265,936.49
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	204,427.45	-	204,427.45
Total current liabilities	<u>1,367,092.14</u>	<u>-</u>	<u>1,367,092.14</u>
Noncurrent liabilities:			
Retainage payable	26,986.18	-	26,986.18
Accrued compensated absences	183,867.37	-	183,867.37
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	85,000.00	-	85,000.00
Other liabilities	-	-	-
Total noncurrent liabilities	<u>295,853.55</u>	<u>-</u>	<u>295,853.55</u>
Total liabilities	<u>1,662,945.69</u>	<u>-</u>	<u>1,662,945.69</u>
NET ASSETS			
Invested in capital assets, net of related debt	39,106,018.16	-	39,106,018.16
Restricted for:			
Nonexpendable	39,000.00	-	39,000.00
Expendable			
Scholarships, research, instruction, and other	293,105.68	-	293,105.68
Loans	314.00	-	314.00
Capital projects	-	-	-
Debt service	(449.31)	-	(449.31)
Unrestricted	<u>3,971,400.62</u>	<u>-</u>	<u>3,971,400.62</u>
Total net assets	<u>\$ 43,409,389.15</u>	<u>\$ -</u>	<u>\$ 43,409,389.15</u>

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

	Year ended		Total
	June 30, 2008 Beaufort Campus	December 31, 2007 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$98,704.92 pledged as security for bonds)	\$ 8,467,607.43	\$ -	\$ 8,467,607.43
Less scholarship allowance	(1,862,390.94)	-	(1,862,390.94)
Patient services, net	-	-	-
Federal grants and contracts	1,808,649.66	-	1,808,649.66
State grants and contracts	1,315,857.64	-	1,315,857.64
Local grants and contracts	5,310.38	-	5,310.38
Nongovernmental grants and contracts	134,537.84	-	134,537.84
Sales and services of educational and other activities	500,915.12	-	500,915.12
Sales and services of auxiliary enterprises	844,806.15	-	844,806.15
Less scholarship allowance	(39,524.00)	-	(39,524.00)
Interest collected on student loans	-	-	-
Other fees	82,017.95	-	82,017.95
Other operating revenues	56,125.00	-	56,125.00
Total operating revenues	11,313,912.23	-	11,313,912.23
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	11,507,031.42	-	11,507,031.42
Services and supplies	4,532,292.27	-	4,532,292.27
Utilities	571,353.04	-	571,353.04
Scholarships and fellowships	486,621.07	-	486,621.07
Depreciation expense	1,374,067.45	-	1,374,067.45
Total operating expenses	18,471,365.25	-	18,471,365.25
Operating Income (loss)	(7,157,453.02)	-	(7,157,453.02)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	3,182,927.00	-	3,182,927.00
Gifts	2,263,315.73	-	2,263,315.73
Investment income	255,876.98	-	255,876.98
Endowment income	3,587.90	-	3,587.90
Gain (loss) on disposal of capital assets	33,148.71	-	33,148.71
Interest on capital asset related debt	(5,125.00)	-	(5,125.00)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	5,733,731.32	-	5,733,731.32
Income (loss) before other revenue, expenses, gains or losses	(1,423,721.70)	-	(1,423,721.70)
State capital appropriations	58,410.00	-	58,410.00
Capital grants and gifts	-	-	-
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	(809.99)	-	(809.99)
Transfers to/from other campuses	(12,305.49)	-	(12,305.49)
Increase (decrease) in net assets	(1,378,427.18)	-	(1,378,427.18)
NET ASSETS			
Net assets - beginning of year	44,787,816.33	-	44,787,816.33
Net assets - end of year	<u>\$ 43,409,389.15</u>	<u>\$ -</u>	<u>\$ 43,409,389.15</u>

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

	Year ended		Total
	June 30, 2008	December 31, 2007	
	Beaufort Campus	Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 6,509,230.76	\$ -	\$ 6,509,230.76
Research grants and contracts	3,072,989.89	-	3,072,989.89
Sales and services of educational and other activities	499,866.12	-	499,866.12
Sales and services of auxiliary enterprises	801,193.36	-	801,193.36
Student loans disbursed	-	-	-
Student loans collected	-	-	-
Interest Collected on Student Loans	-	-	-
Inflows from Federal Family Education loans	4,963,804.16	-	4,963,804.16
Outflows from Federal Family Education loans	(4,929,319.78)	-	(4,929,319.78)
Payments to employees for services	(11,504,720.94)	-	(11,504,720.94)
Payments to suppliers	(5,002,192.70)	-	(5,002,192.70)
Payments to students for scholarships and fellowships	(486,621.07)	-	(486,621.07)
Other receipts	138,142.95	-	138,142.95
Inflows from agency funds	1,224,999.46	-	1,224,999.46
Outflows from agency funds	(1,069,783.05)	-	(1,069,783.05)
Net cash provided (used) by operating activities	<u>(5,782,410.84)</u>	<u>-</u>	<u>(5,782,410.84)</u>
Cash flows from non-capital financing activities			
State appropriations	3,182,927.00	-	3,182,927.00
Gifts	2,263,130.79	-	2,263,130.79
Additions to permanent endowments	-	-	-
Other nonoperating revenues expenses	-	-	-
Transfers to/from other state agencies/campuses	(13,115.48)	-	(13,115.48)
Federal Loan Liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>5,432,942.31</u>	<u>-</u>	<u>5,432,942.31</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	-	-
State capital appropriations	58,410.00	-	58,410.00
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(612,776.91)	-	(612,776.91)
Principal paid on capital asset related debt	(10,000.00)	-	(10,000.00)
Interest paid on capital asset related debt	(5,250.00)	-	(5,250.00)
Net cash provided (used) by capital and related financing activities	<u>(569,616.91)</u>	<u>-</u>	<u>(569,616.91)</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment Income	254,649.18	-	254,649.18
Endowment Income	3,587.90	-	3,587.90
Net cash provided (used) by investing activities	<u>258,237.08</u>	<u>-</u>	<u>258,237.08</u>
Net increase in cash and cash equivalents	<u>(660,848.36)</u>	<u>-</u>	<u>(660,848.36)</u>
Cash and cash equivalents, beginning of year	<u>5,601,271.37</u>	<u>-</u>	<u>5,601,271.37</u>
Cash and cash equivalents, end of year	<u>\$ 4,940,423.01</u>	<u>\$ -</u>	<u>\$ 4,940,423.01</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities			
Operating Expenses over revenues	\$ (7,157,453.02)	\$ -	\$ (7,157,453.02)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense	1,374,067.45	-	1,374,067.45
Change in current assets and liabilities			
Accounts receivable, net - non-capital	(202,826.62)	-	(202,826.62)
Student loans receivable	-	-	-
Capital improvement bond receivable - non-capital	-	-	-
Inventories	14,544.97	-	14,544.97
Prepaid items	(7,470.33)	-	(7,470.33)
Other assets	-	-	-
Accounts payable - non-capital	94,377.97	-	94,377.97
Retainage payable - non-capital	-	-	-
Accrued payroll and related liabilities	(40,427.25)	-	(40,427.25)
Accrued compensated absences	42,737.73	-	42,737.73
Deferred revenues - non-capital	(89,662.53)	-	(89,662.53)
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	189,700.79	-	189,700.79
Net cash provided by operating activities	<u>\$ (5,782,410.84)</u>	<u>\$ -</u>	<u>\$ (5,782,410.84)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ -	\$ -	\$ -
Gains (losses) on disposal of capital assets	<u>\$ (31,917.73)</u>	<u>\$ -</u>	<u>\$ (31,917.73)</u>
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	-	-	-

Beaufort Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2008

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 5,465,562.49	\$ 1,204,367.01	\$ 4,268.82	\$ 2,130.42	\$	\$ 6,676,328.74
Research	235,737.98	320,363.81		92.97		556,194.76
Public service	341,733.30	165,789.09	100.00	435.77		508,058.16
Academic support	1,637,873.76	702,852.20		66.31		2,340,792.27
Student services	1,636,575.50	687,837.62	300.00	5,871.80		2,330,584.92
Institutional support	1,016,329.50	452,024.58		162.99		1,468,517.07
Operation and maintenance of plant	1,029,200.54	296,156.99	566,684.22			1,892,041.75
Auxiliary enterprises	144,018.35	695,495.97				839,514.32
Scholarships and fellowships		7,405.00		477,860.81		485,265.81
Component Unit						
Depreciation					1,374,067.45	1,374,067.45
Total Operating Expenses	\$ 11,507,031.42	\$ 4,532,292.27	\$ 571,353.04	\$ 486,621.07	\$ 1,374,067.45	\$ 18,471,365.25

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

	June 30, 2008 Columbia Campus	December 31, 2007 Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 250,489,714.78	\$ -	\$ 250,489,714.78
Investments	-	-	-
Accounts receivable, net	30,101,826.38	-	30,101,826.38
Pledges receivable	-	-	-
Student loans receivable, current	2,376.25	-	2,376.25
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	2,709,884.46	-	2,709,884.46
Inventories	1,300,165.26	-	1,300,165.26
Prepaid items	4,845,858.06	-	4,845,858.06
Restricted cash and cash equivalents	69,263,190.59	-	69,263,190.59
Funds due from others	8,866,832.14	-	8,866,832.14
Total current assets	<u>367,579,847.92</u>	-	<u>367,579,847.92</u>
Noncurrent assets:			
Investments	5,464,406.94	-	5,464,406.94
Notes receivable	19,638,909.76	-	19,638,909.76
Restricted - cash and cash equivalents	19,184,937.57	-	19,184,937.57
Restricted - federal student loans receivable	17,243,745.06	-	17,243,745.06
Capital assets, net of accumulated depreciation	701,200,075.18	-	701,200,075.18
Other assets	2,583,461.21	-	2,583,461.21
Total noncurrent assets	<u>765,315,535.72</u>	-	<u>765,315,535.72</u>
Total assets	<u>1,132,895,383.64</u>	-	<u>1,132,895,383.64</u>
LIABILITIES			
Current liabilities:			
Accounts payable	17,508,519.80	-	17,508,519.80
Retainage payable - current portion	824,570.74	-	824,570.74
Accrued interest payable	2,831,150.05	-	2,831,150.05
Accrued payroll and related liabilities	10,301,089.45	-	10,301,089.45
Accrued compensated absences - current portion	8,985,890.14	-	8,985,890.14
Short - term debt	-	-	-
Long-term liabilities - current portion	11,739,959.30	-	11,739,959.30
Deferred revenues	28,928,333.41	-	28,928,333.41
Deposits	1,883,815.04	-	1,883,815.04
Other liabilities	368,915.65	-	368,915.65
Funds held for others	4,071,725.75	-	4,071,725.75
Total current liabilities	<u>87,443,969.33</u>	-	<u>87,443,969.33</u>
Noncurrent liabilities:			
Retainage payable	1,639,358.87	-	1,639,358.87
Accrued compensated absences	8,294,667.83	-	8,294,667.83
Deferred revenues	1,708,333.33	-	1,708,333.33
Federal loan funds	16,675,673.89	-	16,675,673.89
Long-term liabilities	303,039,792.57	-	303,039,792.57
Other liabilities	-	-	-
Total noncurrent liabilities	<u>331,357,826.49</u>	-	<u>331,357,826.49</u>
Total liabilities	<u>418,801,795.82</u>	-	<u>418,801,795.82</u>
NET ASSETS			
Invested in capital assets, net of related debt	386,420,323.31	-	386,420,323.31
Restricted for:			
Nonexpendable	23,906,357.29	-	23,906,357.29
Expendable			
Scholarships, research, instruction, and other	6,825,376.72	-	6,825,376.72
Loans	2,696,906.66	-	2,696,906.66
Capital projects	55,035,949.58	-	55,035,949.58
Debt service	6,600,415.65	-	6,600,415.65
Unrestricted	232,608,258.61	-	232,608,258.61
Total net assets	<u>\$ 714,093,587.82</u>	<u>\$ -</u>	<u>\$ 714,093,587.82</u>

