

# COLLEGE OF CHARLESTON

## CHARLESTON, SOUTH CAROLINA



*The Sanders Rotunda in the Marlene and Nathan Addlestone Library. With 816,249 volumes, this state-of-the-art library boasts 18 group study rooms with whiteboards, 260 computers and wireless connectivity inside and outside of the building. The Addlestone Library is also home to the College's Special Collections, renowned for its manuscript materials and rare books emphasizing South Carolina history and culture.*

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

**FOR THE YEAR ENDED JUNE 30, 2011**

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

**COLLEGE OF CHARLESTON  
CHARLESTON, SOUTH CAROLINA**



**COMPREHENSIVE ANNUAL REPORT**  
*Included in the Higher Education Funds of the State of South Carolina*  
**FOR THE YEAR ENDED JUNE 30, 2011**

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**COLLEGE OF CHARLESTON  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011**

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# COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*In PEHD 139 African Dance, students learn the origins, performing arts techniques and expressionism of this art form.*

## INTRODUCTORY SECTION

October 3, 2011

Dear Friends of the College of Charleston:

It is my pleasure to present the Comprehensive Annual Financial Report of the College of Charleston for the fiscal year ending on June 30, 2011. It documents the fiscal stability of the institution and our accountability in managing assets of the College. We have made progress on numerous fronts, including continuing the implementation of our 10-year Strategic Plan; planning for a national comprehensive fundraising campaign; developing a new facilities master plan; completing the renovation of Randolph Hall, Porter's Lodge, Towell Library, and the Cistern Yard; progressing toward our goal of offering academic programs at Dixie Plantation; and maintaining our competitive edge in the education marketplace.



For this academic year, the College received nearly 14,000 applications for only about 2,300 seats plus transfers. We currently have a total of roughly 11,800 undergraduate and graduate students, allowing us to maintain relatively small class sizes. In December 2010, the College awarded nearly 500 undergraduate and graduate degrees. In May 2011, the College awarded more than 1,700 undergraduate and graduate degrees.

### **Budget**

Like all public colleges and universities in South Carolina, the College continues to cope with state budget cuts and a very weak economy. Since 2008, the College has lost nearly half of its state funding. During the 2011 fiscal year, our state appropriation accounted for 8.6% of our total operating budget. Our state appropriation now accounts for just 8% of our total operating budget.

The College's net assets of \$243,961,736 grew by \$17,162,484, or 7.6%, in fiscal year 2011, demonstrating the institution's fiscal stability in spite of significant state budget cuts. We owe much of our financial health to the remarkable efforts of our faculty and staff, who remain committed to constantly improving our efficiency and quality, and who help us acquire the external resources needed for the College to meet and exceed its goals.

One such measure the College has taken to improve our operating efficiency was to implement a Comprehensive Program for Quality and Efficiency (CPQE) in August 2010. CPQE is a mechanism for the ongoing, internal review of quality and efficiency in the processes, management, offices, and programs of each campus division. The goal of CPQE is to identify opportunities for quality enhancement, productivity improvement, and cost containment. In June 2011, the College's Board of Trustees adopted our budget for the 2012 fiscal year, which included more than \$900,000 in recurring savings and efficiencies as a result of CPQE.

While we continue to engage in campus-wide cost-cutting efforts such as CPQE, the College's Division of Institutional Advancement, in collaboration with our Division of Academic Affairs, is working hard to seek out alternative sources of funding for the College. In the 2011 fiscal year, the College secured \$9.4 million in new commitments, representing an all-time high for the College and an increase of 10% over 2010.

Our recent success in seeking out alternative sources of funding is a step in the right direction. The College must continue to strengthen its commitment to philanthropy, thus, moving toward greater self-sufficiency. To that end, the College is planning for a comprehensive fundraising campaign. The campaign is designed to increase external funding to achieve the goals of the College's 10-year Strategic Plan, reduce our reliance on state and tuition dollars, raise awareness about the College, motivate and inspire our network of 50,000 alumni, and create a sustainable culture of philanthropy at the College.

### **Strategic Planning**

The College remains focused on implementing our Strategic Plan, which was approved by our Board of Trustees on October 16, 2009. The plan lays out a vision for the year 2020 and identifies specific goals and strategies to help us achieve that vision.

At the plan's heart are the College's three core values: academic excellence; student-focused community; and the history, traditions, culture, and environment of Charleston and the Lowcountry, and the opportunities they afford our students for learning and our faculty for scholarship.

This last value, which can be summarized as "the power of place," will serve as a prioritization mechanism, helping us to decide which academic programs to support. It will help us focus our energy and resources on the assets of Charleston and help us to differentiate the College from other universities in the state and nation. It will ensure that the College is adequately invested in and supportive of academic programs that align with Charleston. It also calls for us to nurture and support Charleston's assets such as the Port, historic preservation, the arts community, the natural environment of the Lowcountry, the tourism industry, urban planning, African American history, and Southern Jewish history.

## **Facilities**

In February 2011, the College began the process to update our 2004 Facilities Master Plan. The new Facilities Master Plan will guide the College as we make decisions regarding improvements to our existing facilities and plans for future campus development. These efforts are being spearheaded by the College's Facilities Master Planning Team, which is led by architecture and planning firm Hanbury Evans Wright Vlattas.

In Spring 2011, the College completed the restoration of Randolph Hall, Cistern Yard, Towell Library, and Porter's Lodge – the historic structures and grounds that form the heart and soul of our campus. The \$3.7 million project, which began in September 2009, was fully funded by the state.

The College is also developing plans for a satellite sustainability campus at Dixie Plantation. The property, which is located along the Stono River about 17 miles south of Charleston, was bequeathed to the College of Charleston Foundation in 1995 by the late conservationist, ornithologist, and artist John Henry Dick. The College's vision for the property revolves around environmental sciences and sustainability.

The College used federal stimulus money to develop a 4.2-mile interpretative nature trail at Dixie Plantation, which provides greater access to the property to students, faculty, staff, and the community. We are also making progress to convert an old barn into an air-conditioned meeting space and Dick's art studio into a museum. In addition, the College recently received a \$1 million grant from the Spaulding-Paolozzi Foundation to support two field research stations at Dixie. These state-of-the-art research stations will advance the College's efforts to transform Dixie Plantation into an eco-campus that can serve as a model of sustainability for other universities around the world. The stations will be used primarily by students and faculty in our Environmental Sciences, Biology, and Archeology programs.

## **New Academic Programs**

Over the past year, the College continued to strengthen its academic portfolio with the addition of new degree programs such as Computing in the Arts, an interdisciplinary major between our School of Sciences and Mathematics and School of the Arts; Jewish Studies; and an International Master's degree, which is part of our Master of Science in Environmental Studies Program and includes overseas service in the Peace Corps. In addition, the College is seeking approval from the South Carolina Commission on Higher Education for new majors in Public Health, Exercise Science, and Dance. Also, the College's inaugural class of MBA students completed the program in August 2011. The College's MBA program was implemented in May 2010 and is Charleston's only full-time MBA program.

### **Student Civic Engagement**

Our students continue to play an important part in making the College a special university and Charleston a world-class city. From their thousands of hours of community service and volunteer work in local schools to internships in local businesses and field research projects throughout the Lowcountry, our undergraduate and graduate students enrich our community with their intelligence, youth, diversity and energy.

For example, in March 2011, students organized and participated in the annual Dance Marathon, which is the College's largest student-run fundraising event. The Dance Marathon raised more than \$62,000 for the Medical University of South Carolina Children's Hospital. Since the event was established in 2007, it has raised more than \$260,000 for the hospital.

### **Faculty Achievements**

Our distinguished faculty help set us apart from our competitors. The personalized education they provide our students is one of the College's defining attributes. Many of our faculty are leaders in their respective fields and receive national recognition for their research, published findings, and general expertise. For 2010-2011, two College of Charleston faculty members were awarded Fulbright Scholarships, second most of any college or university in the state.

In addition, our faculty have been instrumental in helping the College secure millions of dollars in much needed research funding. During the 2011 fiscal year, our faculty were awarded a total of nearly \$12 million in government and private grants, representing a 68% increase over last year. The largest of these grants was a \$2.2 million National Science Foundation grant awarded to Gavin Naylor, Professor of Biology, to study the evolution of sharks, rays and chimaera.

### **National Recognition**

The College continues to rank among the nation's best institutions for quality and affordability. In August 2010, Parade Magazine named the College to its "College A-List" as one of the top seven small state schools in the country. In July 2011, the Fiske Guide to Colleges named the College to its list of the "best and most interesting institutions in the nation" for the seventh consecutive year. In August 2011, The Princeton Review named the College to its list of "The Best 371 Colleges" for the eighth consecutive year. The publication also singled out our Accounting and Communication majors. In September 2011, U.S. News and World Report ranked the College the fourth best public university in the South region and fifth in the South region for our "strong commitment to teaching." This well-deserved national recognition affirms the significant accomplishments and dedication of our faculty and staff.

In closing, I believe that the success of the College should be measured in terms of both its contributions toward specific academic goals and the broader benefits it brings to the life and culture of Charleston, the Lowcountry, and the State of South Carolina. We owe our successes to the hard work and support of the entire College of Charleston community.

Sincerely,

A handwritten signature in blue ink, reading "P. George Benson". The signature is written in a cursive style with a large initial "P" and a long, sweeping underline.

**LETTER OF TRANSMITTAL**

October 10, 2011

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

**FORMAL TRANSMITTAL REQUIREMENTS**

We proudly present to you the Comprehensive Annual Financial Report (CAFR) for the College of Charleston for the year ended June 30, 2011. This report contains the financial statements as well as other information useful to those we serve and to whom we are accountable. The annual report encompasses three major sections, Introductory, Financial, and Statistical, as well as all disclosures necessary for the reader to gain an understanding of the College's financial operations.

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

### Legal Requirement

As a lump sum agency of the State of South Carolina, the College is required to provide a complete set of audited financial statements by October of each year for incorporation into the statewide Comprehensive Annual Financial Report. This report fulfills that requirement for the fiscal year ending June 30, 2011.

### Assumption of Responsibility

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

### Internal Control

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

The College of Charleston's Office of Internal Audit periodically reviews procedures and issues reports with recommended improvements to the system. This office reports directly to the Executive Vice President for Business Affairs. In addition, annual audits are conducted by independent auditors which include testing to ensure the adequacy of internal controls and the College's compliance with applicable laws and regulations.

### Independent Audit

Audits are conducted on an annual basis by an independent audit firm. For the fiscal year ended 2011, the audit was conducted by ElliottDavis, LLC. The audited report appears in the front of the Financial Section and expresses an unqualified opinion on the College's financial statements.

Furthermore, ElliottDavis, LLC audits the College's federal programs to ensure compliance with the requirements of the Single Audit Act of 1984 as provided under Federal Circular A-133 for federal grants and contracts. In accordance with NCAA (National Collegiate Athletic Association) Bylaw 6.2.3.1, ElliottDavis will perform the audit work of the agreed upon procedures of the College's Department of Athletics. The most recent audit (Fiscal Year 2010) detected no institutional liabilities related to the College's federal and athletic programs. Finally, the College is audited on a periodic basis by the S. C. Budget and Control Board Division of General Services to ensure compliance with the provisions of the South Carolina Procurement Code.

#### Reference to MD&A

The letter of transmittal complements and should be read in conjunction with Management's Discussion and Analysis (pages 25-35). The discussion focuses on recent activities, accounting changes, and currently known facts.

### **PROFILE OF GOVERNMENT**

#### Basic Information

The College of Charleston is a state supported, coeducational institution of higher education. The Board of Trustees is the governing body for the College and is responsible for the administration and management thereof. Founded in 1770, and chartered in 1785, the College is the oldest institution of higher education in South Carolina and the thirteenth oldest in the United States. Today, this thriving academic institution offers a superlative liberal arts and sciences education for more than 11,500 undergraduate and graduate students.

The College of Charleston is committed to attracting the most promising students from South Carolina as well from other states and nations. The average combined SAT scores of entering freshmen for the Fall 2010 was 1,211, far exceeding the state and national averages for the past several years. Out-of-state and international students comprise 32% of the student enrollment with 50 states and U. S. possessions and 71 foreign countries represented.

#### Component Units

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

## Budget

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

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

## **INFORMATION USEFUL FOR ASSESSING THE ECONOMIC CONDITION**

### Local Economy

The entire country, including South Carolina, is hoping to emerge from the major recession that occurred a few years ago. Although most of the economic indicators point to signs of recovery, actual improvement has been slow and has occurred in minimal increments. Volatility in the United States financial markets and worldwide economies has had an impact on the recovery, and some experts are predicting a possible double dip recession. The housing market has only slightly improved and unemployment is still a problem in most parts of the country. Increases in gasoline, food, shelter, and apparel prices have caused the Consumer Price Index for All Urban Consumers (CPI-U) to increase 3.8% over the past 12 months<sup>1</sup>. The Employment Cost Index, which includes wages, salaries and benefits, has risen only 0.7% during the last quarter of FY2011<sup>2</sup>. Therefore consumer prices are increasing more than individual earnings.

South Carolina's economy is showing some of the same trends as the US economy. Average home prices are down in most areas of South Carolina compared to a year ago, with average time on the market of more than three months. Looking at some of the economic indicators for the state<sup>3</sup>, retail sales are 4.4% lower than last year, and consumer confidence is low. However, when one considers some of the economic indexes there are slight signs of recovery. The Coincident Index for South Carolina as of June 30, 2011 was 94.653, which is 0.21% higher than the previous year. The Coincident Index tracks overall economic conditions, and considers nonfarm employment, real earnings, unemployment, and average weekly hours worked in manufacturing. The South Carolina Leading Index rose to 106.3, showing a 4.7% increase over last year.

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<sup>1</sup> Bureau of Labor Statistics, U.S. Department of Labor, News Release, September 15, 2011

<sup>2</sup> Bureau of Labor Statistics, U.S. Department of Labor, News Release, July 29, 2011

<sup>3</sup> University of South Carolina, Moore School of Business, South Carolina Economic Trends

The actual number of jobs is up in South Carolina compared to last year. As of August, 2011 total nonfarm jobs were 0.8% higher than August, 2010<sup>4</sup>. Statewide, the industries with the most growth are mining and logging, manufacturing, and professional and business services. It is interesting to note that reductions to government jobs have offset these increases for the most part. Looking at the Charleston/North Charleston Metropolitan Statistical Area (MSA) specifically<sup>5</sup>, the industries showing the most growth over the prior year were accommodation and food services (+7.08%), leisure and hospitality (+5.45%), food services (+5.06%), and administrative and support and waste management and remediation services (+4.19%). The increases in most of these particular industries are a good sign for the local economy since it is so heavily dependent on tourism activities. The government sector comprises approximately 20% of the total number of jobs in the Charleston area, and showed a slight decrease (-1.39%) similar to the decrease in statewide government jobs.