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

	Year ended		Total
	June 30, 2008	December 31, 2007	
	Columbia Campus	Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$15,921,942.99 pledged as security for bonds)	\$ 309,476,522.84	\$ -	\$ 309,476,522.84
Less scholarship allowance	(63,448,474.21)	-	(63,448,474.21)
Patient services, net	-	-	-
Federal grants and contracts	102,291,786.28	-	102,291,786.28
State grants and contracts	50,644,700.51	-	50,644,700.51
Local grants and contracts	673,934.69	-	673,934.69
Nongovernmental grants and contracts	14,213,956.31	-	14,213,956.31
Sales and services of educational and other activities	17,757,237.17	-	17,757,237.17
Sales and services of auxiliary enterprises (\$9,503,031.74 pledged as security for bonds)	90,585,454.10	-	90,585,454.10
Less scholarship allowance	(2,856,696.89)	-	(2,856,696.89)
Interest collected on student loans	207,696.23	-	207,696.23
Other fees (\$2,024,474.00 pledged as security for bonds)	5,829,573.62	-	5,829,573.62
Other operating revenues	2,638,107.30	-	2,638,107.30
Total operating revenues	528,013,797.95	-	528,013,797.95
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	427,658,074.71	-	427,658,074.71
Services and supplies	136,023,382.56	-	136,023,382.56
Utilities	20,904,250.85	-	20,904,250.85
Scholarships and fellowships	56,001,781.99	-	56,001,781.99
Depreciation expense	32,786,782.88	-	32,786,782.88
Total operating expenses	673,374,272.99	-	673,374,272.99
Operating Income (loss)	(145,360,475.04)	-	(145,360,475.04)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	165,170,020.24	-	165,170,020.24
Gifts	32,348,426.59	-	32,348,426.59
Investment income	7,353,264.57	-	7,353,264.57
Endowment income	1,715,792.11	-	1,715,792.11
Gain (loss) on disposal of capital assets	(634,587.11)	-	(634,587.11)
Interest on capital asset related debt	(10,836,013.07)	-	(10,836,013.07)
Other nonoperating revenues (expenses)	(290.09)	-	(290.09)
Net nonoperating revenues (expenses)	195,116,613.24	-	195,116,613.24
Income (loss) before other revenue, expenses, gains or losses	49,756,138.20	-	49,756,138.20
State capital appropriations	15,074,505.52	-	15,074,505.52
Capital grants and gifts	948,813.82	-	948,813.82
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	100,575.34	-	100,575.34
Transfers to/from other state funds	(832,110.70)	-	(832,110.70)
Transfers to/from other campuses	(1,198,011.82)	-	(1,198,011.82)
Increase (decrease) in net assets	63,849,910.36	-	63,849,910.36
NET ASSETS			
Net assets - beginning of year	650,243,677.46	-	650,243,677.46
Net assets - end of year	\$ 714,093,587.82	\$ -	\$ 714,093,587.82

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

	Year ended		Total
	June 30, 2008 Columbia Campus	December 31, 2007 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 246,514,102.28	\$ -	\$ 246,514,102.28
Research grants and contracts	166,990,310.45	-	166,990,310.45
Sales and services of educational and other activities	17,353,410.50	-	17,353,410.50
Sales and services of auxiliary enterprises	83,624,171.18	-	83,624,171.18
Student loans disbursed	(3,422,706.93)	-	(3,422,706.93)
Student loans collected	2,754,150.22	-	2,754,150.22
Interest Collected on Student Loans	207,696.23	-	207,696.23
Inflows from Federal Family Education loans	163,367,529.15	-	163,367,529.15
Outflows from Federal Family Education loans	(160,705,033.18)	-	(160,705,033.18)
Payments to employees for services	(426,208,536.72)	-	(426,208,536.72)
Payments to suppliers	(156,468,561.25)	-	(156,468,561.25)
Payments to students for scholarships and fellowships	(56,001,781.99)	-	(56,001,781.99)
Other receipts	9,355,719.07	-	9,355,719.07
Inflows from agency funds	39,415,438.50	-	39,415,438.50
Outflows from agency funds	(34,047,296.33)	-	(34,047,296.33)
Net cash provided (used) by operating activities	<u>(107,271,388.82)</u>	<u>-</u>	<u>(107,271,388.82)</u>
Cash flows from non-capital financing activities			
State appropriations	165,170,020.24	-	165,170,020.24
Gifts	34,532,690.52	-	34,532,690.52
Additions to permanent endowments	100,575.34	-	100,575.34
Other nonoperating revenues expenses	(290.09)	-	(290.09)
Transfers to/from other state agencies/campuses	(2,030,122.52)	-	(2,030,122.52)
Federal Loan Liability	(133,482.44)	-	(133,482.44)
Net cash provided (used) by noncapital financing activities	<u>197,639,391.05</u>	<u>-</u>	<u>197,639,391.05</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	78,075,000.00	-	78,075,000.00
State capital appropriations	16,772,448.26	-	16,772,448.26
Capital grants and gifts	887,614.17	-	887,614.17
Gain (loss) on disposal of capital assets	100,965.00	-	100,965.00
Purchase and construction of capital assets	(70,445,463.93)	-	(70,445,463.93)
Principal paid on capital asset related debt	(15,950,118.92)	-	(15,950,118.92)
Interest paid on capital asset related debt	(8,604,543.06)	-	(8,604,543.06)
New cash provided (used) by capital and related financing activities	<u>835,901.52</u>	<u>-</u>	<u>835,901.52</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	81,694.89	-	81,694.89
Investment Income	16,938,036.12	-	16,938,036.12
Endowment Income	2,685,836.60	-	2,685,836.60
Net cash provided (used) by investing activities	<u>19,705,567.61</u>	<u>-</u>	<u>19,705,567.61</u>
Net increase (decrease) in cash and cash equivalents	<u>110,909,471.36</u>	<u>-</u>	<u>110,909,471.36</u>
Cash and cash equivalents, beginning of year	<u>228,028,371.58</u>	<u>-</u>	<u>228,028,371.58</u>
Cash and cash equivalents, end of year	<u>\$ 338,937,842.94</u>	<u>\$ -</u>	<u>\$ 338,937,842.94</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities			
Operating Expenses over revenues	\$ (145,360,475.04)	\$ -	\$ (145,360,475.04)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense	32,786,782.88	-	32,786,782.88
Change in current assets and liabilities			
Accounts receivable, net	(1,182,634.67)	-	(1,182,634.67)
Student loans receivable	(463,932.75)	-	(463,932.75)
Capital improvement bond receivable - non-capital	(4,173.65)	-	(4,173.65)
Inventories	(239,648.45)	-	(239,648.45)
Prepaid items	(79,432.09)	-	(79,432.09)
Other assets	-	-	-
Accounts payable	1,753,279.61	-	1,753,279.61
Retainage payable - non-capital	(123,031.79)	-	(123,031.79)
Accrued payroll and related liabilities	344,586.87	-	344,586.87
Accrued annual leave and related liabilities	1,104,951.12	-	1,104,951.12
Deferred revenues	(3,197,867.54)	-	(3,197,867.54)
Deposits	134,208.01	-	134,208.01
Other liabilities	(734,570.24)	-	(734,570.24)
Funds held for others	8,030,638.14	-	8,030,638.14
Net cash provided by operating activities	<u>\$ (107,231,319.59)</u>	<u>\$ -</u>	<u>\$ (107,231,319.59)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ 408,420.80	\$ -	\$ 408,420.80
Gains (losses) on disposal of capital assets	\$ (4,872,680.51)	\$ -	\$ (4,872,680.51)
Capitalized interest reducing interest paid on capital asset related debt	\$ 449,024.00	\$ -	\$ 449,024.00
Change in value of investments recognized in endowment income	\$ (1,071,139.02)	\$ -	\$ (1,071,139.02)
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ -	\$ -	\$ -
Student loans cancelled	\$ 204,623.96	\$ -	\$ 204,623.96

**Columbia Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2008**

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 195,690,061.56	\$ 20,952,323.84	\$ 12,790.45	\$ 116,622.92	\$ -	\$ 216,771,798.77
Research	65,639,645.75	29,927,652.79	3,548.24	419,937.05	-	95,990,783.83
Public service	21,144,971.00	8,577,766.64	10,117.17	741,259.01	-	30,474,113.82
Academic support	32,074,426.09	20,634,291.41	120.38	24,002.64	-	52,732,840.52
Student services	16,896,336.49	9,270,370.72	660,822.76	758,449.40	-	27,585,979.37
Institutional support	39,100,999.23	712,615.44	4,270.21	48,477.75	-	39,866,362.63
Operation and maintenance of plant	23,062,715.05	3,856,109.89	14,281,463.74	19,851.59	-	41,220,140.27
Auxiliary enterprises	30,996,020.97	41,843,590.62	5,931,117.90	3,863,441.07	-	82,634,170.56
Scholarships and fellowships	3,052,898.57	248,661.21	-	50,009,740.56	-	53,311,300.34
Component Unit	-	-	-	-	-	-
Depreciation	-	-	-	-	32,786,782.88	32,786,782.88
Total Operating Expenses	\$ 427,658,074.71	\$ 136,023,382.56	\$ 20,904,250.85	\$ 56,001,781.99	\$ 32,786,782.88	\$ 673,374,272.99

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

	June 30, 2008 Lancaster Campus	December 31, 2007 Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,451,730.31	\$ -	\$ 1,451,730.31
Investments	-	-	-
Accounts receivable, net	219,076.29	-	219,076.29
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	142,006.75	-	142,006.75
Inventories	-	-	-
Prepaid items	9,920.48	-	9,920.48
Restricted cash and cash equivalents	810,195.26	-	810,195.26
Funds due from others	-	-	-
Total current assets	2,632,929.09	-	2,632,929.09
Noncurrent assets:			
Investments	-	-	-
Notes receivable	-	-	-
Restricted - cash and cash equivalents	-	-	-
Restricted - federal student loans receivable	-	-	-
Capital assets, net of accumulated depreciation	13,630,446.58	-	13,630,446.58
Other assets	-	-	-
Total noncurrent assets	13,630,446.58	-	13,630,446.58
Total assets	16,263,375.67	-	16,263,375.67
LIABILITIES			
Current liabilities:			
Accounts payable	465,569.00	-	465,569.00
Retainage payable - current portion	10,622.50	-	10,622.50
Accrued interest payable	-	-	-
Accrued payroll and related liabilities	62,795.18	-	62,795.18
Accrued compensated absences - current portion	132,077.52	-	132,077.52
Short - term debt	-	-	-
Long-term liabilities - current portion	-	-	-
Deferred revenues	36,939.87	-	36,939.87
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	57,350.00	-	57,350.00
Total current liabilities	765,354.07	-	765,354.07
Noncurrent liabilities:			
Retainage payable	23,733.50	-	23,733.50
Accrued compensated absences	121,917.72	-	121,917.72
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	-	-	-
Other liabilities	-	-	-
Total noncurrent liabilities	145,651.22	-	145,651.22
Total liabilities	911,005.29	-	911,005.29
NET ASSETS			
Invested in capital assets, net of related debt	13,630,446.58	-	13,630,446.58
Restricted for:			
Nonexpendable	-	-	-
Expendable			
Scholarships, research, instruction, and other	30,663.27	-	30,663.27
Loans	-	-	-
Capital projects	482,465.00	-	482,465.00
Debt service	750.89	-	750.89
Unrestricted	1,208,044.64	-	1,208,044.64
Total net assets	\$ 15,352,370.38	\$ -	\$ 15,352,370.38

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

	Year ended		Total
	June 30, 2008 Lancaster Campus	December 31, 2007 Trust	
REVENUES			
Operating Revenues:			
Operating Revenues:			
Student tuition and fees (\$42,042.01 pledged as security for bonds)	\$ 4,877,434.90	\$ -	\$ 4,877,434.90
Less scholarship allowance	(1,682,593.13)	-	(1,682,593.13)
Patient services, net	-	-	-
Federal grants and contracts	1,890,801.44	-	1,890,801.44
State grants and contracts	2,007,581.60	-	2,007,581.60
Local grants and contracts	-	-	-
Nongovernmental grants and contracts	191,736.24	-	191,736.24
Sales and services of educational and other activities	818,052.16	-	818,052.16
Sales and services of auxiliary enterprises	35,718.12	-	35,718.12
Less scholarship allowance	-	-	-
Interest collected on student loans	-	-	-
Other fees	33,383.30	-	33,383.30
Other operating revenues	376,155.43	-	376,155.43
Total operating revenues	8,548,270.06	-	8,548,270.06
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	7,490,517.88	-	7,490,517.88
Services and supplies	2,908,636.32	-	2,908,636.32
Utilities	455,157.78	-	455,157.78
Scholarships and fellowships	2,014,200.72	-	2,014,200.72
Depreciation expense	522,613.35	-	522,613.35
Total operating expenses	13,391,126.05	-	13,391,126.05
Operating Income (loss)	(4,842,855.99)	-	(4,842,855.99)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	3,703,366.00	-	3,703,366.00
Gifts	860,767.04	-	860,767.04
Investment income	28,353.46	-	28,353.46
Endowment income	-	-	-
Gain (loss) on disposal of capital assets	11,879.57	-	11,879.57
Interest on capital asset related debt	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	4,604,366.07	-	4,604,366.07
Income (loss) before other revenue, expenses, gains or losses	(238,489.92)	-	(238,489.92)
State capital appropriations	378,173.35	-	378,173.35
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	(18,994.31)	-	(18,994.31)
Increase (decrease) in net assets	120,689.12	-	120,689.12
NET ASSETS			
Net assets - beginning of year	15,231,681.26	-	15,231,681.26
Net assets - end of year	\$ 15,352,370.38	\$ -	\$ 15,352,370.38

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

	Year ended		Total
	June 30, 2008 Lancaster Campus	December 31, 2007 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 3,118,986.24	\$ -	\$ 3,118,986.24
Research grants and contracts	4,072,897.53	-	4,072,897.53
Sales and services of educational and other activities	817,757.16	-	817,757.16
Sales and services of auxiliary enterprises	35,718.12	-	35,718.12
Student loans disbursed	-	-	-
Student loans collected	-	-	-
Interest Collected on Student Loans	-	-	-
Inflows from Federal Family Education loans	2,622,541.52	-	2,622,541.52
Outflows from Federal Family Education loans	(2,587,836.47)	-	(2,587,836.47)
Payments to employees for services	(7,475,102.57)	-	(7,475,102.57)
Payments to suppliers	(3,030,037.62)	-	(3,030,037.62)
Payments to students for scholarships and fellowships	(2,014,200.72)	-	(2,014,200.72)
Other receipts	409,538.73	-	409,538.73
Inflows from agency funds	4,653.75	-	4,653.75
Outflows from agency funds	-	-	-
Net cash provided (used) by operating activities	<u>(4,025,084.33)</u>	<u>-</u>	<u>(4,025,084.33)</u>
Cash flows from non-capital financing activities			
State appropriations	3,703,366.00	-	3,703,366.00
Gifts	850,138.04	-	850,138.04
Additions to permanent endowments	-	-	-
Other nonoperating revenues expenses	-	-	-
Transfers to/from other state agencies/campuses	(18,994.31)	-	(18,994.31)
Federal Loan Liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>4,534,509.73</u>	<u>-</u>	<u>4,534,509.73</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	-	-
State capital appropriations	236,166.60	-	236,166.60
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(561,229.69)	-	(561,229.69)
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>(325,063.09)</u>	<u>-</u>	<u>(325,063.09)</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment Income	27,330.80	-	27,330.80
Endowment Income	-	-	-
Net cash provided (used) by investing activities	<u>27,330.80</u>	<u>-</u>	<u>27,330.80</u>
Net increase (decrease) in cash and cash equivalents	<u>211,693.11</u>	<u>-</u>	<u>211,693.11</u>
Cash and cash equivalents, beginning of year	<u>2,050,232.46</u>	<u>-</u>	<u>2,050,232.46</u>
Cash and cash equivalents, end of year	<u>\$ 2,261,925.57</u>	<u>\$ -</u>	<u>\$ 2,261,925.57</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities			
Operating Expenses over revenues	\$ (4,842,855.99)	\$ -	\$ (4,842,855.99)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense	522,613.35	-	522,613.35
Change in current assets and liabilities			
Accounts receivable, net	(96,616.28)	-	(96,616.28)
Student loans receivable	-	-	-
Capital improvement bond receivable - non-capital	-	-	-
Inventories	-	-	-
Prepaid items	(1,335.32)	-	(1,335.32)
Other assets	-	-	-
Accounts payable	300,735.80	-	300,735.80
Retainage payable - non-capital	34,356.00	-	34,356.00
Accrued payroll and related liabilities	(13,039.41)	-	(13,039.41)
Accrued annual leave and related liabilities	28,454.72	-	28,454.72
Deferred revenues	3,244.00	-	3,244.00
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	39,358.80	-	39,358.80
Net cash provided by operating activities	<u>\$ (4,025,084.33)</u>	<u>\$ -</u>	<u>\$ (4,025,084.33)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ -	\$ -	\$ -
Gains (losses) on disposal of capital assets	\$ 4,786.82	\$ -	\$ 4,786.82
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	\$ -	\$ -	\$ -

Lancaster Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2008

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 4,214,809.32	\$ 936,456.15	\$ -	\$ 1,092.97	\$ -	\$ 5,152,358.44
Research	-	10,470.19	-	-	-	10,470.19
Public service	917,017.79	161,214.75	-	1,621.45	-	1,079,853.99
Academic support	356,221.02	272,401.60	-	272.43	-	628,895.05
Student services	831,977.84	400,795.55	-	8,160.89	-	1,240,934.28
Institutional support	624,561.40	507,162.36	-	26,550.45	-	1,158,274.21
Operation and maintenance of plant	545,930.51	620,039.88	455,157.78	-	-	1,621,128.17
Auxiliary enterprises	-	95.84	-	-	-	95.84
Scholarships and fellowships	-	-	-	1,976,502.53	-	1,976,502.53
Component Unit	-	-	-	-	-	-
Depreciation	-	-	-	-	522,613.35	522,613.35
Total Operating Expenses	\$ 7,490,517.88	\$ 2,908,636.32	\$ 455,157.78	\$ 2,014,200.72	\$ 522,613.35	\$ 13,391,126.05