The US unemployment rate has dropped from 9.6% in August 2010 to 9.1% in August 2011. In general South Carolina's unemployment rate follows the US unemployment rate; however since mid-2009 the SC rate has been higher. Although the unemployment rate in South Carolina only rose in total from 11.0% to 11.1%<sup>6</sup> for the year, it declined for several months during the first half of the year and has been rising every month since March, 2011. South Carolina is one of the states with the highest unemployment rates in the country. Even though the unemployment rate has recently risen, initial claims for unemployment insurance have dropped 20% and actual unemployment benefits paid dropped 25%<sup>7</sup>, showing possible signs of improvement. Also, the unemployment rate has recently risen due to a growing number of people seeking employment, which demonstrates people's possible optimism for the future. Within South Carolina, rural areas have experienced higher levels of unemployment, and the Charleston and Greenville areas have experienced lower levels of unemployment.

Considering all of this information, the state is focusing its efforts on bringing in new businesses to South Carolina, and encouraging the expansion of existing businesses. During the past six months, several companies have announced plans to open new locations or expand their operations in South Carolina. These activities are expected to bring hundreds of new jobs to the state, but it will take several months to see the actual results. According to the South Carolina Department of Commerce, "South Carolina has announced the recruitment of more than \$66 million in investment and more than 700 jobs in the aerospace related sector so far this year."<sup>8</sup> In addition, Area Development magazine, a leading national economic development publication, awarded South Carolina with its 2011 Gold Shovel award for the state's economic development efforts last year.<sup>9</sup> This marks the first time South Carolina has received this award (SC has previously received the Silver Shovel award).

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<sup>4</sup> Bureau of Labor Statistics, U.S. Department of Labor, Economy at a Glance

<sup>5</sup> SC Department of Employment and Workforce, Current Employment Statistics

<sup>6</sup> SC Department of Employment and Workforce, News Release, September 16, 2011

<sup>7</sup> University of South Carolina, Moore School of Business, South Carolina Economic Trends

<sup>8</sup> SC Department of Commerce, News Release, September 14, 2011

<sup>9</sup> SC Department of Commerce, News Release, April 25, 2011

### Long term Financial Planning

Future capital acquisitions of the College include progress on the development of Dixie Plantation, completion of renovations to the Hungry Cougar, the Center for Social Science Research, the former Robert Scott Small dance studio for classroom space, and several historic houses that will house English faculty. We will also begin the design for the completion of the new science center. The facilities master plan is currently being revised and will be released in the near future. The master plan will consider needs outlined in the Strategic Plan and other academic, administrative, research, or auxiliary space deficiencies identified from space analyses.

The Strategic Plan outlines funding requirements to carry out its goals and strategies. The plan involves the development of a new financial model that promotes more aggressive external fundraising; new attention to securing grant funding for teaching, research, and related activities; and careful management of enrollment and tuition. Current year efforts related to the strategic plan have been dampened due to funding reductions by the state. The College will work to expand alternative funding sources as noted above to continue to advance the strategic plan initiatives.

### Relevant Financial Policies

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

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

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

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

### Major Initiatives

There are several items of note regarding FY2011 activities which will continue into the following fiscal year.

- Comprehensive Program for Quality and Efficiency (CPQE), implemented in August 2010. The CPQE will provide for continued opportunities for quality enhancement, productivity improvement, and cost containment.
- Facilities Master Plan, to be released in the near future, will provide a roadmap for future campus development.
- Continuation of implementation of the Strategic Plan, adopted in 2009
- Preparation of the launch of a comprehensive fundraising campaign, to assist with implementation of the strategic plan

## **AWARDS AND ACKNOWLEDGEMENTS**

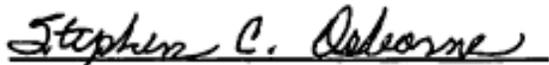
### Certificate of Achievement for Excellence in Financial Reporting

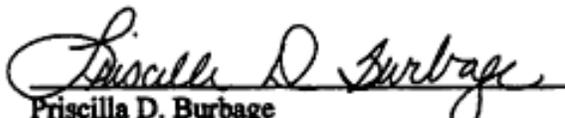
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the College of Charleston for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

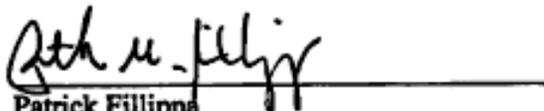
We wish to thank the Board of Trustees and the President of the College for their continued commitment to the fiscal management of the College. Likewise, we wish to thank the members of the College community whose cooperation made the successful close of the fiscal year possible.

  
Stephen C. Osborne  
Executive Vice President for Business Affairs

  
Priscilla D. Burbage  
Vice President for Fiscal Services

  
Dawn Willan, C.P.A.  
Controller

  
Kenneth "Rick" Mims, C. P. A.  
Deputy Controller

  
Patrick Fillippa  
Deputy Controller

  
Phyllis Singleton  
Associate Controller

**COLLEGE OF CHARLESTON  
BOARD OF TRUSTEES  
2010- 2011**

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Alumni Association Trustee

William D. Johnson  
Fifth District

G. Lee Mikell  
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Marie M. Land, Chair  
Sixth District

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Third District

Lawrence R. Miller  
Fourth District

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Member-At-Large

Annaliza Oehmig Moorhead  
Third District

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Second District

Toya D. Pound  
Governor's Designee

Demetria Noisette Clemons  
Sixth District

Daniel Ravenel  
Member-At-Large

Dr. L. Cherry Daniel  
First District

Jeff M. Schliz  
Governor's Appointee

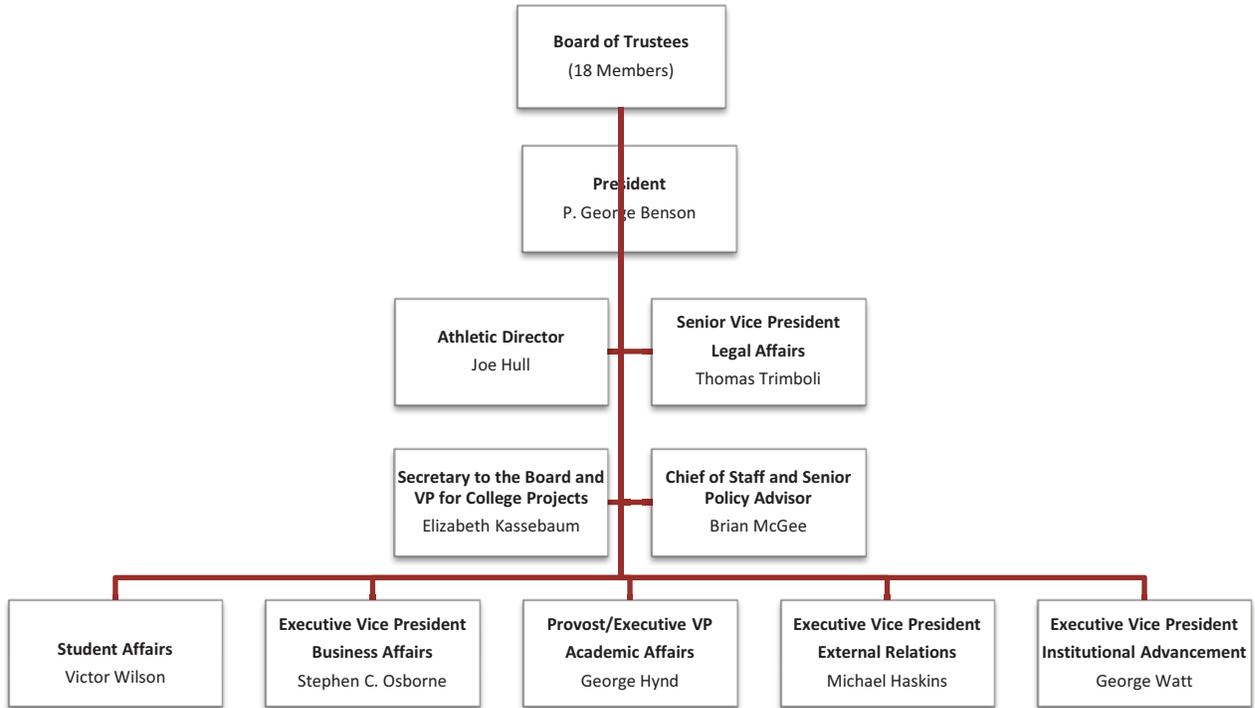
Frank M. Gadsden  
Fifth District

Joseph F. Thompson, Jr.  
First District

James F. Hightower  
Member-At-Large

John B. Wood, Jr.  
Fourth District

**COLLEGE OF CHARLESTON  
PRESIDENT'S OFFICE  
ORGANIZATIONAL STRUCTURE**



**COLLEGE OF CHARLESTON  
BUSINESS AND FINANCE OFFICERS  
2010-2011**

Stephen C. Osborne  
Executive Vice President for Business Affairs

Priscilla Burbage  
Vice President for Fiscal Services

Dawn Willan, C.P.A.  
Controller

Kenneth "Rick" Mims, C.P.A.  
Deputy Controller

Phyllis Singleton  
Associate Controller

Patrick Fillippa  
Deputy Controller

Samuel B. Jones  
Director of Budgeting and Payroll Services

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

David Katz  
Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

College of Charleston  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

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



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

# COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*Located between 65 and 69 Coming Street, near the Addlestone Library, the Pi Kappa Phi Bell Tower was dedicated by the national fraternity in honor of its 100th anniversary in 2004. The fraternity was founded at the College on December 10, 1904.*

## FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the College of Charleston, a department of the State of South Carolina, as of and for the year ended June 30, 2011, which collectively comprise the College of Charleston's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College of Charleston's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the College of Charleston Foundation (a discretely presented component unit). The College of Charleston Foundation's financial statements reflect 97% of total assets, 97% of net assets, and 90% of total revenues of the discretely presented component units. Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these discretely presented component units, are based solely on the reports of the other auditor.

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

As discussed in Note 1, the financial statements of the College of Charleston are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of the College of Charleston. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2011, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of the College of Charleston as of June 30, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2011 on our consideration of the College of Charleston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

*Elliott Davis, LLC*

Greenwood, South Carolina  
October 10, 2011

**COLLEGE OF CHARLESTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

**Introduction**

The College of Charleston's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and guides the reader toward significant financial matters for the year ended June 30, 2011. Management has prepared the discussion and recommends reading it in conjunction with the accompanying financial statements and notes. The responsibility for the financial statements, notes, and this discussion rests with management.

**Financial and Other Highlights**

- Net assets of \$244.0 million in fiscal year 2011 grew by \$17.2 million or 7.6% in comparison to 2010.
- State appropriations totaling \$19.8 million in 2011 decreased by \$5.0 million or 20.1% from the prior year's appropriations.
- Tuition and fee revenue of \$118.8 million for FY2011 reflects an extra \$10.8 million, up approximately 10% in relation to FY2010.
- Scholarship and fellowship awards of \$15.7 million in FY2011 represent an augmentation of 28.7% from FY2010.
- Total operating expenses of \$203.6 million in FY2011 show an added 7.2% in contrast to FY2010.
- The College completed major renovations to Randolph Hall, the Cistern Yard, Towell Library, Porter's Lodge and Craig Hall.
- The final components of the Banner enterprise resource planning (ERP) system (Financial Aid, Student Accounts and Records and Registration) were implemented during the fiscal year.

**Using the Annual Financial Report**

The annual financial report encompasses three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These financial statements are prepared according to the Governmental Accounting Standards Board (GASB), Statements No. 34 and 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. They focus on the financial condition of the College, the results of operations, and its cash flows as a whole.

The three financial statements, similar to those of the private sector, should assist the reader of the annual report in assessing whether the College's overall financial condition (the Statement of Net Assets) has improved or deteriorated as a result of current year's financial activities (the Statement of Revenues, Expenses and Changes in Net Assets). In addition, the financial statements will help the reader ascertain whether the College can meet its financial obligations. The Statement of Cash Flows displays information related to both inflows and outflows of cash and further classifies activities by operating, noncapital financing, capital and related financing, and investing. Moreover, it answers the questions as to whether the institution is generating any extra cash that can be used to repay debt or to invest in new services, and whether the institution is generating enough cash to purchase the additional assets required for growth and maintenance. The elimination of internal service fund transactions ensures that

only transactions external to the College are shown in the statements. The following discussion elaborates further on the components and relationships of the three statements.

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

In addition, the **Statement of Net Assets** presents three major categories of net assets. The first category, invested in capital assets, net of related debt, illustrates the College's equity in property, plant, and equipment. The next category displays the restricted net assets subdivided into expendable and nonexpendable. The amount of nonexpendable restricted resources is available solely for investment purposes. Expendable restricted net assets are available for expenditure but must be spent for purposes as determined by donors and/or external entities based on the defined restrictions. The final category is unrestricted net assets which may be expended for any lawful purpose of the institution.

Secondly, the **Statement of Revenues, Expenses and Changes in Net Assets** presents the sources of revenue, types of expenses, gains or losses, and changes

in net assets. Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the College's revenues, including State appropriations, gifts, and investment income (loss) are considered nonoperating. The dependence of public educational institutions on state funding, therefore, will normally result in operating deficits. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

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

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

Nonoperating revenues are monies received for which goods and services are not provided. State capital

appropriations as well as State Capital Improvement Bond proceeds are considered neither operating nor nonoperating revenues and are reported after "Income Before Other Revenues."

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

The second section presents cash flows from noncapital financing activities and reflects the cash received and spent for noncapital financing purposes. Cash used for the acquisition and construction of capital and related items is detailed in

the cash flows from capital and related financing activities section. The section on cash flows from investing activities shows the interest received from investing activities. The fifth section reconciles the change in net cash to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. This reconciliation is detailed in the financial statements of the College and is not included in this analysis.

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

### **Statement of Net Assets**

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

The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. A synopsis of the College's assets, liabilities, and net assets as of June 30, 2011 and 2010 follows.

<b>Condensed Statement of Net Assets</b>				
	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Assets</b>				
Current assets	\$ 117,060,718	\$ 96,725,654	\$ 20,335,064	21.0%
Capital assets, net of depreciation	350,883,964	360,147,181	(9,263,217)	-2.6%
Other noncurrent assets	5,300,604	6,486,889	(1,186,285)	-18.3%
<b>Total Assets</b>	<u>\$ 473,245,286</u>	<u>\$ 463,359,724</u>	<u>\$ 9,885,562</u>	2.1%
<b>Liabilities</b>				
Current liabilities	\$ 61,703,484	\$ 62,454,148	\$ (750,664)	-1.2%
Noncurrent liabilities	167,580,066	174,106,324	(6,526,258)	-3.7%
<b>Total Liabilities</b>	<u>\$ 229,283,550</u>	<u>\$ 236,560,472</u>	<u>\$ (7,276,922)</u>	-3.1%
<b>Net Assets</b>				
Invested in capital assets, net of debt	\$ 155,328,362	\$ 160,358,338	\$ (5,029,976)	-3.1%
Restricted -- nonexpendable	1,174,328	1,047,210	127,118	12.1%
Restricted -- expendable	44,321,089	49,130,975	(4,809,886)	-9.8%
Unrestricted	43,137,957	16,262,729	26,875,228	165.3%
<b>Total Net Assets</b>	<u>\$ 243,961,736</u>	<u>\$ 226,799,252</u>	<u>\$ 17,162,484</u>	7.6%

A 7.6% growth in the **Total Net Assets** illustrates that the College remains financially sound even through recent years of severe economic downturns and a sluggish recovery. During fiscal year 2011, the balance of total net assets of \$244.0 million grew by \$17.2 million.