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

	June 30, 2008 Medical School	December 31, 2007 Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ (3,255,290.71)	\$ 2,658,499.00	\$ (596,791.71)
Investments	-	8,000,365.00	8,000,365.00
Accounts receivable, net	5,534,257.08	2,757,439.00	8,291,696.08
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	2,972,000.00	2,972,000.00
Capital improvement bonds proceeds receivable	-	-	-
Inventories	-	-	-
Prepaid items	232,943.04	-	232,943.04
Restricted cash and cash equivalents	71,671.29	-	71,671.29
Funds due from others	4,045,645.18	-	4,045,645.18
Total current assets	6,629,225.88	16,388,303.00	23,017,528.88
Noncurrent assets:			
Investments	-	-	-
Notes receivable	-	-	-
Restricted - cash and cash equivalents	-	-	-
Restricted - federal student loans receivable	-	-	-
Capital assets, net of accumulated depreciation	7,739,814.38	13,507,074.00	21,246,888.38
Other assets	100.00	-	100.00
Total noncurrent assets	7,739,914.38	13,507,074.00	21,246,988.38
Total assets	14,369,140.26	29,895,377.00	44,264,517.26
LIABILITIES			
Current liabilities:			
Accounts payable	1,143,544.68	3,581,183.00	4,724,727.68
Retainage payable - current portion	42,872.25	-	42,872.25
Accrued interest payable	61,966.57	-	61,966.57
Accrued payroll and related liabilities	135,702.31	(1,912.00)	133,790.31
Accrued compensated absences - current portion	1,929,168.95	998,519.00	2,927,687.95
Short - term debt	-	-	-
Long-term liabilities - current portion	260,000.00	545,037.00	805,037.00
Deferred revenues	237,035.63	-	237,035.63
Deposits	8,900.00	-	8,900.00
Other liabilities	-	-	-
Funds held for others	-	-	-
Total current liabilities	3,819,190.39	5,122,827.00	8,942,017.39
Noncurrent liabilities:			
Retainage payable	-	-	-
Accrued compensated absences	1,780,771.34	-	1,780,771.34
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	5,830,000.00	7,313,203.00	13,143,203.00
Other liabilities	-	401,148.00	401,148.00
Total noncurrent liabilities	7,610,771.34	7,714,351.00	15,325,122.34
Total liabilities	11,429,961.73	12,837,178.00	24,267,139.73
NET ASSETS			
Invested in capital assets, net of related debt	1,649,814.38	5,648,834.00	7,298,648.38
Restricted for:			
Nonexpendable	-	-	-
Expendable			
Scholarships, research, instruction, and other	(8,237.76)	-	(8,237.76)
Loans	-	-	-
Capital projects	-	-	-
Debt service	11,316.41	-	11,316.41
Unrestricted	1,286,285.50	11,409,365.00	12,695,650.50
Total net assets	\$ 2,939,178.53	\$ 17,058,199.00	\$ 19,997,377.53

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

	Year ended		Total
	June 30, 2008 Medical School	December 31, 2007 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$662,532.03 pledged as security for bonds)	\$ 9,094,868.98	\$ -	\$ 9,094,868.98
Less scholarship allowance	(462,711.92)	-	(462,711.92)
Patient services, net	-	29,770,943.00	29,770,943.00
Federal grants and contracts	17,250,725.11	-	17,250,725.11
State grants and contracts	1,884,748.05	-	1,884,748.05
Local grants and contracts	-	-	-
Nongovernmental grants and contracts	13,104,022.71	-	13,104,022.71
Sales and services of educational and other activities	61,247.33	-	61,247.33
Sales and services of auxiliary enterprises	-	-	-
Less scholarship allowance	-	-	-
Interest collected on student loans	-	-	-
Other fees	65,750.00	-	65,750.00
Other operating revenues	11,267.11	23,953,082.00	23,964,349.11
Total operating revenues	41,009,917.37	53,724,025.00	94,733,942.37
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	50,431,771.26	32,494,407.00	82,926,178.26
Services and supplies	12,837,477.87	15,132,970.00	27,970,447.87
Utilities	969,389.37	-	969,389.37
Scholarships and fellowships	19,775.87	-	19,775.87
Depreciation expense	1,043,715.35	1,088,940.00	2,132,655.35
Total operating expenses	65,302,129.72	48,716,317.00	114,018,446.72
Operating Income (loss)	(24,292,212.35)	5,007,708.00	(19,284,504.35)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	23,138,799.00	-	23,138,799.00
Gifts	562,492.31	-	562,492.31
Investment income	20,755.42	738,008.00	758,763.42
Endowment income	-	-	-
Gain (loss) on disposal of capital assets	77,539.68	-	77,539.68
Interest on capital asset related debt	(249,550.64)	(380,993.00)	(630,543.64)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	23,550,035.77	357,015.00	23,907,050.77
Income (loss) before other revenue, expenses, gains or losses	(742,176.58)	5,364,723.00	4,622,546.42
State capital appropriations	-	-	-
Capital grants and gifts	24,256.80	-	24,256.80
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	(355,146.44)	-	(355,146.44)
Transfers to/from other campuses	1,257,608.50	-	1,257,608.50
Increase (decrease) in net assets	184,542.28	5,364,723.00	5,549,265.28
NET ASSETS			
Net assets - beginning of year	2,754,636.25	11,693,476.00	14,448,112.25
Net assets - end of year	\$ 2,939,178.53	\$ 17,058,199.00	\$ 19,997,377.53

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

	Year ended		Total
	June 30, 2008 Medical School	December 31, 2007 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 8,111,254.99	\$ -	\$ 8,111,254.99
Patient services, net		29,310,943	29,310,943.00
Research grants and contracts	31,938,174.68	-	31,938,174.68
Sales and services of educational and other activities	61,677.33	-	61,677.33
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	(50,058,426.41)	(32,429,298)	(82,487,724.41)
Payments to suppliers	(13,716,658.13)	(17,923,548)	(31,640,206.13)
Payments to students for scholarships and fellowships	(19,775.87)	-	(19,775.87)
Other receipts	77,617.11	23,493,082	23,570,699.11
Inflows from agency funds	23,479,481.67	-	23,479,481.67
Outflows from agency funds	(22,242,591.91)	-	(22,242,591.91)
Net cash provided (used) by operating activities	<u>(22,369,246.54)</u>	<u>2,451,179</u>	<u>(19,918,067.54)</u>
Cash flows from noncapital financing activities			
State appropriations	23,138,799.00	-	23,138,799.00
Gifts	537,842.31	-	537,842.31
Additions to permanent endowments	-	-	-
Other nonoperating revenues expenses	-	-	-
Transfers to/from other state agencies/campuses	902,462.06	-	902,462.06
Federal Loan Liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>24,579,103.37</u>	<u>-</u>	<u>24,579,103.37</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	7,000.00	-	7,000.00
Purchase and construction of capital assets	(943,472.93)	(653,412)	(1,596,884.93)
Principal paid on capital asset related debt	(245,000.00)	(543,153)	(788,153.00)
Interest paid on capital asset related debt	(251,235.01)	(380,993)	(632,228.01)
New cash provided (used) by capital and related financing activities	<u>(1,432,707.94)</u>	<u>(1,577,558.00)</u>	<u>(3,010,265.94)</u>
Cash flows from investing activities			
Purchase of investments	-	(6,368,961)	(6,368,961.00)
Proceeds from the sale of investments	-	6,222,008	6,222,008.00
Investment Income	25,836.29	357,484	383,320.29
Endowment Income	-	-	-
Net cash provided (used) by investing activities	<u>25,836.29</u>	<u>210,531.00</u>	<u>236,367.29</u>
Net increase (decrease) in cash and cash equivalents	<u>802,985.18</u>	<u>1,084,152.00</u>	<u>1,887,137.18</u>
Cash and cash equivalents, beginning of year	<u>(3,986,604.60)</u>	<u>1,574,347</u>	<u>(2,412,257.60)</u>
Cash and cash equivalents, end of year	<u>\$ (3,183,619.42)</u>	<u>\$ 2,658,499.00</u>	<u>\$ (525,120.42)</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities			
Operating Expenses over revenues	\$ (24,292,212.35)	\$ 5,007,708	\$ (19,284,504.35)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense	1,043,715.35	1,088,940	2,132,655.35
Change in current assets and liabilities			
Accounts receivable, net	(737,176.12)	(460,000)	(1,197,176.12)
Student loans receivable		(1,741,143)	(1,741,143.00)
Capital improvement bond receivable - non-capital	-	-	-
Inventories	-	-	-
Prepaid items	(16,091.85)	-	(16,091.85)
Other assets	-	-	-
Accounts payable	290,116.51	-	290,116.51
Retainage payable - non-capital	(183,815.55)	(1,615,265)	(1,799,080.55)
Accrued payroll and related liabilities	23,542.99	-	23,542.99
Accrued annual leave and related liabilities	349,801.86	(15,862)	333,939.86
Deferred revenues	(84,617.14)	80,971	(3,646.14)
Deposits	600.00	-	600.00
Other liabilities	-	-	-
Funds held for others	1,236,889.76	105,830	1,342,719.76
Net cash provided by operating activities	<u>\$ (22,369,246.54)</u>	<u>\$ 2,451,179.00</u>	<u>\$ (19,918,067.54)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ 18,046.05	\$ -	\$ 18,046.05
Gains (losses) on disposal of capital assets	\$ (1,354,939.72)	\$ -	\$ (1,354,939.72)
Capitalized interest reducing interest paid on capital asset related debt	\$ -	\$ -	\$ -
Change in value of investments recognized in endowment income	\$ -	\$ (227,583)	\$ (227,583.00)
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ -	\$ -	\$ -
Student loans cancelled	\$ -	\$ -	\$ -

Medical School
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2008

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 20,043,139.75	\$ 1,901,313.09	\$ -	\$ 253.50	\$ -	\$ 21,944,706.34
Research	6,708,280.75	2,712,115.00	-	6.31	-	9,420,402.06
Public service	16,203,135.52	5,335,347.51	4,322.73	9,091.75	-	21,551,897.51
Academic support	2,733,138.61	1,005,647.75	-	15.29	-	3,738,801.65
Student services	1,505,762.38	113,515.07	-	657.81	-	1,619,935.26
Institutional support	2,488,124.59	1,397,653.20	-	14.67	-	3,885,792.46
Operation and maintenance of plant	750,189.66	371,886.25	965,066.64	-	-	2,087,142.55
Auxiliary enterprises	-	-	-	-	-	-
Scholarships and fellowships	-	-	-	9,736.54	-	9,736.54
Component Unit	32,494,407.00	15,132,970.00	-	-	1,088,940.00	48,716,317.00
Depreciation	-	-	-	-	1,043,715.35	1,043,715.35
Total Operating Expenses	\$ 82,926,178.26	\$ 27,970,447.87	\$ 969,389.37	\$ 19,775.87	\$ 2,132,655.35	\$ 114,018,446.72

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

	June 30, 2008 <u>Salkehatchie Campus</u>	December 31, 2007 <u>Trust</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,342,166.99	\$ -	\$ 2,342,166.99
Investments	-	-	-
Accounts receivable, net	280,590.81	-	280,590.81
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	-	-	-
Inventories	135,458.86	-	135,458.86
Prepaid items	9,001.94	-	9,001.94
Restricted cash and cash equivalents	56.68	-	56.68
Funds due from others	-	-	-
Total current assets	<u>2,767,275.28</u>	<u>-</u>	<u>2,767,275.28</u>
Noncurrent assets:			
Investments	-	-	-
Notes receivable	-	-	-
Restricted - cash and cash equivalents	-	-	-
Restricted - federal student loans receivable	-	-	-
Capital assets, net of accumulated depreciation	1,952,779.31	-	1,952,779.31
Other assets	-	-	-
Total noncurrent assets	<u>1,952,779.31</u>	<u>-</u>	<u>1,952,779.31</u>
Total assets	<u>4,720,054.59</u>	<u>-</u>	<u>4,720,054.59</u>
LIABILITIES			
Current liabilities:			
Accounts payable	58,279.89	-	58,279.89
Retainage payable - current portion	-	-	-
Accrued interest payable	-	-	-
Accrued payroll and related liabilities	34,506.83	-	34,506.83
Accrued compensated absences - current portion	117,262.09	-	117,262.09
Short - term debt	-	-	-
Long-term liabilities - current portion	-	-	-
Deferred revenues	7,435.36	-	7,435.36
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	28,299.43	-	28,299.43
Total current liabilities	<u>245,783.60</u>	<u>-</u>	<u>245,783.60</u>
Noncurrent liabilities:			
Retainage payable	-	-	-
Accrued compensated absences	108,241.93	-	108,241.93
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	-	-	-
Other liabilities	-	-	-
Total noncurrent liabilities	<u>108,241.93</u>	<u>-</u>	<u>108,241.93</u>
Total liabilities	<u>354,025.53</u>	<u>-</u>	<u>354,025.53</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,952,779.31	-	1,952,779.31
Restricted for:			
Nonexpendable	-	-	-
Expendable			
Scholarships, research, instruction, and other	84,937.22	-	84,937.22
Loans	-	-	-
Capital projects	-	-	-
Debt service	198.82	-	198.82
Unrestricted	2,328,113.71	-	2,328,113.71
Total net assets	<u>\$ 4,366,029.06</u>	<u>\$ -</u>	<u>\$ 4,366,029.06</u>

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

	Year ended		Total
	June 30, 2008	December 31, 2007	
	Salkehatchie Campus	Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$23,217.31 pledged as security for bonds)	\$ 3,435,376.01	\$ -	\$ 3,435,376.01
Less scholarship allowance	(1,146,054.60)	-	(1,146,054.60)
Patient services, net	-	-	-
Federal grants and contracts	1,973,850.66	-	1,973,850.66
State grants and contracts	1,096,354.63	-	1,096,354.63
Local grants and contracts	72,368.50	-	72,368.50
Nongovernmental grants and contracts	453,175.76	-	453,175.76
Sales and services of educational and other activities	103,394.54	-	103,394.54
Sales and services of auxiliary enterprises	367,444.76	-	367,444.76
Less scholarship allowance	-	-	-
Interest collected on student loans	-	-	-
Other fees	2,458.00	-	2,458.00
Other operating revenues	3,813.20	-	3,813.20
Total operating revenues	<u>6,362,181.46</u>	<u>-</u>	<u>6,362,181.46</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	4,493,765.02	-	4,493,765.02
Services and supplies	1,918,363.78	-	1,918,363.78
Utilities	199,678.22	-	199,678.22
Scholarships and fellowships	1,610,241.16	-	1,610,241.16
Depreciation expense	131,960.26	-	131,960.26
Total operating expenses	<u>8,354,008.44</u>	<u>-</u>	<u>8,354,008.44</u>
Operating Income (loss)	<u>(1,991,826.98)</u>	<u>-</u>	<u>(1,991,826.98)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	2,501,284.00	-	2,501,284.00
Gifts	91,455.00	-	91,455.00
Investment income	28,563.87	-	28,563.87
Endowment income	-	-	-
Gain (loss) on disposal of capital assets	(38,721.08)	-	(38,721.08)
Interest on capital asset related debt	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>2,582,581.79</u>	<u>-</u>	<u>2,582,581.79</u>
Income (loss) before other revenue, expenses, gains or losses	<u>590,754.81</u>	<u>-</u>	<u>590,754.81</u>
State capital appropriations	25,602.99	-	25,602.99
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	(6,402.67)	-	(6,402.67)
Increase (decrease) in net assets	<u>609,955.13</u>	<u>-</u>	<u>609,955.13</u>
NET ASSETS			
Net assets - beginning of year	<u>3,756,073.93</u>	<u>-</u>	<u>3,756,073.93</u>
Net assets - end of year	<u>\$ 4,366,029.06</u>	<u>\$ -</u>	<u>\$ 4,366,029.06</u>

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

	Year ended		Total
	June 30, 2008 Salkehatchie Campus	December 31, 2007 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 2,247,878.78	\$ -	\$ 2,247,878.78
Research grants and contracts	3,548,677.42	-	3,548,677.42
Sales and services of educational and other activities	103,334.54	-	103,334.54
Sales and services of auxiliary enterprises	361,532.32	-	361,532.32
Student loans disbursed	-	-	-
Student loans collected	-	-	-
Interest collected on Student Loans	-	-	-
Inflows from Federal Family Education loans	2,681,072.35	-	2,681,072.35
Outflows from Federal Family Education loans	(2,676,962.13)	-	(2,676,962.13)
Payments to employees for services	(4,451,411.65)	-	(4,451,411.65)
Payments to suppliers	(2,147,366.19)	-	(2,147,366.19)
Payments to students for scholarships and fellowships	(1,610,241.16)	-	(1,610,241.16)
Other receipts	6,271.20	-	6,271.20
Inflows from agency funds	-	-	-
Outflows from agency funds	1,400.00	-	1,400.00
Net cash provided (used) by operating activities	<u>(1,935,814.52)</u>	<u>-</u>	<u>(1,935,814.52)</u>
Cash flows from non-capital financing activities			
State appropriations	2,501,284.00	-	2,501,284.00
Gifts	88,863.00	-	88,863.00
Additions to permanent endowments	-	-	-
Other nonoperating revenues expenses	-	-	-
Transfers to/from other state agencies/campuses	(6,402.67)	-	(6,402.67)
Federal Loan Liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>2,583,744.33</u>	<u>-</u>	<u>2,583,744.33</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	-	-
State capital appropriations	25,602.99	-	25,602.99
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(44,150.33)	-	(44,150.33)
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>(18,547.34)</u>	<u>-</u>	<u>(18,547.34)</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment Income	27,867.84	-	27,867.84
Endowment Income	-	-	-
Net cash provided (used) by investing activities	<u>27,867.84</u>	<u>-</u>	<u>27,867.84</u>
Net increase (decrease) in cash and cash equivalents	<u>657,250.31</u>	<u>-</u>	<u>657,250.31</u>
Cash and cash equivalents, beginning of year	<u>1,684,973.36</u>	<u>-</u>	<u>1,684,973.36</u>
Cash and cash equivalents, end of year	<u>\$ 2,342,223.67</u>	<u>\$ -</u>	<u>\$ 2,342,223.67</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities			
Operating Expenses over revenues	\$ (1,991,826.98)	\$ -	\$ (1,991,826.98)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense	131,960.26	-	131,960.26
Change in current assets and liabilities			
Accounts receivable, net	(95,141.26)	-	(95,141.26)
Student loans receivable	-	-	-
Capital improvement bond receivable - non-capital	-	-	-
Inventories	(46,040.94)	-	(46,040.94)
Prepaid items	(39.57)	-	(39.57)
Other assets	-	-	-
Accounts payable	20,414.70	-	20,414.70
Retainage payable - non-capital	(3,658.38)	-	(3,658.38)
Accrued payroll and related liabilities	13,823.87	-	13,823.87
Accrued annual leave and related liabilities	28,529.50	-	28,529.50
Deferred revenues	654.06	-	654.06
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	5,510.22	-	5,510.22
Net cash provided by operating activities	<u>\$ (1,935,814.52)</u>	<u>\$ -</u>	<u>\$ (1,935,814.52)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ -	\$ -	\$ -
Gains (losses) on disposal of capital assets	\$ (74,030.73)	\$ -	\$ (74,030.73)
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	\$ -	\$ -	\$ -

Salkehatchie Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2008

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 1,950,535.27	\$ 259,758.50	\$ -	\$ -	\$ -	\$ 2,210,293.77
Research	38,228.72	34,537.27	-	-	-	72,765.99
Public service	675,101.98	105,731.61	-	233.68	-	781,067.27
Academic support	263,803.37	177,340.05	-	-	-	441,143.42
Student services	692,050.10	336,891.80	-	6,208.34	-	1,035,150.24
Institutional support	500,740.89	297,293.05	-	-	-	798,033.94
Operation and maintenance of plant	363,003.25	433,407.25	199,678.22	-	-	996,088.72
Auxiliary enterprises	4,649.44	273,404.25	-	-	-	278,053.69
Scholarships and fellowships	5,652.00	-	-	1,603,799.14	-	1,609,451.14
Component Unit	-	-	-	-	-	-
Depreciation	-	-	-	-	131,960.26	131,960.26
Total Operating Expenses	\$ 4,493,765.02	\$ 1,918,363.78	\$ 199,678.22	\$ 1,610,241.16	\$ 131,960.26	\$ 8,354,008.44