Unrestricted net assets of \$43.1 million increased \$26.9 million or 165.3%. The majority of this increase is due to an increase in internal capital projects, and the reclassification of these projects from restricted-expendable to unrestricted in the current year. Accordingly, the net decrease in restricted-expendable net assets relates to the reclassification of these internal capital projects. Increases in cash, from revenue streams consisting of student tuition and fees along with sales of auxiliary services, also contributed to the growth in unrestricted net assets.

The aggregation of fund balances in the amount of \$155.3 million for investments in capital assets, net of related debt decreased, showing a reduction of \$5.0 million or 3.1%. The total balance represents capital asset accounts (net of related debt) of the College's real, personal, and intangible property. The College's capital assets include land and property in an area of approximately 11 city blocks in the center of downtown Charleston. The decrease in the respective fund balance is the result of current year depreciation expense, net of reduced outstanding debt balances and reduced additions.

Restricted nonexpendable net assets represent the College's permanent endowments. The College is the recipient of a permanent endowment of \$0.1 million from the South Carolina Commission on Higher Education. The

other endowment in the amount of \$1.0 million is funded through the South Carolina Research Center of Economic Excellence Act of 2002. Please see Note 12 for additional information regarding this endowment.

**Total Assets** of \$473.2 million have increased by \$9.9 million or 2.1% from last fiscal year to the current fiscal year. The \$20.3 million increase in current assets explains the majority of the increase. This increase is mostly attributable to increased cash on hand at year end. Cash and cash equivalents comprise approximately 93% of current assets. Included in the current cash balance is funding for internal capital projects and deferred maintenance.

In regard to total current assets, the receivable balances for grants and contracts decreased by approximately \$1.0 million (35%) primarily as a result of timing differences related to the posting of cash drawdowns. In this particular instance the prior year receivables include approximately \$0.8 million due from the Department of Education that was received shortly after year end. The related receivables in the current year are significantly lower or zero balances.

Offsetting this decrease was an increase in student receivables due to an increase in tuition and fee charges, and a temporary change in College policies related to dropping students for nonpayment due to the sluggish recovery of the economy.

Noncurrent assets decreased, mostly due to a reduction in capital assets net of accumulated depreciation of \$9.3 million. This decrease is the net effect of current year depreciation expense and net additions throughout the year.

**Total Liabilities** of \$229.3 million decreased by 3.1%. Current liabilities had a marginal decrease while noncurrent liabilities decreased by \$6.5 million. The decrease in noncurrent liabilities is attributable mostly to scheduled principal payments of approximately \$6.3 million on outstanding debt.

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

### **Statement of Revenues, Expenses, and Changes in Net Assets**

Revenues, Expenses and Changes in Net Assets which follows.

The results of the operations of the College are shown in the Statement of

<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>				
	<b>2011</b>	<b>2010</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Revenues:</b>				
Tuition and fees*	\$ 118,767,774	\$ 108,008,885	\$ 10,758,889	10.0%
Federal, state, and local grants and contracts	26,601,280	26,218,018	383,262	1.5%
Auxiliary services*	40,594,871	36,453,029	4,141,842	11.4%
Other	2,054,544	3,297,018	(1,242,474)	-37.7%
Total Operating Revenues	<u>\$ 188,018,469</u>	<u>\$ 173,976,950</u>	<u>\$ 14,041,519</u>	8.1%
State appropriations	\$ 19,794,261	\$ 24,766,325	\$ (4,972,064)	-20.1%
Federal grants and contracts	14,792,183	12,576,494	2,215,689	17.6%
State grants and contracts	184	-	184	100.0%
Gifts	2,514,944	2,181,187	333,757	15.3%
Auxiliary enterprises interest income	206,229	301,221	(94,992)	-31.5%
Interest/investment income	648,785	3,456,998	(2,808,213)	-81.2%
Nongovernmental grants and contracts	538,169	538,774	(605)	-0.1%
Capital appropriations	218,033	1,108,157	(890,124)	-80.3%
Capital improvement bond proceeds	2,372,846	-	2,372,846	100.0%
Capital gifts	155,250	165,000	(9,750)	-5.9%
Total Nonoperating Revenues	<u>\$ 41,240,884</u>	<u>\$ 45,094,156</u>	<u>\$ (3,853,272)</u>	-8.5%
Total Revenues	<u>\$ 229,259,353</u>	<u>\$ 219,071,106</u>	<u>\$ 10,188,247</u>	4.7%
<b>Expenses:</b>				
Personnel cost	\$ 89,741,717	\$ 89,415,174	\$ 326,543	0.4%
Benefits	23,982,928	22,901,295	1,081,633	4.7%
Supplies and services	51,464,903	43,541,270	7,923,633	18.2%
Utilities	7,970,790	7,457,697	513,093	6.9%
Scholarships and fellowships	15,676,273	12,175,798	3,500,475	28.7%
Depreciation and amortization	14,757,090	14,373,202	383,888	2.7%
Total Operating Expenses	<u>\$ 203,593,701</u>	<u>\$ 189,864,436</u>	<u>\$ 13,729,265</u>	7.2%
Interest on capital assets and related debt	\$ 8,503,098	\$ 9,387,583	\$ (884,485)	-9.4%
Loss on sale or disposal of assets	70	35,513	(35,443)	-99.8%
Total Nonoperating Expenses	<u>\$ 8,503,168</u>	<u>\$ 9,423,096</u>	<u>\$ (919,928)</u>	-9.8%
Total Expenses	<u>\$ 212,096,869</u>	<u>\$ 199,287,532</u>	<u>\$ 12,809,337</u>	6.4%
<b>Change in Net Assets</b>	<u>\$ 17,162,484</u>	<u>\$ 19,783,574</u>	<u>\$ (2,621,090)</u>	-13.2%
<b>Net Assets, Beginning</b>	<u>226,799,252</u>	<u>207,015,678</u>	<u>19,783,574</u>	9.6%
<b>Net Assets, Ending</b>	<u><u>\$ 243,961,736</u></u>	<u><u>\$ 226,799,252</u></u>	<u><u>\$ 17,162,484</u></u>	7.6%

\* Net of scholarship discounts and allowances

For fiscal year 2011, the Statement of Revenues, Expenses, and Changes in Net Assets reflects a net asset balance of \$244.0 million, an augmentation of \$17.2 million or 7.6% in comparison to FY2010. Total revenue summed to \$229.3 million while total expenses excluding interest on debt and the loss on disposal of capital assets totaled \$203.6 million. The primary streams of revenue sources consist of tuition and fees, grants and contracts, auxiliary services, and state appropriations.

Tuition and related fees of \$118.8 million comprise the largest part of the total operating revenues. Tuition and related fees increased by 14.75% for the fall semester and 7% for the spring semester during this fiscal year. For fiscal years 2011 and 2010 tuition and fees comprise 51.8% and 49.3% of total revenue, respectively.

State appropriations encompass 8.6% or \$19.8 million of the total revenue. The total of State appropriations was reduced by 20.1% or \$5.0 million from FY10 to FY11. All appropriation items from last year were reduced or removed, but in FY11 the College only received a small appropriation for Employee Pay Funds. These funds are allocated to cover a portion of mandated increases to employer benefit expenses.

Federal, state, and local grant revenue at \$26.6 million reflects a 1.5% or \$0.4 million expansion in funds. The funding from the American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Act Funds (stimulus) by way of the U. S. Department of Education increased \$0.3 million compared to last year.

Revenues from the auxiliary systems produce 17.7% or \$40.6 million of the

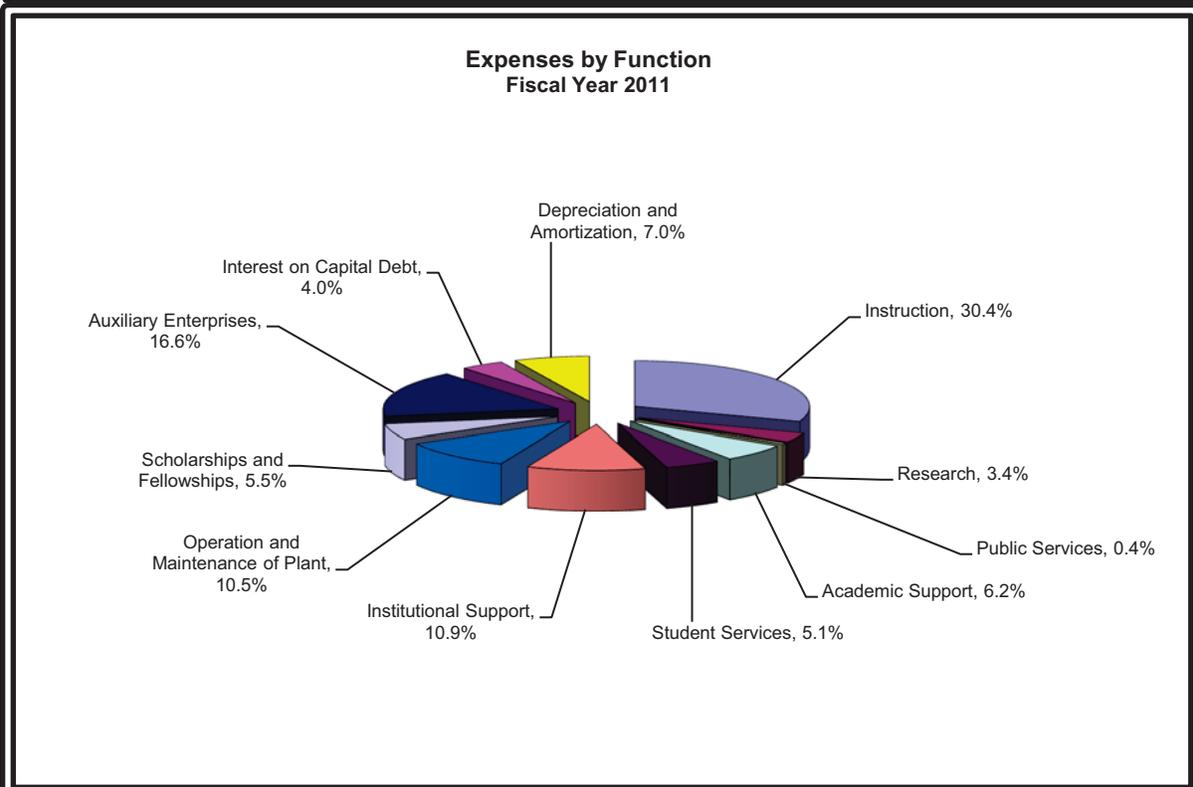
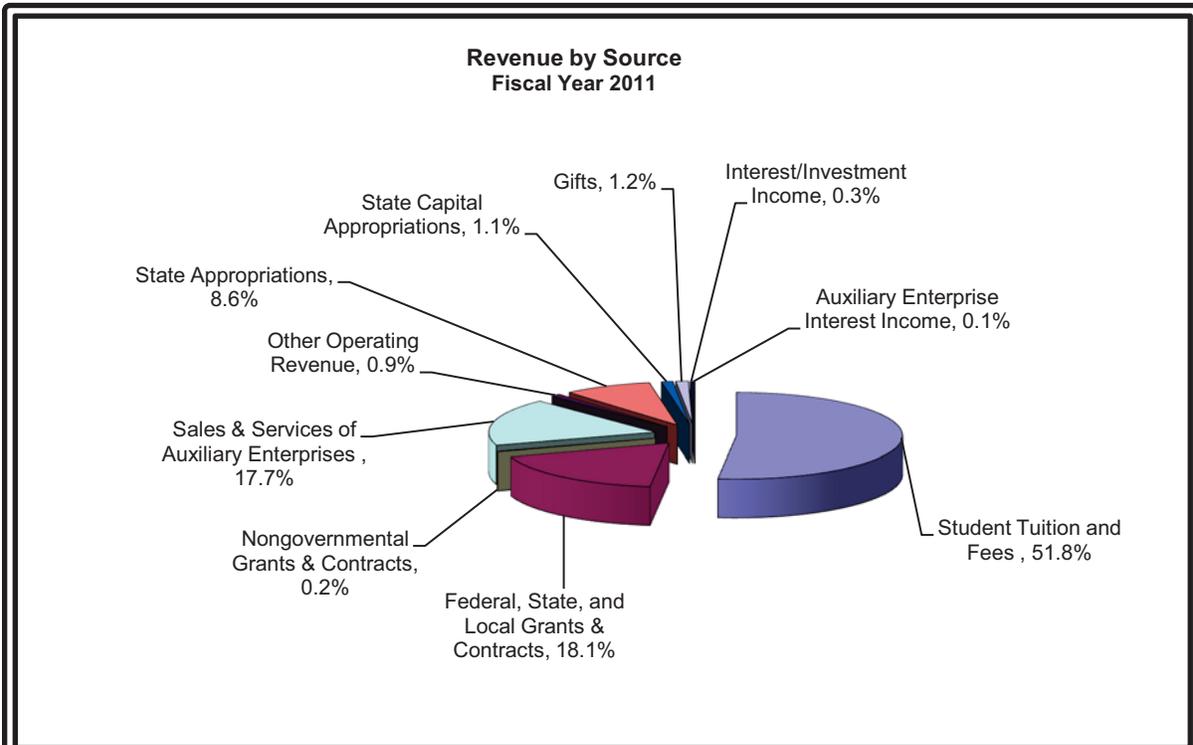
total revenue and show an increase of \$4.1 million or 11.4% in contrast to FY2010. Sales and services of auxiliary enterprises are comprised of athletics, health services, bookstore commissions, rentals, student housing, food services, vending, and parking. Each component of auxiliary services shows an increase in revenues due to increases in student fees and a reclassification of related revenue items previously included in other sources. Accordingly revenue from other sources shows a decrease of \$1.2 million from the previous year. Overall gifts for were up in FY2011 by \$334 thousand, which is an increase of 15.3%.

Total operating expenses reported for FY2011 were \$203.6 million. Personnel costs and benefits comprise most of the operating expenses of the College. Approximately \$113.7 million or 55.9% of the total operating expenses covered employee compensation and benefits for the fiscal year. Operating expenses increased by 7.2% or \$13.7 million due mostly to increases in benefits, supplies and services, and scholarships and fellowships. Personnel costs increased slightly, and benefits costs increased due to increases in the employer contribution for medical, dental, and retirement programs. Depreciation and amortization increased by 2.7% due to the completion of capital asset renovation projects including Randolph Hall, the Cistern Yard, Towell Library, Porter's Lodge and Craig Hall. Scholarships and fellowships grew by 28.7% as a result of the College allocating additional funding to scholarships. Interest on capital assets and related debt shows a decrease of 9.4% or \$0.9 million due to decreased outstanding debt balances.

The College drew \$2.4 million of State Capital Improvement Bond proceeds, which were used for the renovation of

Randolph Hall. The College did not draw any University Infrastructure Bond proceeds or Capital Reserve funds during the fiscal year.

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



## Statement of Cash Flows

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

College during the year ended June 30, 2011. A synopsis of the Statement of Cash Flows follows.

<b>Condensed Statement of Cash Flows</b>				
	<b>2011</b>	<b>2010</b>	<b>Increase (Decrease)</b>	<b>Percent Charge</b>
Net cash provided by operating activities	\$ 340,155	\$ 567,008	\$ (226,853)	-40.0%
Net cash provided by noncapital financing activities	37,539,094	40,488,935	(2,949,841)	-7.3%
Net cash used by capital debt and related financing activities	(17,177,160)	(41,636,217)	24,459,057	58.7%
Net cash provided by investing activities	275,696	448,072	(172,376)	-38.5%
<b>Net Increase (Decrease) in Cash</b>	<b>20,977,785</b>	<b>(132,202)</b>	<b>21,109,987</b>	<b>15968.0%</b>
<b>Cash and cash equivalents, Beginning of Year</b>	<b>88,399,000</b>	<b>88,531,202</b>	<b>(132,202)</b>	<b>-0.1%</b>
<b>Cash and cash equivalents, End of Year</b>	<b>\$ 109,376,785</b>	<b>\$ 88,399,000</b>	<b>\$ 20,977,785</b>	<b>23.7%</b>

To begin with, cash flows from operating activities decreased by \$0.2 million or 40.0%. Increases in cash flow from operating activities include tuition and fees, grants and contracts, and sales of auxiliary services. Receipts for tuition and fees increased \$12.7 million, and receipts for grants and contracts increased \$1.8 million. Cash receipts for sales of auxiliary services increased by \$4.2 million and stems primarily from increases to student fees and a reclassification of specific related revenue items. Athletics and food service revenues had the greatest increases within auxiliary services. Decreases in cash flow within operating activities include salaries and benefits, supplies and services, and scholarships and fellowships.

Meanwhile, cash provided by noncapital financing activities decreased by \$2.9 million or 7.3% driven by reductions to state appropriations. Cash from state appropriations of \$19.8 million in 2011 was \$5 million less than the amount in 2010. The majority of state agencies suffered substantial budget cuts due to State revenue shortfalls.

Finally, payments for capital expenditures were substantially less for fiscal year 2011, \$6.2 million in comparison to \$31.2 million.

As of June 30, 2011, cash and cash equivalents made up 23.1% of the total assets of the College.

## **Capital Asset and Debt Activity**

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

The College had approximately \$350.9 million invested in capital assets, net of accumulated depreciation of \$126.3 million at June 30, 2011. Total net capital

assets at June 30, 2011 decreased by \$9.3 million or 2.6% in comparison to June 30, 2010. Accumulated depreciation for at June 30, 2010 was \$111.8 million.

Several renovation projects were completed during the year and transferred from construction-in-progress to building improvements. The completion of these projects and reclassification of the capital expenditures explain the increases/decreases reflected in these accounts. A synopsis of the net capital assets for the fiscal years ended 2011 and 2010 further illustrates the significant changes between the accounting periods.

<b>Capital Assets</b>				
	<b>2011</b>	<b>2010</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
Land	\$ 41,850,600	\$ 41,850,600	\$ -	0.0%
Construction in progress	2,771,816	8,049,530	(5,277,714)	-65.6%
Land improvements	4,102,016	4,102,016	-	0.0%
Buildings	351,111,658	351,010,317	101,341	0.0%
Building improvements	54,536,262	45,731,093	8,805,169	19.3%
Machinery, equipment, and other	15,029,853	13,471,498	1,558,355	11.6%
Information technology equipment and software	7,180,487	7,180,487	-	0.0%
Motor vehicles	560,291	532,968	27,323	5.1%
Accumulated depreciation and amortization	(126,259,019)	(111,781,328)	(14,477,691)	13.0%
<b>Total Capital Assets - Net</b>	<b>\$ 350,883,964</b>	<b>\$ 360,147,181</b>	<b>\$ (9,263,217)</b>	<b>-2.6%</b>

## **Debt**

Outstanding long term debt was \$169.3 million as of June 30, 2011. Embedded in that figure is long term bond and note payable debt of \$165.7 million and \$3.6 million respectively. Total long-term debt is down by \$6.3 million in contrast to 2010 due to principal and debt payments. A short term bond anticipation note in the amount of \$33.5 million at June 30, 2011 is expected to be converted to long term debt during FY 2012.

See notes 5, 10, and 11 for additional information on capital assets and long-term debt.

## **Economic Outlook**

As a state-supported higher education institution, the economic position of the College directly correlates to the State of South Carolina. The fiscal year end 2011 news release of the S. C. Comptroller General's Office<sup>1</sup> reported a \$122.7 million surplus in the Budgetary General Fund.

<sup>1</sup> News Release, Comptroller General's Office, August 30, 2011

Although there was a surplus at year end, the State is proceeding cautiously in regards to its current year budget due to continued signs of economic and financial volatility. The surplus has been transferred to the Contingency Reserve Fund, and their current approach follows a conservative theme, calling for continued cuts to nonessential spending, and replenishing reserve funds.

The unemployment rate continues to increase in recent months in South Carolina according to the *South Carolina Employment Situation*<sup>2</sup>. The rate was 11.1% in August, 2011 compared to 11.0% in August, 2010. South Carolina has maintained one of the highest unemployment rates in the country. Although the unemployment rate has not increased significantly from last year, the initial claims for unemployment and the duration of payments have decreased in recent months. The overall job count was 16,500 higher than it was in August 2010. Government sector employment decreased while manufacturing, leisure and hospitality, and professional and business services provided the majority of new jobs. This increase in jobs provides some hope for the future, but the pace of economic recovery has been slow compared to expectations. Home prices in South Carolina continue to fall, the national consumer price index is up while consumer confidence is down.

The State did not institute a mid-year reduction to the FY11 appropriation as it had in the previous fiscal year. However, the state imposed a moratorium on new construction

projects unless tuition increases were held to 7% or less. The original FY11 approved tuition increase was 14.75%. In order to lift the moratorium the College reduced in-state tuition increases for the spring semester to 7.0%. The tuition reduction resulted in a \$2.3 million reduction to budgeted revenue for the year. This reduction mostly impacted the ability to implement certain components of the strategic plan. Currently there is no indication of a mid-year appropriation reduction in FY12, but there is still a level of uncertainty related to state revenues. Another concern is the unfunded liability in the State Retirement System of approximately \$14 billion, which continues to grow. There is a possibility that the pension shortfall will result in reduced appropriations to higher education in the coming years.

The College of Charleston along with all of South Carolina's institutions of public higher education continues to experience dwindling support in state funding. Currently, the College's budget is comprised of only 8.02% from state appropriations, down from 8.57% and 11.57% in FY11 and FY10 respectively.

During FY11, the total revenue appropriated to the College from the state was \$19.8 million. The College received approximately \$5.0 million of American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Act (stimulus). As in prior years, management did not use the money to replace state appropriations for recurring operational costs. The College used the ARRA money to defray the current year's operational expenses freeing up funding to cover

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<sup>2</sup> South Carolina's Employment Situation  
August 2011, Released: September 16, 2011,  
S. C. Department of Employment and Workforce

one time capital project expenditures. The College does not expect to receive any ARRA funding in FY12.

The College of Charleston is currently in the process of updating the campus master plan. The College has been working with a master planning team to develop a 10 year plan for potential growth and changes for the College. The planners have based their ideas on both current needs of the campus as well as the strategic plan and the vision of where the College is going in the next 10 years. The College continues to advance components of its strategic plan, even though efforts were adversely affected by the tuition reduction in FY11. With the ability to increase tuition limited by the State, the College has focused its efforts on increasing funds from external sources such as grants, contracts, and

donations. The College is about to embark on a major capital campaign that will take it to new heights of educational excellence.

The College recently began the implementation of an enterprise facility management program with components of real estate, space management, capital projects and maintenance management. The implementation is expected to take 18 months and is one of the larger implementations of the BATTERY project.

#### **More Information**

This financial report is designed to provide a general overview of the College of Charleston's finances. Any questions or requests for information may be addressed to: Dawn Willan, Controller; College of Charleston.

**COLLEGE OF CHARLESTON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 45,979,194
Cash and cash equivalents, restricted	63,229,350
Accounts receivable	2,806,390
Allowances for bad debts	(225,000)
Grants and contracts receivable	1,922,689
Component unit receivable	610,458
Interest income receivable	98,926
Prepaid items	2,453,156
Inventories	185,555
<b>Total Current Assets</b>	<b>\$ 117,060,718</b>

**Noncurrent Assets**

Cash and cash equivalents, restricted	\$ 168,241
Component unit receivable	1,354,474
Student loans receivable	2,097,566
Prepaid items	382,697
Bond issue costs (net)	1,297,626
Capital assets not being depreciated	44,622,416
Capital assets, net of accumulated depreciation	306,261,548
<b>Total Noncurrent Assets</b>	<b>\$ 356,184,568</b>

<b>Total Assets</b>	<b>\$ 473,245,286</b>
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**Liabilities And Net Assets**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 4,578,370
Accrued payroll and related liabilities	7,324,415
Retainage payable	130,567
Deferred and unearned student revenues	4,764,916
Deposits held for others	276,233
Student deposits	352,118
Compensated absences payable	1,940,003
Accrued interest payable	2,187,399
Bond anticipation note	33,500,000
Notes payable	739,876
Bonds payable	5,906,779
Other liabilities	2,808
<b>Total Current Liabilities</b>	<b>\$ 61,703,484</b>

**Noncurrent Liabilities**

Compensated absences payable	\$ 2,499,925
Notes payable	2,810,056
Bonds payable	159,805,135
Federal capital contribution	2,464,950
<b>Total Noncurrent Liabilities</b>	<b>\$ 167,580,066</b>

<b>Total Liabilities</b>	<b>\$ 229,283,550</b>
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**Net Assets**

Invested in capital assets, net of related debt	\$ 155,328,362
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**Restricted for:**

Nonexpendable	
Endowed professorship	109,527
Endowment other	1,064,801
Expendable	
Scholarships and fellowships	230,168
Research	56,821
Loans	21,986
Capital projects	40,132,188
Debt service	3,879,926

<b>Unrestricted</b>	<b>43,137,957</b>
<b>Total Net Assets</b>	<b>\$ 243,961,736</b>

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Operating Revenues**

Tuition and related fees (\$5,442,283 pledged for debt service; net of scholarship discounts and allowances of \$23,804,230)	\$ 118,767,774
Federal grants and contracts	8,244,315
State grants and contracts	17,980,663
Local grants and contracts	184,380
Nongovernmental grants and contracts	191,922
Educational activities revenues	689,627
Student organizations generated revenues	1,154,556
Sales and Services of Auxiliary Enterprises	
Revenues not pledged for debt service	
Athletics (net of scholarship discounts and allowances of \$1,764,985)	9,485,883
Health services (net of scholarship discounts and allowances of \$252,099)	1,144,415
Rental, vending, bookstore and debit card	1,300,664
Revenues pledged for debt service	
Housing (net of scholarship discounts and allowances of \$4,032,703)	18,188,036
Food service (net of scholarship discounts and allowances of \$1,624,329)	8,441,216
Parking	2,034,657
Other sources	210,361
<b>Total Operating Revenues</b>	<b>\$ 188,018,469</b>

**Operating Expenses**

Personnel cost	\$ 89,741,717
Benefits	23,982,928
Supplies and services	51,464,903
Utilities	7,970,790
Scholarships and fellowships	15,676,273
Depreciation and amortization	14,757,090
<b>Total Operating Expenses</b>	<b>\$ 203,593,701</b>

**Operating Loss**

\$ (15,575,232)

**Nonoperating Revenues (Expenses)**

State appropriations	\$ 19,794,261
Federal grants and contracts	14,792,183
State grants and contracts	184
Gifts	2,514,944
Auxiliary enterprises interest income	206,229
Interest/investment income	648,785
Interest expense on capital assets and related debt	(8,503,098)
Nongovernmental grants and contracts	538,169
Loss on sale of capital assets	(70)
<b>Total Net Nonoperating Revenues</b>	<b>\$ 29,991,587</b>

**Income Before Other Revenues**

\$ 14,416,355

**Other Revenues**

Capital appropriations	\$ 218,033
State capital improvement bond proceeds	2,372,846
Capital gifts	155,250
<b>Total Other Revenues</b>	<b>\$ 2,746,129</b>

**Increase In Net Assets**

\$ 17,162,484

**Net Assets, Beginning Of Year**

226,799,252

**Net Assets, End Of Year**

**\$ 243,961,736**

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

**Cash Flow From Operating Activities**

Tuition and fees	\$	120,167,200
Grants and contracts		27,041,239
Sales and services of education and other activities		1,844,183
Sales and services of auxiliary enterprises		40,610,373
Other operating revenues		210,361
Payments to employees for salaries and benefits		(113,874,376)
Payments to suppliers		(52,138,184)
Payments for utilities		(7,970,790)
Payments to students for scholarships and fellowships		(15,676,273)
Collection of loans from students		243,110
Loans issued to students		(131,167)
Deposits held for others		14,479
Student direct lending receipts		61,352,480
Student direct lending disbursements		(61,352,480)
<b>Net Cash Provided By Operating Activities</b>	<b>\$</b>	<b>340,155</b>

**Cash Flows From Noncapital Financing Activities**

State appropriations	\$	19,794,261
Gifts and grants for other than capital purpose		17,744,833
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>\$</b>	<b>37,539,094</b>

**Cash Flows From Capital And Related Financing Activities**

Proceeds from state capital appropriations	\$	218,033
Proceeds from state capital improvement bonds		2,372,846
Proceeds from capital grants and gifts		851,103
Purchases of capital assets		(6,219,386)
Proceeds from sales of capital assets		25,061
Principal paid on capital debt		(6,375,459)
Proceeds from investments in capital and related financing activities		504,907
Interest paid on capital related debt		(8,554,265)
<b>Net Cash Used by Capital Debt And Related Financing Activities</b>	<b>\$</b>	<b>(17,177,160)</b>

**Cash Flows From Investing Activities**

Interest on investments	\$	275,696
<b>Net Cash Provided by Investing Activities</b>	<b>\$</b>	<b>275,696</b>

Net change in cash and cash equivalents	\$	20,977,785
Cash and cash equivalents - Beginning of the Year		88,399,000
<b>Cash and Cash Equivalents - End of the Year</b>	<b>\$</b>	<b>109,376,785</b>

**Reconciliation of net operating loss to net cash provided by operating activities**

Operating loss	\$	(15,575,232)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities		
Depreciation and amortization expense		14,757,090