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

	June 30, 2008 Sumter Campus	December 31, 2007 Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,748,424.83	\$ -	\$ 2,748,424.83
Investments	-	-	-
Accounts receivable, net	119,087.14	-	119,087.14
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	-	-	-
Inventories	193,674.15	-	193,674.15
Prepaid items	18,432.22	-	18,432.22
Restricted cash and cash equivalents	138,513.52	-	138,513.52
Funds due from others	-	-	-
Total current assets	3,218,131.86	-	3,218,131.86
Noncurrent assets:			
Investments	98,487.49	-	98,487.49
Notes receivable	-	-	-
Restricted - cash and cash equivalents	-	-	-
Restricted - federal student loans receivable	-	-	-
Capital assets, net of accumulated depreciation	9,274,320.35	-	9,274,320.35
Other assets	-	-	-
Total noncurrent assets	9,372,807.84	-	9,372,807.84
Total assets	12,590,939.70	-	12,590,939.70
LIABILITIES			
Current liabilities:			
Accounts payable	162,300.43	-	162,300.43
Retainage payable - current portion	-	-	-
Accrued interest payable	4,187.50	-	4,187.50
Accrued payroll and related liabilities	22,456.28	-	22,456.28
Accrued compensated absences - current portion	178,686.77	-	178,686.77
Short - term debt	-	-	-
Long-term liabilities - current portion	35,000.00	-	35,000.00
Deferred revenues	20,865.12	-	20,865.12
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	8,766.87	-	8,766.87
Total current liabilities	432,262.97	-	432,262.97
Noncurrent liabilities:			
Retainage payable	-	-	-
Accrued compensated absences	164,941.63	-	164,941.63
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	300,000.00	-	300,000.00
Other liabilities	-	-	-
Total noncurrent liabilities	464,941.63	-	464,941.63
Total liabilities	897,204.60	-	897,204.60
NET ASSETS			
Invested in capital assets, net of related debt	8,939,320.35	-	8,939,320.35
Restricted for:			
Nonexpendable	98,487.49	-	98,487.49
Expendable			
Scholarships, research, instruction, and other	3,603.80	-	3,603.80
Loans	-	-	-
Capital projects	130,698.88	-	130,698.88
Debt service	3,833.48	-	3,833.48
Unrestricted	2,517,791.10	-	2,517,791.10
Total net assets	\$ 11,693,735.10	\$ -	\$ 11,693,735.10

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

	Year ended		Total
	June 30, 2008 Sumter Campus	December 31, 2007 Trust	
REVENUES			
Student tuition and fees (\$75,879.07 pledged as security for bonds)	\$ 4,555,270.97	\$ -	\$ 4,555,270.97
Less scholarship allowance	(1,678,298.22)	-	(1,678,298.22)
Patient services, net	-	-	-
Federal grants and contracts	1,552,169.10	-	1,552,169.10
State grants and contracts	1,811,092.69	-	1,811,092.69
Local grants and contracts	759.40	-	759.40
Nongovernmental grants and contracts	3,966.60	-	3,966.60
Sales and services of educational and other activities	141,326.21	-	141,326.21
Sales and services of auxiliary enterprises	702,690.99	-	702,690.99
Less scholarship allowance	-	-	-
Interest collected on student loans	-	-	-
Other fees	33,747.03	-	33,747.03
Other operating revenues	3,926.95	-	3,926.95
Total operating revenues	<u>7,126,651.72</u>	<u>-</u>	<u>7,126,651.72</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	7,449,306.52	-	7,449,306.52
Services and supplies	2,402,284.04	-	2,402,284.04
Utilities	440,973.17	-	440,973.17
Scholarships and fellowships	1,555,187.10	-	1,555,187.10
Depreciation expense	460,975.87	-	460,975.87
Total operating expenses	<u>12,308,726.70</u>	<u>-</u>	<u>12,308,726.70</u>
Operating Income (loss)	<u>(5,182,074.98)</u>	<u>-</u>	<u>(5,182,074.98)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	4,535,358.00	-	4,535,358.00
Gifts	449,713.78	-	449,713.78
Investment income	40,314.30	-	40,314.30
Endowment income	(7,341.07)	-	(7,341.07)
Gain (loss) on disposal of capital assets	(23,551.86)	-	(23,551.86)
Interest on capital asset related debt	(18,062.50)	-	(18,062.50)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>4,976,430.65</u>	<u>-</u>	<u>4,976,430.65</u>
Income (loss) before other revenue, expenses, gains or losses	<u>(205,644.33)</u>	<u>-</u>	<u>(205,644.33)</u>
State capital appropriations	5,074.49	-	5,074.49
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	9,336.16	-	9,336.16
Increase (decrease) in net assets	<u>(191,233.68)</u>	<u>-</u>	<u>(191,233.68)</u>
NET ASSETS			
Net assets - beginning of year	11,884,968.78	-	11,884,968.78
Net assets - end of year	<u>\$ 11,693,735.10</u>	<u>\$ -</u>	<u>\$ 11,693,735.10</u>

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

	Year ended		Total
	June 30, 2008 Sumter Campus	December 31, 2007 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 2,861,267.51	\$ -	\$ 2,861,267.51
Research grants and contracts	3,374,483.20	-	3,374,483.20
Sales and services of educational and other activities	141,216.21	-	141,216.21
Sales and services of auxiliary enterprises	703,434.83	-	703,434.83
Student loans disbursed	-	-	-
Student loans collected	-	-	-
Interest collected on Student Loans	-	-	-
Inflows from Federal Family Education loans	3,399,034.54	-	3,399,034.54
Outflows from Federal Family Education loans	(3,400,355.88)	-	(3,400,355.88)
Payments to employees for services	(7,432,110.42)	-	(7,432,110.42)
Payments to suppliers	(2,843,441.58)	-	(2,843,441.58)
Payments to students for scholarships and fellowships	(1,555,187.10)	-	(1,555,187.10)
Other receipts	39,713.98	-	39,713.98
Inflows from agency funds	-	-	-
Outflows from agency funds	(1,700.00)	-	(1,700.00)
Net cash provided (used) by operating activities	<u>(4,713,644.71)</u>	<u>-</u>	<u>(4,713,644.71)</u>
Cash flows from non-capital financing activities			
State appropriations	4,535,358.00	-	4,535,358.00
Gifts	448,972.04	-	448,972.04
Additions to permanent endowments	-	-	-
Other nonoperating revenues expenses	-	-	-
Transfers to/from other state agencies/campuses	9,336.16	-	9,336.16
Federal Loan Liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>4,993,666.20</u>	<u>-</u>	<u>4,993,666.20</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	-	-
State capital appropriations	5,074.49	-	5,074.49
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	1,000.00	-	1,000.00
Purchase and construction of capital assets	(147,354.56)	-	(147,354.56)
Principal paid on capital asset related debt	(35,000.00)	-	(35,000.00)
Interest paid on capital asset related debt	(18,500.00)	-	(18,500.00)
New cash provided (used) by capital and related financing activities	<u>(194,780.07)</u>	<u>-</u>	<u>(194,780.07)</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment Income	39,964.87	-	39,964.87
Endowment Income	3,938.92	-	3,938.92
Net cash provided (used) by investing activities	<u>43,903.79</u>	<u>-</u>	<u>43,903.79</u>
Net increase (decrease) in cash and cash equivalents	<u>129,145.21</u>	<u>-</u>	<u>129,145.21</u>
Cash and cash equivalents, beginning of year	<u>2,757,793.14</u>	<u>-</u>	<u>2,757,793.14</u>
Cash and cash equivalents, end of year	<u>\$ 2,886,938.35</u>	<u>\$ -</u>	<u>\$ 2,886,938.35</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities			
Operating Expenses over revenues	\$ (5,182,074.98)	\$ -	\$ (5,182,074.98)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense	460,975.87	-	460,975.87
Change in current assets and liabilities			
Accounts receivable, net	(12,569.57)	-	(12,569.57)
Student loans receivable	-	-	-
Capital improvement bond receivable - non-capital	2,040.00	-	2,040.00
Inventories	(53,061.26)	-	(53,061.26)
Prepaid items	93.83	-	93.83
Other assets	-	-	-
Accounts payable	52,783.06	-	52,783.06
Retainage payable - non-capital	-	-	-
Accrued payroll and related liabilities	(13,999.03)	-	(13,999.03)
Accrued annual leave and related liabilities	31,195.13	-	31,195.13
Deferred revenues	3,993.58	-	3,993.58
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	(3,021.34)	-	(3,021.34)
Net cash provided by operating activities	<u>\$ (4,713,644.71)</u>	<u>\$ -</u>	<u>\$ (4,713,644.71)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ -	\$ -	\$ -
Gains (losses) on disposal of capital assets	\$ (134,872.71)	\$ -	\$ (134,872.71)
Capitalized interest reducing interest paid on capital asset related debt	\$ -	\$ -	\$ -
Change in value of investments recognized in endowment income	\$ (11,279.99)	\$ -	\$ (11,279.99)
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ -	\$ -	\$ -
Student loans cancelled	\$ -	\$ -	\$ -

Sumter Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2008

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 4,202,163.76	\$ 230,097.99	\$ -	\$ -	\$ -	\$ 4,432,261.75
Research	33,225.36	40,606.14	-	-	-	73,831.50
Public service	3,613.37	5,145.59	-	-	-	8,758.96
Academic support	883,058.51	519,055.54	-	-	-	1,402,114.05
Student services	948,506.63	384,836.55	-	16,258.00	-	1,349,601.18
Institutional support	883,299.36	480,036.07	-	115.43	-	1,363,450.86
Operation and maintenance of plant	370,695.18	199,330.66	440,973.17	-	-	1,010,999.01
Auxiliary enterprises	124,744.35	543,175.50	-	-	-	667,919.85
Scholarships and fellowships	-	-	-	1,538,813.67	-	1,538,813.67
Component Unit	-	-	-	-	-	-
Depreciation	-	-	-	-	460,975.87	460,975.87
Total Operating Expenses	\$ 7,449,306.52	\$ 2,402,284.04	\$ 440,973.17	\$ 1,555,187.10	\$ 460,975.87	\$ 12,308,726.70