**Changes in assets and liabilities:**

Deposits held for others		14,479
Account receivable, net		436,017
Inventories		12,931
Student loan receivable		111,943
Prepaid expenses		747,323
Accounts payable and accrued expenses		(1,773,251)
Accrued compensated absences and related liabilities		189,984
Deferred revenue		1,215,592
Student and other deposits		203,279
<b>Net Cash Provided by Operating Activities</b>	<b>\$</b>	<b>340,155</b>

**Reconciliation of Cash and Cash Equivalent Balances:**

Current Assets:		
Cash and cash equivalents	\$	45,979,194
Cash and cash equivalents, restricted		63,229,350
Noncurrent assets:		
Restricted cash and equivalents		168,241
<b>Total Cash and Cash Equivalents</b>	<b>\$</b>	<b>109,376,785</b>

**COLLEGE OF CHARLESTON FOUNDATION  
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT  
 STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2011**

<b>Assets</b>	
Cash and cash equivalents	\$ 772,083
Accounts receivable	60,609
Prepaid expenses	250,207
Other assets	32,314
Unconditional promises to give, net	5,470,880
Investments	62,546,592
Contributions receivable from remainder trusts	359,047
Cash value of life insurance	56,766
Collections	5,245,769
Property and equipment, net	4,986,484
<b>Total Assets</b>	<b>\$ 79,780,751</b>

<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 415,766
Annuities payable	299,261
Marine Genomics grant payable (College of Charleston)	1,354,474
<b>Total Liabilities</b>	<b>\$ 2,069,501</b>

<b>Net Assets</b>	
Unrestricted:	
Board Designated quasi-endowment	\$ 473,944
Reserved for portion of donor designated endowment with investment losses below gift corpus	(37,483)
Undesignated	9,603,394
	<b>\$ 10,039,855</b>

Temporarily restricted:	
Restricted for:	
Program expenses	\$ 9,376,396
Portion of perpetual endowment subject to a time restriction under UPMIFA and with purpose restrictions	18,038,122
Investment in property	2,555,008
	<b>\$ 29,969,526</b>

Permanently restricted:	
Permanent endowments	\$ 37,701,869

<b>Total Net Assets</b>	<b>\$ 77,711,250</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 79,780,751</b>

See Accompanying Notes to Financial Statements

COLLEGE OF CHARLESTON FOUNDATION  
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, gains and other support:</b>				
Contributions	\$ 1,186,461	\$ 3,756,987	\$ 3,105,317	\$ 8,048,765
Net interest and dividend income	380,262	1,779,638	-	2,159,900
Rental income	820,841	-	-	820,841
Net realized and unrealized gains (losses) on long term investments	37,332	6,303,324	-	6,340,656
Other income	23,826	542,149	-	565,975
Special events	-	186,835	-	186,835
Changes in value of split interest agreements	-	(8,109)	-	(8,109)
	<u>\$ 2,448,722</u>	<u>\$ 12,560,824</u>	<u>\$ 3,105,317</u>	<u>\$ 18,114,863</u>
<b>Net assets released from restrictions:</b>				
Program restrictions satisfied	\$ 5,860,077	\$ (5,860,077)	\$ -	\$ -
Payment of administrative surcharges	452,850	(452,850)	-	-
	<u>\$ 8,761,649</u>	<u>\$ 6,247,897</u>	<u>\$ 3,105,317</u>	<u>\$ 18,114,863</u>
<b>Total revenue, gains (losses), and other support</b>	<b>\$ 8,761,649</b>	<b>\$ 6,247,897</b>	<b>\$ 3,105,317</b>	<b>\$ 18,114,863</b>
<b>Expenses:</b>				
<b>Program:</b>				
Student aid and recognition	\$ 2,026,680	\$ -	\$ -	\$ 2,026,680
Faculty/ community enrichment	4,618,808	-	-	4,618,808
Total program expenses	<u>\$ 6,645,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,645,488</u>
<b>Supporting Services:</b>				
General and administrative	\$ 617,444	\$ -	\$ -	\$ 617,444
Fundraising	899,120	-	-	899,120
Total supporting services	<u>\$ 1,516,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,516,564</u>
<b>Change in allowance for uncollectible promises to give</b>	<u>\$ 10,609</u>	<u>\$ (54,450)</u>	<u>\$ 52,715</u>	<u>\$ 8,874</u>
<b>Total Expenses</b>	<u>\$ 8,172,661</u>	<u>\$ (54,450)</u>	<u>\$ 52,715</u>	<u>\$ 8,170,926</u>
<b>Change in net assets</b>	<u>\$ 588,988</u>	<u>\$ 6,302,347</u>	<u>\$ 3,052,602</u>	<u>\$ 9,943,937</u>
<b>Net Assets, Beginning of Year (as previously reported)</b>	<u>\$ 11,165,723</u>	<u>\$ 23,813,970</u>	<u>\$ 34,649,267</u>	<u>\$ 69,628,960</u>
Restatement	(1,714,856)	(146,791)	-	(1,861,647)
<b>Net Assets, Beginning of Year (as restated)</b>	<u>\$ 9,450,867</u>	<u>\$ 23,667,179</u>	<u>\$ 34,649,267</u>	<u>\$ 67,767,313</u>
<b>Net Assets, End of Year</b>	<u>\$ 10,039,855</u>	<u>\$ 29,969,526</u>	<u>\$ 37,701,869</u>	<u>\$ 77,711,250</u>

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON COUGAR CLUB**  
**NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2011**

**Assets**

Cash and cash equivalents	\$	1,130,699
Cash and cash equivalents, restricted		768,698
Investments		43,357
Accounts receivable		8,852
Prepaid expenses		2,693
Unconditional promises to give, net		174,750
Property and equipment, net		7,678
<b>Total Assets</b>	<b>\$</b>	<b>2,136,727</b>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$	8,430
Due to related parties		15,447
Deferred revenue		10,000
Incentive compensation contract		43,357
<b>Total Liabilities</b>	<b>\$</b>	<b>77,234</b>

**Net Assets**

Unrestricted	\$	1,108,492
Temporarily restricted		951,001
<b>Total Net Assets</b>	<b>\$</b>	<b>2,059,493</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>2,136,727</b>

See Accompanying Notes to Financial Statements

COLLEGE OF CHARLESTON COUGAR CLUB  
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Total
<b>Revenue, gains and other support:</b>			
Contributions and memberships	\$ 984,082	\$ 913,273	\$ 1,897,355
Special events net of direct expenses of \$39,014	55,504	-	55,504
Interest	8,291	-	8,291
Other income	310	-	310
<b>Subtotal</b>	<b>\$ 1,048,187</b>	<b>\$ 913,273</b>	<b>\$ 1,961,460</b>
<b>Net assets released from restrictions</b>	<b>\$ 852,457</b>	<b>\$ (852,457)</b>	<b>\$ -</b>
<b>Total revenue, gains (losses), and other support</b>	<b>\$ 1,900,644</b>	<b>\$ 60,816</b>	<b>\$ 1,961,460</b>
<b>Expenses:</b>			
<b>Program:</b>			
Grants and support	\$ 1,517,229	\$ -	\$ 1,517,229
Membership activities	52,549	-	52,549
<b>Total program expenses</b>	<b>\$ 1,569,778</b>	<b>\$ -</b>	<b>\$ 1,569,778</b>
<b>Supporting Services:</b>			
Management and general	\$ 160,728	\$ -	\$ 160,728
Fundraising	64,043	-	64,043
<b>Total supporting services</b>	<b>\$ 224,771</b>	<b>\$ -</b>	<b>\$ 224,771</b>
<b>Total Expenses</b>	<b>\$ 1,794,549</b>	<b>\$ -</b>	<b>\$ 1,794,549</b>
<b>Change in net assets</b>	<b>\$ 106,095</b>	<b>\$ 60,816</b>	<b>\$ 166,911</b>
<b>Net Assets, Beginning of Year</b>	<b>\$ 1,002,397</b>	<b>\$ 890,185</b>	<b>\$ 1,892,582</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,108,492</b>	<b>\$ 951,001</b>	<b>\$ 2,059,493</b>

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

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

The accompanying basic financial statements present the statement of net assets, statement of revenue, expenses and changes in net assets, and the statement of cash flows of the College. The financial statements include individual schools and departments. The financial statements also include all funds and accounts of the College, and all component units.

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

include the accounts of the College, as the primary government, and the accounts of its discretely presented component units, the College of Charleston Foundation and the Cougar Club. The College is part of the primary government of the State of South Carolina.

The College of Charleston Foundation is a separately chartered corporation formed primarily to provide financial assistance and scholarships to the College. The Foundation reports under the Financial Accounting Standards Board (FASB) and historically operated on a calendar year basis. For the year ended June 30, 2011, the Foundation changed to a fiscal year end consistent with the College.

The Cougar Club is a separately chartered corporation organized exclusively to provide financial assistance and scholarships to the Athletic Department. The Cougar Club reports under FASB, and its fiscal year runs concurrent with that of the College.

**Financial Statement Presentation**

The financial statement presentation for the College 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 College's net assets, revenues, expenses and changes in net assets and cash flows. In addition and as per GASB Statement No. 39, its component units are discretely presented in the report.

### **Basis of Accounting**

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

The College has elected not to apply FASB pronouncements issued after November 30, 1989.

### **Cash, Cash Equivalents**

The amounts shown in the financial statements in the College funds as "cash and cash equivalents" represent petty cash, cash on deposits in banks, cash on deposit with the State Treasurer, cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool as well as cash invested in various short term

investments by the State Treasurer and held in separate agency accounts.

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

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

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

### **Investments**

The College accounts for its investments at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting*

*for Certain Investments and for External Investment Pools.* Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

### **Accounts Receivable**

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

### **Inventories**

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

### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by

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

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

### **Deferred Revenues and Deposits**

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

Deposits include residence hall deposits, advance tuition payments, and other miscellaneous deposits. Student

deposits are recognized as revenue during the semester for which the fee to which the deposit relates is applicable, and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

### **Rebatable Arbitrage**

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

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

### **Noncurrent Liabilities**

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

### **Compensated Absences**

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

The net change in the liability is recorded in the current year in the applicable functional expenditure categories. The liability and expense incurred are recorded at year end as compensated absences payable in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

### **Perkins Loans Receivable and Related Liability**

The loans receivable on the balance sheet is due to the College under the Perkins Loan Program. This program is funded primarily by the federal government with the College providing a required match. The amount reported as Perkins liability is the amount of cumulative federal contributions and a pro rata share of net earnings on the loans under this program which would

require repayment to the federal government if the College ceases to participate in the program. The College recognizes as revenue and expenses only the portion attributable to its matching contribution.

### **Net Assets**

The College's net assets are classified as follows:

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

*Restricted net assets – expendable:* Restricted expendable net assets include resources which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments. These resources also include auxiliary

enterprises, which are substantially self-supporting activities that provide services to students, faculty and staff.

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

### **Income Taxes**

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

### **Classification of Revenues and Expenses**

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

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

noncapital financing activities.

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

### **Scholarship Discounts and Allowances**

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

### **Sales and Services of Educational and Other Activities**

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

### **Auxiliary Enterprises and Internal Service Activities**

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

### **Use of Estimates in Accounting**

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

Estimates are used to determine the useful lives of long-lived assets such as

buildings, improvements, and equipment. The College has used approximations as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives.

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

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

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

Comprehensive Annual Financial Report of the State of South Carolina.

The following schedule as of June 30, 2011, reconciles deposits and investments in the notes to the Statement of Net Assets amounts:

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**Schedule of Deposits and Investments**  
As of June 30, 2011

**Statement of Net Assets**

Current assets

Cash and cash equivalents	\$ 45,979,194
Cash and cash equivalents, restricted	63,229,350

Noncurrent assets

Cash and cash equivalents, restricted	168,241
	<b><u>\$ 109,376,785</u></b>

**Disclosure, Deposits, and Investments**

Cash on hand	\$ 3,176
Deposits held by State Treasurer	109,308,694
Payroll checking account	10,023
Wachovia Perkins loan account	54,892
	<b><u>\$ 109,376,785</u></b>

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### **Deposits Held by State Treasurer**

#### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the deposits of the College of Charleston may not be returned to the College. For deposits held by the State Treasurer, State law requires full

collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2011, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, credit risk, interest rate risk, and concentration risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

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

### **Other Deposits**

The College owns approximately \$65,000 of other deposits which are held in checking accounts used for payroll and Perkins Loans collections. Federal Depository Insurance Corporation (FDIC) covers the deposits of the College's checking and Perkins Loans accounts up to the FDIC limit of \$250,000.

### **Restricted Cash Deposits**

Current restricted cash deposits of \$63,229,350 consist of \$60,984,377 for capital project accounts, \$1,695,553 for debt service accounts, and \$549,420 for other (auxiliary enterprise, grant and contract, etc.) accounts. Noncurrent restricted cash deposits of \$100,000 and \$68,241 are restricted for the endowment fund and Perkins Loan fund, respectively.

## **NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2011, are summarized as follows:

<b>Accounts Receivable As of June 30, 2011</b>	
Student accounts	\$ 1,951,720
Other	825,689
Auxiliary enterprises	28,981
Total accounts receivable	<u>\$ 2,806,390</u>
Allowance for doubtful accounts	<u>\$ (225,000)</u>
Federal grants and contracts	\$ 1,661,857
State grants and contracts	76,115
Nongovernmental grants and contracts	184,717
Total grants and contracts	<u>\$ 1,922,689</u>
Component units	\$ 1,964,932
Interest income	98,926
Student loans receivable	<u>2,097,566</u>
<b>Net Accounts Receivable</b>	<b><u>\$ 8,665,503</u></b>

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

current account portfolio. At June 30, 2011, the allowance for uncollectible student accounts is valued at \$225,000.

## NOTE 4 – LOANS RECEIVABLE

Student loans made through the federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2011. The Perkins Loan Program provides various repayment options. Students have the right to repay the loans over periods up to 10 years depending on the amount of the loan

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

## NOTE 5 – CAPITAL ASSETS

	Beginning Balance 7/1/2010	Increases	Decreases	Ending Balance 6/30/2011
Capital assets not being depreciated:				
Land	\$ 41,850,600	\$ -	\$ -	\$ 41,850,600
Construction in progress	8,049,530	4,376,593	(9,654,307)	2,771,816
Total capital assets not being depreciated	<u>\$ 49,900,130</u>	<u>\$ 4,376,593</u>	<u>\$ (9,654,307)</u>	<u>\$ 44,622,416</u>
Other capital assets:				
Land improvements	\$ 4,102,016	\$ -	\$ -	\$ 4,102,016
Buildings	351,010,317	101,341	-	351,111,658
Building improvements	45,731,093	8,805,169	-	54,536,262
Machinery, equipment, and other	13,471,498	1,710,653	(152,298)	15,029,853
Information technology equipment and software	7,180,487	-	-	7,180,487
Motor vehicles	532,968	61,334	(34,011)	560,291
Total other capital assets	<u>\$ 422,028,379</u>	<u>\$ 10,678,497</u>	<u>\$ (186,309)</u>	<u>\$ 432,520,567</u>
Less accumulated depreciation for:				
Land improvements	\$ 3,352,335	\$ 73,755	\$ -	\$ 3,426,090
Buildings	74,395,051	8,745,563	-	83,140,614
Building improvements	24,123,232	2,198,067	-	26,321,299
Machinery, equipment, and other	6,846,702	1,331,293	(131,765)	8,046,230
Information technology equipment and software	2,567,496	2,268,240	-	4,835,736
Motor vehicles	496,512	26,549	(34,011)	489,050
Total accumulated depreciation	<u>\$ 111,781,328</u>	<u>\$ 14,643,467</u>	<u>\$ (165,776)</u>	<u>\$ 126,259,019</u>
Other capital assets, net	<u>\$ 310,247,051</u>	<u>\$ (3,964,970)</u>	<u>\$ (20,533)</u>	<u>\$ 306,261,548</u>
<b>Capital assets, net</b>	<u><b>\$ 360,147,181</b></u>	<u><b>\$ 411,623</b></u>	<u><b>\$ (9,674,840)</b></u>	<u><b>\$ 350,883,964</b></u>

During fiscal year 2011, there was no capitalized interest. The depreciation expense was \$14,643,467. In addition, the College disposed of assets with a

net book value of \$20,533. The loss incurred from the disposal of assets totaled \$70.

## **NOTE 6 – RETIREMENT 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 average final compensation.

### **South Carolina Retirement System**

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

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

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2010, the employer contribution rate became 13.14 percent, which includes a 3.90 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ended June 30, 2011, 2010, and 2009, were \$3,632,418; \$3,756,466; and \$3,880,491 respectively, and equaled 100% of the required contributions of 9.24 percent (excluding the surcharge) for each year. Also, the College paid employer group life insurance contributions of \$58,968 in the current fiscal year at the rate of 0.15 percent of compensation.

### **Police Officers Retirement System**

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

protection or prevention and control of property destruction by fire are required to participate in and contribute to the system as a condition of employment. This plan provides annuity benefits as well as disability and group life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death 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, 2010, the employer contribution rate became 15.03 percent, which, as for the SCRS, includes the 3.90 percent surcharge. The College's actual contributions to the PORS for the years ended June 30, 2011, 2010, and 2009, were \$212,352; \$194,939; and \$192,533, respectively, and equaled 100% of the required contribution of 11.13 percent (excluding the surcharge) for each year. Also, the College paid employer group life insurance contributions of \$3,816 and accidental death insurance contributions of \$3,815 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is 0.20 percent of compensation.

### **Optional Retirement Program**

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

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

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must elect membership within their first thirty days of employment. If an eligible employee fails to make the initial election within the required time, the employee is considered to have elected membership in the South Carolina Retirement System. Under State law, 100% of the required contributions to the ORP are established at the same rate as for the SCRS, 9.24 percent plus the retiree surcharge of 3.90 percent from the employer.

Certain College employees have elected to be covered under optional retirement plans. For the fiscal year 2011, total contribution requirements to the ORP were \$3,541,102 (excluding the surcharge) from the College as employer and \$2,491,035 from its employees as plan members. In addition, the College paid \$57,485 for group life insurance coverage for these employees. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

## **Deferred Compensation Plans**

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

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

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

## **Teacher and Employee Retention Incentive**

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

Participants who have entered the TERI period on or after July 1, 2005 are required to contribute 6.5 percent of gross earnings to the South Carolina Retirement System. Effective July 1, 2010, the employer contribution rate became 13.14 percent, which includes a 3.90 percent surcharge to fund the retiree health and dental insurance coverage.

## **NOTE 7 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

### **Plan Description**

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

administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB). Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for

50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

### **Funding Policies**

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these post employment healthcare and long term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.90% of annual covered payroll for 2011 and 2010, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis.

The College of Charleston paid approximately \$3,102,193 and \$2,715,673 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2011 and 2010, 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, 2011 and 2010.

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

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

### **Litigation**

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

### **Contingencies**

The College participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant.

Management believes disallowances, if any, will not be material.

### **Project Commitments**

The College had outstanding project commitments under contracts of approximately \$10,358,000 at June 30, 2011. Of this total, \$10,130,000 is attributable to capital projects and the balance of \$228,000 is for noncapital project expenses. The College has current resources on hand from bond issues, private gifts, student fees, and State Capital Improvement Bond proceeds.

The State has issued Capital Improvement Bonds to fund improvements and expansion of State facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once the State authorities have given approval to begin specific projects and project expenditures have been incurred. The College has \$1,846,606 of proceeds available to draw at June 30, 2011.

## **NOTE 9 – LEASE OBLIGATIONS**

Future commitments for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2011 are as follows:

<b>Operating Lease Commitments</b>		<b>Real Property</b>				
<b>Year Ending June 30.</b>	<b>Equipment</b>	<b>External Parties</b>	<b>Other State Agencies</b>	<b>Component Unit CofC Foundation</b>	<b>Total</b>	
2012	\$ 53,374	\$ 1,798,826	\$ 615,964	\$ 820,841	\$ 3,289,005	
2013	53,374	1,498,854	625,142	820,841	2,998,211	
2014	53,374	1,449,586	634,680	770,841	2,908,481	
2015	35,583	1,195,177	231,108	770,841	2,232,709	
2016	-	1,176,427	150,073	100,000	1,426,500	
2017-2021	-	5,882,135	750,365	500,000	7,132,500	
2022-2026	-	2,499,885	750,365	500,000	3,750,250	
2027-2031	-	-	750,365	500,000	1,250,365	
2032-2036	-	-	750,365	500,000	1,250,365	
2037-2041	-	-	750,365	200,000	950,365	
2042-2046	-	-	750,365	-	750,365	
2047-2051	-	-	750,365	-	750,365	
2052-2056	-	-	750,365	-	750,365	
2057-2061	-	-	712,847	-	712,847	
<b>Total minimum lease payments</b>	<b>\$ 195,705</b>	<b>\$ 15,500,890</b>	<b>\$ 8,972,734</b>	<b>\$ 5,483,364</b>	<b>\$ 30,152,693</b>	

### **Operating Leases**

The College's noncancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2013 through 2061. The various operating leases provide for renewal options for periods of one to

five years at their fair rental values at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis for

equipment and on a quarterly basis, in advance, for property. In addition, the College has copier leases payable on a per copy basis.

In 2010, the College renewed real property operating leases with the College of Charleston Foundation, a component unit, for seventeen different locations. The leases cover office space, student housing, and parking with annual rentals. The agreements contain renewal options for five years with two renewal options of five years each. Under the agreements, the College paid the Foundation \$809,970 in the current fiscal year. These leases provide that the College assume responsibility for the maintenance, insurance, property taxes and special assessments of the property. There are escalation clauses based on the Consumer Price Index – All Urban Consumers (CPI-U). In the case of operating leases for real property from commercial vendors, there exist several leases with escalation clauses limited to the cost of living. The leased properties consist of classrooms, parking lots, and a warehouse. The College performs routine maintenance on these properties. These costs are not included in the schedule of lease commitments.

In August 2004, the College entered into a nine year lease for Warren Place, residential apartments and parking spaces, with Warren Place Joint Venture (formerly known as Brumley, Meyer and Kapp). The current year lease payments totaled \$1,168,339.

Additionally, the College leases a sports complex field from Patriots Point

Development Authority, a state agency, with rents of \$10,000 per month, lease terms effective April 1, 2002 through March 31, 2061, and annual increases equal to the CPI-U beginning April 1, 2003. A one-time payment of \$500,000 was paid in fiscal year 1998 with a corresponding charge to prepaid expenditures. It is being amortized ratably over the 65 year lease term utilizing the straight line method of calculation. The lease agreements make no provisions beyond the 65 year period. The unamortized balance at June 30, 2011 is \$390,389. Amortization of the prepaid rent balance for fiscal year 2011 was \$7,692 and is reported in operating expenses. The College provides maintenance to the tax-exempt property. The College paid the Patriots Point Development Authority \$146,405 in rent in fiscal year 2011 with annual increases equal to the CPI-U.

The College leases the North Campus and Lowcountry Graduate Center building from the S. C. Research Authority with annual rents of \$449,179 (with annual increases negotiated as part of the contract), lease terms effective September 1, 2009 through August 31, 2014. For fiscal year 2011, the total payment was \$456,593. The College also has other miscellaneous small leases.

Finally, the total operating lease expenditures for fiscal year 2011, were \$4,987,210 of which approximately \$400,000 was for the per copy charge on the copy machines. The College reports all of these operating lease costs in operating expenses.

## NOTE 10 – BONDS AND NOTES PAYABLE

Bonds payable consisted of the following at June 30, 2011:

	<u>Original Balance</u>	<u>Fixed Interest Rates</u>	<u>Maturity Dates</u>	<u>Outstanding Balance</u>	<u>Debt Retired FY 2011</u>
<b>Revenue Bonds</b>					
Higher Education Facilities Revenue					
Bond, Series 2002A	\$ 10,620,000	4.25-5.25%	2032	\$ 8,760,000	\$ 240,000
Refunding Bond, Series 2002B	12,840,000	5.0%	2012	3,055,000	1,415,000
Bond, Series 2002C	21,930,000	4.0-5.0%	2032	17,875,000	510,000
Bond, Series 2003D	20,000,000	3.125-5.0%	2033	14,400,000	795,000
Bond, Series 2004A	5,190,000	3.625-4.6%	2019	3,160,000	330,000
Bond, Series 2007C	55,320,000	4.0-5.0%	2037	51,700,000	1,030,000
Academic/Administrative Facilities Revenue					
Bond, Series 2004B	27,265,000	4.0-5.375%	2034	25,055,000	360,000
Bond, Series 2007D	40,610,000	4.125-5.625%	2037	<u>38,030,000</u>	<u>735,000</u>
<b>Total Revenue Bonds</b>				<b>\$ 162,035,000</b>	<b>\$ 5,415,000</b>
<b>State Institutional Bonds</b>					
Series 2003A	\$ 7,200,000	3.0-4.125%	2023	<u>\$ 5,120,000</u>	<u>\$ 305,000</u>
Subtotal Bonds Payable				\$ 167,155,000	\$ 5,720,000
Less: Unamortized Bond/ Premium Discount				<u>(1,443,086)</u>	
<b>Total Bonds Payable</b>				<b><u>\$ 165,711,914</u></b>	
<b>Notes Payable</b>					
Academic/Administrative Facilities Revenue					
Bond Anticipation Note, 2010A	\$ 33,500,000	1.39%	2011	\$ 33,500,000	\$ -
Banc of America Public Capital Corp	5,287,036	3.621%	2015	<u>3,549,932</u>	<u>713,680</u>
<b>Total Notes Payable</b>				<b><u>\$ 37,049,932</u></b>	<b><u>\$ 713,680</u></b>
<b>Total Bonds and Notes Payable</b>				<b><u>\$ 202,761,846</u></b>	<b><u>\$ 6,433,680</u></b>

Bonds issued by the College include certain restrictive covenants. Auxiliary Revenue Bonds are payable solely from and secured by a pledge of revenues of the College's residence halls, food service, and parking, and from additional funds from the plant improvement fee imposed by the Board of Trustees.

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State of South Carolina. Tuition revenue is pledged up to the annual debt requirements for the payment of

principal and interest on State Institution Bonds. S.C. Code of Laws Section 59-107-90 states that the maximum amount of annual debt service on State Institution Bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees for the year ended June 30, 2010 were \$674,501 which results in a legal debt margin at June 30, 2011, of \$607,051. Bond discounts/premiums and other bond issuance costs are capitalized and amortized throughout the life of the bonds. The amount amortized was \$113,623 and \$134,115 for fiscal years

2011 and 2010, respectively.

The College of Charleston capitalizes as a component of construction-in-progress interest costs in excess of earnings on debt associated with capital projects;

therefore, asset values in capital assets include such interest costs. Total interest expense incurred for fiscal year 2011 was \$8,503,098. There was no capitalized interest during the year.

Amounts including interest required to complete payment of the Revenue Bonds as of June 30, 2011 are as follows:

<b>Revenue Bonds</b>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,645,000	\$ 7,534,910	\$ 13,179,910
2013	5,890,000	7,295,579	13,185,579
2014	4,495,000	7,084,726	11,579,726
2015	4,690,000	6,889,708	11,579,708
2016	4,900,000	6,682,145	11,582,145
2017-2021	25,885,000	30,024,578	55,909,578
2022-2026	31,085,000	23,493,596	54,578,596
2027-2031	39,410,000	15,162,775	54,572,775
2032-2036	34,290,000	5,587,046	39,877,046
2037	5,745,000	258,525	6,003,525
<b>Total Revenue Bonds</b>	<b><u>\$ 162,035,000</u></b>	<b><u>\$ 110,013,588</u></b>	<b><u>\$ 272,048,588</u></b>

Amounts including interest required to complete payment of the State Institution Bonds as of June 30, 2011 are as follows:

<b>State Institutional Bonds</b>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 320,000	\$ 188,500	\$ 508,500
2013	340,000	178,900	518,900
2014	355,000	168,700	523,700
2015	370,000	156,275	526,275
2016	390,000	143,325	533,325
2017-2021	2,270,000	490,763	2,760,763
2022-2023	1,075,000	66,375	1,141,375
<b>Total State Institutional Bonds</b>	<b><u>\$ 5,120,000</u></b>	<b><u>\$ 1,392,838</u></b>	<b><u>\$ 6,512,838</u></b>

Amounts including interest required to complete payment of the Bond Anticipation Note as of June 30, 2011 are as follows:

<b>Bond Anticipation Note</b>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 33,500,000	\$ 465,650	\$ 33,965,650
<b>Total Bond Anticipation Note</b>	<b><u>\$ 33,500,000</u></b>	<b><u>\$ 465,650</u></b>	<b><u>\$ 33,965,650</u></b>

Amounts including interest required to complete payment of the Note Payable as of June 30, 2011 are as follows:

<b>Note Payable</b>			
<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 739,876	\$ 118,572	\$ 858,448
2013	767,032	91,415	858,447
2014	795,186	63,261	858,447
2015	824,376	34,074	858,450
2016	423,462	5,759	429,221
<b>Total Note Payable</b>	<b>\$ 3,549,932</b>	<b>\$ 313,081</b>	<b>\$ 3,863,013</b>

In prior years the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the College's financial statements. At June 30, 2011, \$1,365,000 of bonds outstanding is considered defeased. Management believes the College was in compliance with all applicable bond covenants as of June 30, 2011.