UNIVERSITY OF SOUTH CAROLINA
Union Campus
Statement of Net Assets

	June 30, 2008 Union Campus	December 31, 2007 Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,346,689.86	\$ -	\$ 2,346,689.86
Investments	-	-	-
Accounts receivable, net	71,543.83	-	71,543.83
Pledges receivable	-	-	-
Student loans receivable, current	3,870.00	-	3,870.00
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	-	-	-
Inventories	45,008.15	-	45,008.15
Prepaid items	-	-	-
Restricted cash and cash equivalents	81,888.51	-	81,888.51
Funds due from others	-	-	-
Total current assets	<u>2,549,000.35</u>	<u>-</u>	<u>2,549,000.35</u>
Noncurrent assets:			
Investments	-	-	-
Notes receivable	-	-	-
Restricted - cash and cash equivalents	-	-	-
Restricted - federal student loans receivable	-	-	-
Capital assets, net of accumulated depreciation	1,587,987.80	-	1,587,987.80
Other assets	-	-	-
Total noncurrent assets	<u>1,587,987.80</u>	<u>-</u>	<u>1,587,987.80</u>
Total assets	<u>4,136,988.15</u>	<u>-</u>	<u>4,136,988.15</u>
LIABILITIES			
Current liabilities:			
Accounts payable	23,455.52	-	23,455.52
Retainage payable - current portion	-	-	-
Accrued interest payable	-	-	-
Accrued payroll and related liabilities	3,889.71	-	3,889.71
Accrued compensated absences - current portion	45,201.85	-	45,201.85
Short - term debt	-	-	-
Long-term liabilities - current portion	-	-	-
Deferred revenues	40,568.52	-	40,568.52
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	21,563.00	-	21,563.00
Total current liabilities	<u>134,678.60</u>	<u>-</u>	<u>134,678.60</u>
Noncurrent liabilities:			
Retainage payable	-	-	-
Accrued compensated absences	41,724.78	-	41,724.78
Deferred revenues	-	-	-
Federal loan funds	-	-	-
Long-term liabilities	-	-	-
Other liabilities	-	-	-
Total noncurrent liabilities	<u>41,724.78</u>	<u>-</u>	<u>41,724.78</u>
Total liabilities	<u>176,403.38</u>	<u>-</u>	<u>176,403.38</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,587,987.80	-	1,587,987.80
Restricted for:			
Nonexpendable	-	-	-
Expendable			
Scholarships, research, instruction, and other	238,397.72	-	238,397.72
Loans	5,360.87	-	5,360.87
Capital projects	81,847.47	-	81,847.47
Debt service	143.54	-	143.54
Unrestricted	<u>2,046,847.37</u>	<u>-</u>	<u>2,046,847.37</u>
Total net assets	<u>\$ 3,960,584.77</u>	<u>\$ -</u>	<u>\$ 3,960,584.77</u>

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

	Year ended		Total
	June 30, 2008	December 31, 2007	
	Union Campus	Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$16,721.06 pledged as security for bonds)	\$ 1,320,544.28	\$ -	\$ 1,320,544.28
Less scholarship allowance	(628,268.30)	-	(628,268.30)
Patient services, net	-	-	-
Federal grants and contracts	893,384.71	-	893,384.71
State grants and contracts	651,332.31	-	651,332.31
Local grants and contracts	10,410.72	-	10,410.72
Nongovernmental grants and contracts	-	-	-
Sales and services of educational and other activities	11,990.21	-	11,990.21
Sales and services of auxiliary enterprises	178,037.52	-	178,037.52
Less scholarship allowance	-	-	-
Interest collected on student loans	-	-	-
Other fees	11,503.66	-	11,503.66
Other operating revenues	654.00	-	654.00
Total operating revenues	<u>2,449,589.11</u>	<u>-</u>	<u>2,449,589.11</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	1,924,384.38	-	1,924,384.38
Services and supplies	756,978.85	-	756,978.85
Utilities	74,170.16	-	74,170.16
Scholarships and fellowships	625,713.49	-	625,713.49
Depreciation expense	105,987.08	-	105,987.08
Total operating expenses	<u>3,487,233.96</u>	<u>-</u>	<u>3,487,233.96</u>
Operating Income (loss)	<u>(1,037,644.85)</u>	<u>-</u>	<u>(1,037,644.85)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	1,196,325.00	-	1,196,325.00
Gifts	59,327.70	-	59,327.70
Investment income	29,459.68	-	29,459.68
Endowment income	-	-	-
Gain (loss) on disposal of capital assets	(2,444.62)	-	(2,444.62)
Interest on capital asset related debt	-	-	-
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>1,282,667.76</u>	<u>-</u>	<u>1,282,667.76</u>
Income (loss) before other revenue, expenses, gains or losses	<u>245,022.91</u>	<u>-</u>	<u>245,022.91</u>
State capital appropriations	70,767.31	-	70,767.31
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	(13,587.41)	-	(13,587.41)
Increase (decrease) in net assets	<u>302,202.81</u>	<u>-</u>	<u>302,202.81</u>
NET ASSETS			
Net assets - beginning of year	<u>3,658,381.96</u>	<u>-</u>	<u>3,658,381.96</u>
Net assets - end of year	<u>\$ 3,960,584.77</u>	<u>\$ -</u>	<u>\$ 3,960,584.77</u>

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

	Year ended		Total
	June 30, 2008 Union Campus	December 31, 2007 Trust	
CASH FLOWS FROM OPERATING ACTIVITIES			
Student tuition and fees	\$ 698,106.75	\$ -	\$ 698,106.75
Research grants and contracts	1,544,434.23	-	1,544,434.23
Sales and services of educational and other activities	12,250.21	-	12,250.21
Sales and services of auxiliary enterprises	181,230.21	-	181,230.21
Student loans disbursed	(53,026.88)	-	(53,026.88)
Student loans collected	51,438.88	-	51,438.88
Interest Collected on Student Loans	-	-	-
Inflows from Federal Family Education loans	797,396.00	-	797,396.00
Outflows from Federal Family Education loans	(780,716.38)	-	(780,716.38)
Payments to employees for services	(1,911,561.68)	-	(1,911,561.68)
Payments to suppliers	(833,681.93)	-	(833,681.93)
Payments to students for scholarships and fellowships	(625,713.49)	-	(625,713.49)
Other receipts	12,157.66	-	12,157.66
Inflows from agency funds	-	-	-
Outflows from agency funds	(500.00)	-	(500.00)
Net cash provided (used) by operating activities	<u>(908,186.42)</u>	<u>-</u>	<u>(908,186.42)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	1,196,325.00	-	1,196,325.00
Gifts	61,633.70	-	61,633.70
Additions to permanent endowments	-	-	-
Other nonoperating revenues expenses	-	-	-
Transfers to/from other state agencies/campuses	(13,587.41)	-	(13,587.41)
Federal Loan Liability	-	-	-
Net cash provided (used) by noncapital financing activities	<u>1,244,371.29</u>	<u>-</u>	<u>1,244,371.29</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	-	-
State capital appropriations	70,767.31	-	70,767.31
Capital grants and gifts	-	-	-
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(10,717.92)	-	(10,717.92)
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>60,049.39</u>	<u>-</u>	<u>60,049.39</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment Income	29,167.35	-	29,167.35
Endowment Income	-	-	-
Net cash provided (used) by investing activities	<u>29,167.35</u>	<u>-</u>	<u>29,167.35</u>
Net increase (decrease) in cash and cash equivalents	<u>425,401.61</u>	<u>-</u>	<u>425,401.61</u>
Cash and cash equivalents, beginning of year	<u>2,003,176.76</u>	<u>-</u>	<u>2,003,176.76</u>
Cash and cash equivalents, end of year	<u>\$ 2,428,578.37</u>	<u>\$ -</u>	<u>\$ 2,428,578.37</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities			
Operating Expenses over revenues	\$ (1,037,644.85)	\$ -	\$ (1,037,644.85)
Adjustments to reconcile operating 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 - non-capital	(14,994.91)	-	(14,994.91)
Student loans receivable	(1,588.00)	-	(1,588.00)
Capital improvement bond receivable - non-capital	-	-	-
Inventories	(6,814.51)	-	(6,814.51)
Prepaid items	1,649.78	-	1,649.78
Other assets	-	-	-
Accounts payable - non-capital	2,631.81	-	2,631.81
Retainage payable - non-capital	-	-	-
Accrued payroll and related liabilities	(3,364.96)	-	(3,364.96)
Accrued compensated absences	16,187.66	-	16,187.66
Deferred revenues - non-capital	13,584.86	-	13,584.86
Deposits	-	-	-
Other liabilities	-	-	-
Funds held for others	16,179.62	-	16,179.62
Net cash provided by operating activities	<u>\$ (908,186.42)</u>	<u>\$ -</u>	<u>\$ (908,186.42)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ -	\$ -	\$ -
Gains (losses) on disposal of capital assets	\$ (2,444.62)	\$ -	\$ (2,444.62)
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	\$ -	\$ -	\$ -

Union Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2008

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 863,445.11	\$ 160,600.08	\$ -	\$ -	\$ -	\$ 1,024,045.19
Research		1,111.07	-	-	-	1,111.07
Public service	39,112.86	22,763.23	-	2,164.47	-	64,040.56
Academic support	137,935.96	125,694.93	-	-	-	263,630.89
Student services	427,064.07	115,894.71	-	-	-	542,958.78
Institutional support	308,979.79	172,749.29	-	-	-	481,729.08
Operation and maintenance of plant	111,648.25	19,672.55	74,170.16	-	-	205,490.96
Auxiliary enterprises	36,198.34	138,492.99	-	-	-	174,691.33
Scholarships and fellowships	-	-	-	623,549.02	-	623,549.02
Component Unit	-	-	-	-	-	-
Depreciation	-	-	-	-	105,987.08	105,987.08
Total Operating Expenses	\$ 1,924,384.38	\$ 756,978.85	\$ 74,170.16	\$ 625,713.49	\$ 105,987.08	\$ 3,487,233.96

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

	June 30, 2008 Upstate Campus	December 31, 2007 Trust	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 9,684,864.27	\$ -	\$ 9,684,864.27
Investments	-	-	-
Accounts receivable, net	1,052,257.83	-	1,052,257.83
Pledges receivable	-	-	-
Student loans receivable, current	-	-	-
Patients accounts receivable, net	-	-	-
Capital improvement bonds proceeds receivable	-	-	-
Inventories	718,344.37	-	718,344.37
Prepaid items	123,440.66	-	123,440.66
Restricted cash and cash equivalents	107,041.07	-	107,041.07
Funds due from others	-	-	-
Total current assets	11,685,948.20	-	11,685,948.20
Noncurrent assets:			
Investments	53,604.70	-	53,604.70
Notes receivable	105,000.00	-	105,000.00
Restricted - cash and cash equivalents	21,265.78	-	21,265.78
Restricted - federal student loans receivable	1,008,757.48	-	1,008,757.48
Capital assets, net of accumulated depreciation	51,175,877.01	-	51,175,877.01
Other assets	-	-	-
Total noncurrent assets	52,364,504.97	-	52,364,504.97
Total assets	64,050,453.17	-	64,050,453.17
LIABILITIES			
Current liabilities:			
Accounts payable	2,873,075.45	-	2,873,075.45
Retainage payable - current portion	-	-	-
Accrued interest payable	148,685.01	-	148,685.01
Accrued payroll and related liabilities	199,703.69	-	199,703.69
Accrued compensated absences - current portion	839,497.57	-	839,497.57
Short - term debt	-	-	-
Long-term liabilities - current portion	825,909.10	-	825,909.10
Deferred revenues	563,132.35	-	563,132.35
Deposits	28,233.37	-	28,233.37
Other liabilities	777.11	-	777.11
Funds held for others	441,000.84	-	441,000.84
Total current liabilities	5,920,014.49	-	5,920,014.49
Noncurrent liabilities:			
Retainage payable	755,817.98	-	755,817.98
Accrued compensated absences	774,920.84	-	774,920.84
Deferred revenues	-	-	-
Federal loan funds	892,623.74	-	892,623.74
Long-term liabilities	12,945,456.00	-	12,945,456.00
Other liabilities	-	-	-
Total noncurrent liabilities	15,368,818.56	-	15,368,818.56
Total liabilities	21,288,833.05	-	21,288,833.05
NET ASSETS			
Invested in capital assets, net of related debt	37,404,511.91	-	37,404,511.91
Restricted for:			
Nonexpendable	158,604.70	-	158,604.70
Expendable			
Scholarships, research, instruction, and other	1,644,826.35	-	1,644,826.35
Loans	133,380.56	-	133,380.56
Capital projects	(7,003,877.29)	-	(7,003,877.29)
Debt service	(31,082.50)	-	(31,082.50)
Unrestricted	10,455,256.39	-	10,455,256.39
Total net assets	\$ 42,761,620.12	\$ -	\$ 42,761,620.12