On December 17, 2008, the College issued Academic and Administrative Facilities Bond Anticipation Note (BAN), Series 2008A valued at \$33,500,000. The proceeds of the 2008A Note were used to defray a portion of the costs of financing the acquisition, construction, and equipping of a new science center and pay the cost of issuance. During the year ended June 30, 2010, the College issued the BAN Series 2009A Note to renew the 2008A Note. During the year ended June 30, 2011, the

College issued BAN Series 2010A Note to renew the 2009A Note. At that time, the College also obtained approval for the long term bond financing of the BAN (or series of BAN renewals) as required by law. In accordance with applicable law, this series of transactions was approved by the SC State Budget and Control Board on January 30, 2007. At that time, the College received approval for Academic and Administrative Facilities Revenue Bonds secured under and pursuant to a General Resolution effective April 6, 2002. The primary security for the bonds, including all existing and future Academic and Administrative Facilities Revenue Bonds of the College, is the revenue derived from certain auxiliary facilities of the College (residence halls, food service and parking) and a portion of the Capital Improvement Fee. The long term refinancing must be and is intended to be completed by December 2011. The College intends to pay off the entire balance of note payable with Bank of America during fiscal year 2012

The following table summarizes the change in short term liabilities during the year ended June 30, 2011:

<b>Short-Term Liabilities</b>					
	<u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Due Within One Year</u>
<b>Bond Anticipation Notes</b>					
Series 2009A	\$ 33,500,000	\$ -	\$ 33,500,000	\$ -	\$ -
Series 2010A	-	33,500,000	-	33,500,000	33,500,000
Total	\$ 33,500,000	\$ 33,500,000	\$ 33,500,000	\$ 33,500,000	\$ 33,500,000
<b>Total Short Term Liabilities</b>	<b>\$ 33,500,000</b>				

## NOTE 11 – LONG TERM LIABILITIES

Long term liability activity for the year ended June 30, 2011 was as follows:

<b>Long Term Liabilities</b>					
	<u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Due Within One Year</u>
<b>Bonds Payable</b>					
State Institution Bonds	\$ 5,425,000	\$ -	\$ 305,000	\$ 5,120,000	\$ 320,000
Unamortized Premiums/ Discounts	249,334	-	11,330	238,004	11,330
Total State Institution Bonds	\$ 5,674,334	\$ -	\$ 316,330	\$ 5,358,004	\$ 331,330
Revenue Bonds	\$ 167,450,000	\$ -	\$ 5,415,000	\$ 162,035,000	\$ 5,645,000
Unamortized Premiums/ Discounts	(1,750,641)	-	(69,551)	(1,681,090)	(69,551)
Total Revenue Bonds	\$ 165,699,359	\$ -	\$ 5,345,449	\$ 160,353,910	\$ 5,575,449
Total Bonds Payable	\$ 171,373,693	\$ -	\$ 5,661,779	\$ 165,711,914	\$ 5,906,779
<b>Notes Payable</b>					
Lease Purchase Agreement	\$ 4,263,612	\$ -	\$ 713,680	\$ 3,549,932	\$ 739,876
Total Notes Payable	\$ 4,263,612	\$ -	\$ 713,680	\$ 3,549,932	\$ 739,876
Total Bonds and Notes Payable	\$ 175,637,305	\$ -	\$ 6,375,459	\$ 169,261,846	\$ 6,646,655
<b>Other Liabilities</b>					
Federal Capital Contribution	\$ 2,464,950	\$ -	\$ -	\$ 2,464,950	\$ -
Accrued Compensated Absences	4,249,944	2,070,400	1,880,416	4,439,928	1,940,003
Total Other Liabilities	\$ 6,714,894	\$ 2,070,400	\$ 1,880,416	\$ 6,904,878	\$ 1,940,003
<b>Total Long term Liabilities</b>	<b>\$ 182,352,199</b>	<b>\$ 2,070,400</b>	<b>\$ 8,255,875</b>	<b>\$ 176,166,724</b>	<b>\$ 8,586,658</b>

## **NOTE 12 – DONOR RESTRICTED ENDOWMENTS**

The College is the recipient of two restricted endowments. One is an endowed professorship from the Commission of Higher Education in the amount of \$100,000 with a stipulation that only earnings can be used to fund endowed chairs at the College. For the year ended June 30, 2011, net appreciation of \$5,125 was available to be spent, which is restricted to specific purposes.

The other endowment funded through the South Carolina Research Centers of Economic Excellence Act of 2002 in the amount of \$1,000,000 was received during fiscal year 2005 through a Memorandum of Understanding between the College and the Medical University of South Carolina (MUSC). The College has joined with MUSC to raise nonstate matching funds of \$2,000,000 for collaborative research, the Research Center in Applied Marine Genomics. Through an agreement between the College and the College of Charleston Foundation and permissible under South Carolina Code of Laws Section 59-101-410, the College loaned the funds to the Foundation for the specific purpose of maximizing the College's investment yield. The collaborative research project is intended to be a permanent program; however, in the event the program is discontinued, the Foundation must return the funds plus any earnings less any authorized program spending and customary administrative fees.

## **NOTE 13 – COMPONENT UNITS**

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

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

Effective fiscal year June 30, 2004 and as a result of the GASB Statement No. 39 implementation guidelines, the College began recognizing the College of Charleston Foundation and the Cougar Club as component units and displaying a discrete presentation format of their financial statements. Both entities report under guidelines established by the FASB. The College of Charleston Foundation is a separately chartered entity, which exists exclusively to benefit the College.

## **College of Charleston Foundation**

The College of Charleston Foundation has investments consisting of cash, debt and equity securities, mutual funds; and alternative investments which are carried at fair market value based on quoted market prices determined at the date of the Statement of Financial Position. Investments donated to the Foundation are initially recorded at market value on the date of the gift. Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

The Foundation's endowment consists of approximately 400 individual funds established for a variety of purposes including both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

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

The Foundation places its cash and cash equivalents on deposit with three different commercial banks. The Federal Deposit Insurance Corporation ("FDIC") provides for full deposit insurance coverage through December 31, 2012 for noninterest bearing accounts and covers \$250,000 for each interest bearing account. The Foundation's bank accounts were covered by the FDIC as of June 30, 2011.

The Foundation is also subject to concentration of credit risk related to its unconditional promises to give. Contributions and unconditional promises to give consist of gift amounts from individuals and businesses predominantly located in the State of South Carolina. At June 30, 2011, promises from four donors were approximately \$3,023,000 or 49% of the total unconditional promises to give balance.

During 2011, the Foundation discovered certain errors related to the carrying values of property and equipment in its previously reported June 30, 2010 financial statements. The Foundation discovered \$1,538,611 in unrecorded depreciation expense and an overstatement of the cost or appraised value at the time of donation for certain assets of \$323,036 for a total overstatement of \$1,861,647. As a result, the change in net assets for the six month period ended June 30, 2010 was overstated by approximately \$34,000. The effect of these adjustments decreased beginning net assets by \$1,861,647.

## **Investments – Nongovernmental Discretely Presented Component Units**

The College of Charleston Foundation investments as of June 30, 2011, were as follows:

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<b>Investments Carried at Fair Value</b>		
	<b>Cost</b>	<b>Fair value</b>
Cash	\$ 132,996	\$ 132,996
Debt securities	306,545	329,932
Equity securities	206,591	239,331
Mutual funds	41,452,143	45,244,053
Alternative investments	14,915,000	16,600,280
<b>Total</b>	<b>\$ 57,013,275</b>	<b>\$ 62,546,592</b>

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The following schedule details transactions between the College and the Foundation during the year ended June 30, 2011.

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<b>Transactions between the College and the Foundation for Fiscal Year 2011</b>	
The College paid the Foundation for the rental of certain real property. The amount is reported as part of operating expenses. In addition, see Note 9 regarding lease transactions with the Foundation.	\$ 809,970
The Foundation reimbursed the College for scholarships awarded. The amount is reported as a part of gifts under nonoperating revenue.	\$ 2,057,593
The Foundation reimbursed the College for certain expenditures that were paid by the College for the benefit of the Foundation.	\$ 2,307,909
The Foundation reimbursed the College to assist with certain capital projects.	\$ 672,000

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### **Cougar Club**

The Cougar Club is a separately chartered corporation organized exclusively to provide financial support and scholarships to the Athletic Department. The College received \$1,449,170 in scholarships and other

support from the Cougar Club for the year ended June 30, 2011. The College has receivables totaling \$1,964,932 with the component units. The details of the component unit receivables follow.

**Component Units Receivable  
As of June 30, 2011**

Foundation	
Capital Projects Receivable – Physical Education Center	\$ 243,000
Capital Projects Receivable – Land	6,500
Capital Projects Receivable – Schools of Arts Building (Simons Center)	30,000
Operating expenses receivable	315,905
Marine Genomics endowment receivable	<u>1,354,474</u>
Total Foundation receivable	<u>\$ 1,949,879</u>
Cougar Club	
Operating expenses receivable	<u>\$ 15,053</u>
Total Cougar Club	<u>\$ 15,053</u>
<b>Total Component Units Receivable</b>	<b><u>\$ 1,964,932</u></b>

**NOTE 14 – RISK MANAGEMENT**

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

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

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

**Managed Risks Assumed by the State**

1. Claims of State employees for unemployment compensation benefits (SC Department of Employment and Workforce);
2. Claims of covered employees for workers' compensation benefits for job related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits. (Employee Insurance Program); and
4. Claims of covered public employees for long term disability and group life insurance benefits. (Employee Insurance Program).

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

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

**Risks of Loss Covered by Insurance**

1. Theft of, damage to, or destruction of assets;
2. Natural disasters;
3. Real property, its contents, and other equipment;
4. Motor vehicles;
5. Watercraft, artwork, equipment (inland marine);
6. Torts;
7. Business interruptions;
8. Data processing; and
9. Medical malpractice claims against covered employees.

The IRF is a self insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in certain areas. The IRF rates are determined actuarially. The College obtains commercial crime coverage through a commercial insurer for losses arising from employee theft.

**Emergency Preparedness and Management Plan**

To ensure that the College is prepared to respond to emergency and crisis situations, the President has formed a

standing Emergency Management Team (EMT), and this team has developed an Emergency Preparedness and Management Plan for the College. The Plan outlines an emergency response and recovery policy which provides a consistent, coordinated approach for assessing and responding to crises and emergency situations. The Plan also defines and describes actions to be taken by the College community to mitigate, prepare for, respond to and recover from various human induced and/or natural emergencies that may affect lives, property and the institution.

## NOTE 15 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2011 are summarized as follows:

	Personnel Costs and Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation and Amortization	Total
Instruction	\$ 60,069,243	\$ 4,315,470	\$ 1,109	\$ -	\$ -	\$ 64,385,822
Research	3,060,204	4,166,946	-	-	-	7,227,150
Public Service	711,885	410,516	-	-	-	1,122,401
Academic Support	8,804,291	4,241,306	-	-	-	13,045,597
Student Services	8,227,428	2,495,318	-	-	-	10,722,746
Operation and Maintenance of Plant	6,177,716	11,252,547	4,915,617	-	-	22,345,880
Institutional Support	17,794,376	5,302,978	-	-	-	23,097,354
Scholarships and Fellowships (net of discounts and allowances)	36,810	-	-	11,676,272	-	11,713,082
Auxiliary Enterprises	8,842,692	19,279,822	3,054,064	4,000,001	-	35,176,579
Depreciation and Amortization	-	-	-	-	14,757,090	14,757,090
<b>Total Operating Expenses</b>	<b>\$ 113,724,645</b>	<b>\$ 51,464,903</b>	<b>\$ 7,970,790</b>	<b>\$ 15,676,273</b>	<b>\$ 14,757,090</b>	<b>\$ 203,593,701</b>

## NOTE 16 – STATE APPROPRIATIONS AND TRANSACTIONS WITH STATE ENTITIES

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

of Section 9 of the 2010-2011 Appropriation Act. The following schedule is a reconciliation of the original appropriation as enacted by the General Assembly to State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2011.

### State Appropriations

#### Noncapital Appropriations

Original appropriations per annual Appropriations Act	\$ 18,764,481
Employee Pay Plan Funds	208,263
From Commission on Higher Education:	
Academic Endowment Incentive	9,554
Low Country Graduate Center	811,963

**Total State noncapital appropriations recorded as current year revenue** **\$ 19,794,261**

#### Capital Appropriations

From SC Education Lottery Fund	\$ 628,274
Less: Reduction by State for 2009-2010	(410,241)

**Total State capital appropriations recorded as current year revenue** **\$ 218,033**

The College received substantial funding from the Commission on Higher Education (CHE) for scholarships on behalf of students that are accounted for as operating state grants and contracts. Additional amounts received from CHE are accounted for as both operating and nonoperating revenues, depending upon the requirement of deliverables with a

current or potential future economic value. The College also receives state funds from various other public service projects. Following is a summary of amounts received from state agencies for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2011.

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**Other Amounts Received from State Agencies**

	<u>Operating Revenue</u>	<u>Nonoperating Revenue</u>	<u>Capital Proceeds</u>	<u>Total</u>
Received from CHE:				
Hope Scholarships	\$ 166,300	\$ -	\$ -	\$ 166,300
LIFE Scholarships	11,953,162	-	-	11,953,162
Palmetto Scholarships	3,950,610	-	-	3,950,610
Need Based Grants	1,089,142	-	-	1,089,142
SC National Guard Program	42,188	-	-	42,188
Various other CHE amounts	118,371	-	-	118,371
Received from Department of Education	156,295	-	-	156,295
Received from Winthrop University	380,900	-	-	380,900
Received from Various State Agencies	123,695	184	-	123,879
Capital improvement bond proceeds	-	-	2,372,846	2,372,846
<b>Total</b>	<b><u>\$ 17,980,663</u></b>	<b><u>\$ 184</u></b>	<b><u>\$ 2,372,846</u></b>	<b><u>\$ 20,353,693</u></b>

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

the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, audit services, personnel management, assistance in the preparation of the State budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

## NOTE 17 – INFORMATION FOR INCLUSION IN THE STATE GOVERNMENT WIDE STATEMENT OF ACTIVITIES

The College of Charleston's transactions are reported in the Higher Education Fund, an enterprise fund, of the State of South Carolina. Following

is information needed to present the College's business-type activities in the State's government wide Statement of Activities.