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

	Year ended		Total
	June 30, 2008	December 31, 2007	
	Upstate Campus	Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$2,438,754.10 pledged as security for bonds)	\$ 39,007,426.54	\$ -	\$ 39,007,426.54
Less scholarship allowance	(10,224,198.57)	-	(10,224,198.57)
Patient services, net	-	-	-
Federal grants and contracts	7,442,851.01	-	7,442,851.01
State grants and contracts	8,166,414.00	-	8,166,414.00
Local grants and contracts	755.52	-	755.52
Nongovernmental grants and contracts	223,689.17	-	223,689.17
Sales and services of educational and other activities	1,709,529.96	-	1,709,529.96
Sales and services of auxiliary enterprises (\$352,800.00 pledged as security for bonds)	4,318,607.59	-	4,318,607.59
Less scholarship allowance	(135,837.00)	-	(135,837.00)
Interest collected on student loans	9,147.15	-	9,147.15
Other fees	245,827.15	-	245,827.15
Other operating revenues	783,712.31	-	783,712.31
Total operating revenues	<u>51,547,924.83</u>	<u>-</u>	<u>51,547,924.83</u>
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	38,817,659.81	-	38,817,659.81
Services and supplies	15,747,121.88	-	15,747,121.88
Utilities	1,346,391.89	-	1,346,391.89
Scholarships and fellowships	6,933,730.76	-	6,933,730.76
Depreciation expense	1,517,869.23	-	1,517,869.23
Total operating expenses	<u>64,362,773.57</u>	<u>-</u>	<u>64,362,773.57</u>
Operating Income (loss)	<u>(12,814,848.74)</u>	<u>-</u>	<u>(12,814,848.74)</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	15,362,805.00	-	15,362,805.00
Gifts	375,826.34	-	375,826.34
Investment income	457,053.91	-	457,053.91
Endowment income	10,456.73	-	10,456.73
Gain (loss) on disposal of capital assets	(140,917.91)	-	(140,917.91)
Interest on capital asset related debt	(509,868.58)	-	(509,868.58)
Other nonoperating revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	<u>15,555,355.49</u>	<u>-</u>	<u>15,555,355.49</u>
Income (loss) before other revenue, expenses, gains or losses	<u>2,740,506.75</u>	<u>-</u>	<u>2,740,506.75</u>
State capital appropriations	134,633.29	-	134,633.29
Capital grants and gifts	764,900.00	-	764,900.00
Capital contributions to/from component unit	-	-	-
Additions to permanent endowments	-	-	-
Transfers to/from other state funds	(126,539.48)	-	(126,539.48)
Transfers to/from other campuses	(10,227.25)	-	(10,227.25)
Increase (decrease) in net assets	<u>3,503,273.31</u>	<u>-</u>	<u>3,503,273.31</u>
NET ASSETS			
Net assets - beginning of year	<u>39,258,346.81</u>	<u>-</u>	<u>39,258,346.81</u>
Net assets - end of year	<u>\$ 42,761,620.12</u>	<u>\$ -</u>	<u>\$ 42,761,620.12</u>

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

	Year ended		Total
	June 30, 2008 Upstate Campus	December 31, 2007 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 28,739,576.84	\$ -	\$ 28,739,576.84
Research grants and contracts	15,970,222.56	-	15,970,222.56
Sales and services of educational and other activities	1,755,801.90	-	1,755,801.90
Sales and services of auxiliary enterprises	4,194,994.41	-	4,194,994.41
Student loans disbursed	(234,943.21)	-	(234,943.21)
Student loans collected	141,714.50	-	141,714.50
Interest Collected on Student Loans	9,147.15	-	9,147.15
Inflows from Federal Family Education loans	24,644,442.20	-	24,644,442.20
Outflows from Federal Family Education loans	(24,613,469.99)	-	(24,613,469.99)
Payments to employees for services	(38,648,283.11)	-	(38,648,283.11)
Payments to suppliers	(16,793,949.73)	-	(16,793,949.73)
Payments to students for scholarships and fellowships	(6,933,730.76)	-	(6,933,730.76)
Other receipts	1,029,199.45	-	1,029,199.45
Inflows from agency funds	1,528,530.56	-	1,528,530.56
Outflows from agency funds	(1,535,270.30)	-	(1,535,270.30)
Net cash provided (used) by operating activities	<u>(10,746,017.53)</u>	<u>-</u>	<u>(10,746,017.53)</u>
Cash flows from non-capital financing activities			
State appropriations	15,362,805.00	-	15,362,805.00
Gifts	375,826.34	-	375,826.34
Additions to permanent endowments	-	-	-
Other nonoperating revenues expenses	-	-	-
Transfers to/from other state agencies	(136,766.73)	-	(136,766.73)
Federal loan liability	(34,216.90)	-	(34,216.90)
Net cash provided (used) by noncapital financing activities	<u>15,567,647.71</u>	<u>-</u>	<u>15,567,647.71</u>
Cash flows from capital and related financing activities			
Proceeds from capital debt	-	-	-
State capital appropriations	134,633.29	-	134,633.29
Capital grants and gifts	700,000.00	-	700,000.00
Gain (loss) on disposal of capital assets	-	-	-
Purchase and construction of capital assets	(17,689,950.97)	-	(17,689,950.97)
Principal paid on capital asset related debt	(801,295.21)	-	(801,295.21)
Interest paid on capital asset related debt	(652,714.66)	-	(652,714.66)
New cash provided (used) by capital and related financing activities	<u>(18,309,327.55)</u>	<u>-</u>	<u>(18,309,327.55)</u>
Cash flows from investing activities			
Purchase of investments	-	-	-
Proceeds from the sale of investments	-	-	-
Investment Income	480,379.95	-	480,379.95
Endowment Income	9,928.73	-	9,928.73
Net cash provided (used) by investing activities	<u>490,308.68</u>	<u>-</u>	<u>490,308.68</u>
Net increase (decrease) in cash and cash equivalents	<u>(12,997,388.69)</u>	<u>-</u>	<u>(12,997,388.69)</u>
Cash and cash equivalents, beginning of year	22,810,559.81	-	22,810,559.81
Cash and cash equivalents, end of year	<u>\$ 9,813,171.12</u>	<u>\$ -</u>	<u>\$ 9,813,171.12</u>
Reconciliation of net operating revenues (expenses) to net cash provided by (used in) operating activities			
Operating Expenses over revenues	\$ (11,296,979.51)	\$ -	\$ (11,296,979.51)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense	-	-	-
Change in current assets and liabilities			
Accounts receivable, net	138,553.94	-	138,553.94
Student loans receivable	(79,348.85)	-	(79,348.85)
Capital improvement bond receivable - non-capital	-	-	-
Inventories	(117,371.30)	-	(117,371.30)
Prepaid items	(44,153.46)	-	(44,153.46)
Other assets	-	-	-
Accounts payable	447,208.94	-	447,208.94
Retainage payable - non-capital	-	-	-
Accrued payroll and related liabilities	(28,277.46)	-	(28,277.46)
Accrued annual leave and related liabilities	197,654.16	-	197,654.16
Deferred revenues	3,582.91	-	3,582.91
Deposits	9,220.64	-	9,220.64
Other liabilities	(340.01)	-	(340.01)
Funds held for others	24,232.47	-	24,232.47
Net cash provided by operating activities	<u>\$ (10,746,017.53)</u>	<u>\$ -</u>	<u>\$ (10,746,017.53)</u>
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ 64,900.00	\$ -	\$ 64,900.00
Gains (losses) on disposal of capital assets	\$ (184,069.75)	\$ -	\$ (184,069.75)
Capitalized interest reducing interest paid on capital asset related debt	\$ 135,912.00	\$ -	\$ 135,912.00
Change in value of investments recognized in endowment income	\$ 528.00	\$ -	\$ 528.00
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ -	\$ -	\$ -
Student loans cancelled	\$ 13,879.86	\$ -	\$ 13,879.86

**Upstate Campus
Schedule of Operating Expenses by Function
(Unaudited)
Year ended June 30, 2008**

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 22,113,290.02	\$ 1,570,503.38	\$ -	\$ 5,785.64	\$ -	\$ 23,689,579.04
Research	84,689.10	40,911.31	-	-	-	125,600.41
Public service	929,288.38	659,485.71	-	49,051.44	-	1,637,825.53
Academic support	2,378,152.16	3,162,135.16	-	28.07	-	5,540,315.39
Student services	5,331,122.53	2,647,121.30	-	21,015.74	-	7,999,259.57
Institutional support	4,369,475.72	1,483,848.05	(60,446.08)	3,263.84	-	5,796,141.53
Operation and maintenance of plant	2,874,828.04	3,414,083.42	1,262,607.56	-	-	7,551,519.02
Auxiliary enterprises	704,139.86	2,751,003.55	144,230.41	-	-	3,599,373.82
Scholarships and fellowships	32,674.00	18,030.00	-	6,854,586.03	-	6,905,290.03
Component Unit	-	-	-	-	-	-
Depreciation	-	-	-	-	1,517,869.23	1,517,869.23
Total Operating Expenses	\$ 38,817,659.81	\$ 15,747,121.88	\$ 1,346,391.89	\$ 6,933,730.76	\$ 1,517,869.23	\$ 64,362,773.57