	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 188,018,469	\$ 173,976,950	\$ 14,041,519
Operating grants and contributions	18,855,744	19,219,674	(363,930)
Less: Program expenses	<u>212,096,869</u>	<u>199,287,532</u>	<u>12,809,337</u>
Net program expense	<u>\$ (5,222,656)</u>	<u>\$ (6,090,908)</u>	<u>\$ (868,252)</u>
Transfers:			
State appropriations	\$ 19,794,261	\$ 24,766,325	\$ (4,972,064)
State capital appropriations	<u>2,590,879</u>	<u>1,108,157</u>	<u>1,482,722</u>
Total transfers	<u>\$ 22,385,140</u>	<u>\$ 25,874,482</u>	<u>\$ (3,489,342)</u>
Change in net assets	\$ 17,162,484	\$ 19,783,574	\$ (2,621,090)
Net assets - beginning	<u>226,799,252</u>	<u>207,015,678</u>	<u>19,783,574</u>
<b>Net assets - ending</b>	<b><u>\$ 243,961,736</u></b>	<b><u>\$ 226,799,252</u></b>	<b><u>\$ 17,162,484</u></b>

# COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*An award winning sculptor, Lauren Frances Moore '11 double majored in studio art and business administration at the College. "When people ask," Moore says about her sculpting approach, "I say that I do architectonic, site responsive, material driven installations that push the viewer to interact with the created environment."*

## STATISTICAL SECTION

## STATISTICAL SECTION

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the College's financial performance has changed over time.	<b>72 - 76</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the College's ability to generate tuition income.	<b>77</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the College's current levels of outstanding debt and its ability to issue additional debt in the future.	<b>78</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the College's financial activities take place and to help make comparisons over time and with other colleges.	<b>79 - 84</b>
<b>Operating Information</b> These schedules contain information about the College's operations and resources to help the reader understand how the College's financial information relates to the services it provides.	<b>85 - 88</b>

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

**SCHEDULE OF REVENUES BY SOURCE**

	For the Year Ended June 30,																			
	(amounts expressed in thousands)										(percent of total revenue)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues</b>																				
<b>Operating Revenues:</b>																				
Student Tuition and Fees (net of scholarship allowance)	\$ 118,768	\$ 108,009	\$ 98,406	\$ 90,435	\$ 82,491	\$ 76,836	\$ 70,209	\$ 64,584	\$ 53,187	\$ 47,825	52.43%	49.59%	47.77%	44.75%	44.25%	46.73%	45.37%	45.29%	40.25%	38.61%
Federal Grants and Contracts	8,244	7,584	12,084	15,125	9,903	9,568	9,351	9,787	9,597	8,530	3.64%	3.48%	5.87%	7.48%	5.31%	5.82%	6.04%	6.86%	7.26%	6.89%
State Grants and Contracts	17,981	18,448	17,868	17,996	16,347	16,136	15,398	14,715	13,311	7,210	7.94%	8.47%	8.67%	8.91%	8.77%	9.81%	9.95%	10.32%	10.07%	5.82%
Local Grants and Contracts	184	81	8	8	8	7	23	-	-	15	0.08%	0.04%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.01%
Nongovernmental Grants and Contracts	192	105	18	102	226	300	341	283	208	217	0.08%	0.05%	0.01%	0.05%	0.12%	0.18%	0.22%	0.20%	0.16%	0.18%
Sales and Services of Educational and Other Activities	1,845	2,604	1,499	1,124	1,212	1,057	991	1,050	1,025	1,544	0.81%	1.20%	0.73%	0.56%	0.65%	0.64%	0.64%	0.74%	0.78%	1.25%
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	40,593	36,453	36,531	33,550	28,476	25,029	24,412	20,206	19,157	20,216	17.92%	16.74%	17.74%	16.60%	15.27%	15.22%	15.78%	14.17%	14.50%	16.32%
Other Operating Revenue	211	693	2,383	2,069	1,817	1,561	1,255	1,561	1,342	1,111	0.09%	0.32%	1.16%	1.02%	0.97%	0.95%	0.81%	1.09%	1.02%	0.90%
<b>Total Operating Revenues</b>	<b>\$ 188,018</b>	<b>\$ 173,977</b>	<b>\$ 168,797</b>	<b>\$ 160,409</b>	<b>\$ 140,480</b>	<b>\$ 130,494</b>	<b>\$ 121,980</b>	<b>\$ 112,186</b>	<b>\$ 97,827</b>	<b>\$ 86,668</b>	<b>83.01%</b>	<b>79.88%</b>	<b>81.95%</b>	<b>79.38%</b>	<b>75.35%</b>	<b>79.36%</b>	<b>78.83%</b>	<b>78.68%</b>	<b>74.03%</b>	<b>69.98%</b>
<b>Nonoperating Revenues:</b>																				
State Appropriations	\$ 19,794	\$ 24,767	\$ 27,173	\$ 36,094	\$ 37,806	\$ 30,328	\$ 28,896	\$ 27,354	\$ 29,682	\$ 32,764	8.74%	11.37%	13.19%	17.86%	20.28%	18.44%	18.67%	19.18%	22.46%	26.45%
Federal grants and contracts	14,792	12,576	4,583	-	-	-	-	-	-	-	6.53%	5.77%	2.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gifts	2,670	2,181	2,239	2,044	5,836	1,814	1,768	1,517	1,738	1,671	1.18%	1.00%	1.09%	1.01%	3.13%	1.10%	1.14%	1.06%	1.32%	1.35%
Interest Income	855	3,758	2,712	3,204	1,739	1,141	1,503	59	1,579	1,327	0.38%	1.73%	1.32%	1.59%	0.93%	0.69%	0.97%	0.04%	1.19%	1.07%
Other Nonoperating Revenues	384	539	475	324	576	657	587	1,473	1,316	1,425	0.17%	0.25%	0.23%	0.16%	0.31%	0.40%	0.38%	1.03%	1.00%	1.15%
<b>Total Nonoperating Revenues</b>	<b>\$ 38,495</b>	<b>\$ 43,821</b>	<b>\$ 37,182</b>	<b>\$ 41,666</b>	<b>\$ 45,957</b>	<b>\$ 33,940</b>	<b>\$ 32,754</b>	<b>\$ 30,403</b>	<b>\$ 34,315</b>	<b>\$ 37,187</b>	<b>16.99%</b>	<b>20.12%</b>	<b>18.05%</b>	<b>20.62%</b>	<b>24.65%</b>	<b>20.64%</b>	<b>21.17%</b>	<b>21.32%</b>	<b>25.97%</b>	<b>30.02%</b>
<b>Total Revenues</b>	<b>\$ 226,513</b>	<b>\$ 217,798</b>	<b>\$ 205,979</b>	<b>\$ 202,075</b>	<b>\$ 186,437</b>	<b>\$ 164,434</b>	<b>\$ 154,734</b>	<b>\$ 142,589</b>	<b>\$ 132,142</b>	<b>\$ 123,855</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Note: Beginning in 2010, Pell grant revenue is reported as nonoperating. Pell Grant amounts for 2009 were reclassified for comparative purposes.

Source: College of Charleston Comprehensive Annual Financial Reports

## SCHEDULE OF EXPENSES BY FUNCTION

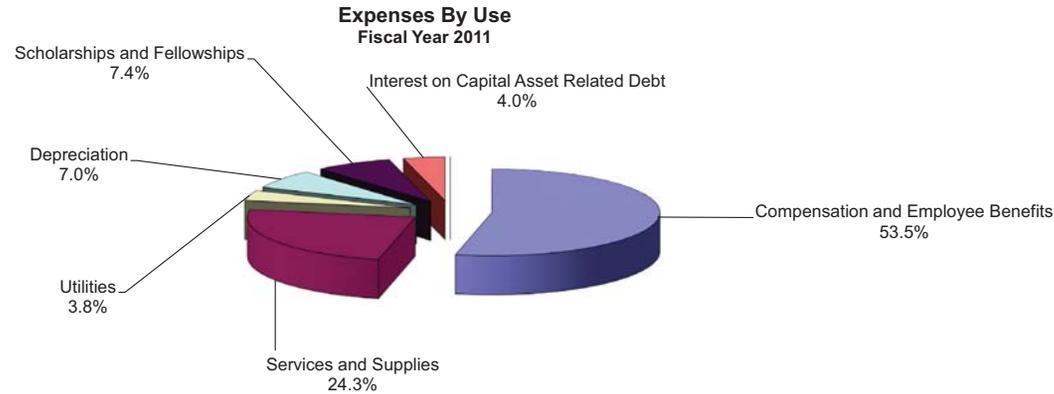
	For the Year Ended June 30,																			
	(amounts expressed in thousands)										(percent of total expenses)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses:</b>																				
Instruction	\$ 64,386	\$ 62,200	\$ 62,752	\$ 61,877	\$ 58,447	\$ 55,232	\$ 51,228	\$ 48,051	\$ 45,435	\$ 43,997	30.36%	31.21%	32.96%	32.88%	34.86%	34.60%	33.84%	34.45%	33.23%	36.33%
Research	7,227	7,931	5,592	5,647	5,974	5,662	4,650	4,750	4,356	3,867	3.41%	3.98%	2.94%	3.00%	3.56%	3.55%	3.07%	3.41%	3.19%	3.19%
Public Services	1,122	4,020	1,200	1,172	865	889	955	1,120	1,299	1,180	0.53%	2.02%	0.63%	0.62%	0.52%	0.56%	0.63%	0.80%	0.95%	0.97%
Academic Support	13,046	10,280	13,344	13,742	13,322	13,061	12,022	10,123	9,682	9,535	6.15%	5.16%	7.01%	7.30%	7.94%	8.18%	7.94%	7.26%	7.08%	7.87%
Student Services	10,723	10,046	9,970	9,170	8,152	7,687	7,122	6,254	6,058	5,752	5.06%	5.04%	5.24%	4.87%	4.86%	4.82%	4.70%	4.48%	4.43%	4.75%
Institutional Support	23,097	21,493	18,034	16,713	14,913	13,081	11,435	11,529	11,194	9,506	10.89%	10.78%	9.47%	8.88%	8.89%	8.19%	7.55%	8.27%	8.19%	7.85%
Operation and Maintenance of Plant	22,346	18,043	21,730	24,393	22,526	22,845	24,348	22,526	21,001	12,517	10.54%	9.05%	11.41%	12.96%	13.43%	14.31%	16.08%	16.15%	15.36%	10.34%
Scholarships and Fellowships	11,713	8,515	7,711	7,276	7,212	6,794	5,585	8,072	9,452	8,456	5.52%	4.27%	4.05%	3.87%	4.30%	4.26%	3.69%	5.79%	6.91%	6.98%
Auxiliary Enterprises	35,176	32,963	32,409	32,189	26,068	24,776	24,087	19,321	20,979	21,395	16.58%	16.54%	17.02%	17.10%	15.55%	15.52%	15.91%	13.85%	15.35%	17.67%
Interest on Capital Debt	8,503	9,388	6,948	7,671	3,591	3,721	3,929	2,993	2,501	1,144	4.01%	4.71%	3.65%	4.08%	2.14%	2.33%	2.60%	2.15%	1.83%	0.94%
Loss on sale of assets	-	36	103	79	280	83	-	-	-	-	0.00%	0.02%	0.05%	0.04%	0.17%	0.05%	0.00%	0.00%	0.00%	0.00%
Depreciation and amortization	14,757	14,373	10,621	8,269	6,332	5,793	6,020	4,727	4,752	3,758	6.96%	7.21%	5.58%	4.39%	3.78%	3.63%	3.98%	3.39%	3.48%	3.10%
<b>Total Expenses</b>	<b>\$212,096</b>	<b>\$199,288</b>	<b>\$190,414</b>	<b>\$188,198</b>	<b>\$167,682</b>	<b>\$159,624</b>	<b>\$151,381</b>	<b>\$139,466</b>	<b>\$136,709</b>	<b>\$121,107</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: College of Charleston Comprehensive Annual Financial Reports

**SCHEDULE OF EXPENSES BY USE**

For the Year Ended June 30,

	(amounts expressed in thousands)										(percent of total expenses)									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses:</b>																				
<b>Operating Expenses:</b>																				
Compensation and Employee Benefits	\$ 113,725	\$ 112,316	\$ 109,387	\$ 105,071	\$ 98,115	\$ 93,528	\$ 85,847	\$ 80,533	\$ 76,082	\$ 71,754	53.5%	56.4%	57.4%	55.8%	58.5%	58.6%	56.7%	57.7%	55.7%	59.2%
Supplies and services	51,465	43,541	45,973	51,152	44,332	42,582	42,170	37,192	38,871	32,995	24.3%	21.8%	24.1%	27.2%	26.4%	26.7%	27.9%	26.7%	28.4%	24.6%
Utilities	7,971	7,458	6,759	5,878	5,384	4,778	4,648	4,105	3,471	2,999	3.8%	3.7%	3.5%	3.1%	3.2%	3.0%	3.1%	2.9%	2.5%	2.5%
Depreciation	14,757	14,373	10,621	8,269	6,332	5,793	6,020	4,727	4,752	3,758	7.0%	7.2%	5.6%	4.4%	3.8%	3.6%	4.0%	3.4%	3.5%	3.1%
Scholarships and Fellowships	15,675	12,176	10,623	10,078	9,648	9,139	8,767	9,916	11,032	8,457	7.4%	6.1%	5.6%	5.4%	5.8%	5.7%	5.8%	7.1%	8.1%	7.0%
<b>Total Operation Expenses</b>	<b>\$ 203,593</b>	<b>\$ 189,864</b>	<b>\$ 183,363</b>	<b>\$ 180,448</b>	<b>\$ 163,811</b>	<b>\$ 155,820</b>	<b>\$ 147,452</b>	<b>\$ 136,473</b>	<b>\$ 134,208</b>	<b>\$ 119,963</b>	<b>96.0%</b>	<b>95.3%</b>	<b>96.3%</b>	<b>95.9%</b>	<b>97.7%</b>	<b>97.6%</b>	<b>97.4%</b>	<b>97.9%</b>	<b>98.2%</b>	<b>96.4%</b>
<b>Nonoperating Expenses:</b>																				
Interest on Capital Asset Related Debt	\$ 8,503	\$ 9,388	\$ 6,948	\$ 7,671	\$ 3,591	\$ 3,721	\$ 3,929	\$ 2,993	\$ 2,501	\$ 1,144	4.0%	4.7%	3.6%	4.1%	2.1%	2.3%	2.6%	2.1%	1.8%	1.0%
Loss on sale of assets	-	36	103	79	280	83	-	-	-	-	0.0%	0.0%	0.1%	0.0%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%
<b>Total Nonoperating Expenses</b>	<b>\$ 8,503</b>	<b>\$ 9,424</b>	<b>\$ 7,051</b>	<b>\$ 7,750</b>	<b>\$ 3,871</b>	<b>\$ 3,804</b>	<b>\$ 3,929</b>	<b>\$ 2,993</b>	<b>\$ 2,501</b>	<b>\$ 1,144</b>	<b>4.0%</b>	<b>4.7%</b>	<b>3.7%</b>	<b>4.1%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>2.1%</b>	<b>1.8%</b>	<b>1.0%</b>
<b>Total Expenses</b>	<b>\$ 212,096</b>	<b>\$ 199,288</b>	<b>\$ 190,414</b>	<b>\$ 188,198</b>	<b>\$ 167,682</b>	<b>\$ 159,624</b>	<b>\$ 151,381</b>	<b>\$ 139,466</b>	<b>\$ 136,709</b>	<b>\$ 121,107</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



Source: College of Charleston Comprehensive Annual Financial Reports

## SCHEDULE OF NET ASSETS AND CHANGES IN NET ASSETS

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total revenues (from schedule of revenues by source)	\$ 226,513	\$ 217,798	\$ 205,979	\$ 202,075	\$ 186,437	\$ 164,434	\$ 154,734	\$ 142,589	\$ 132,142	\$ 123,855
Total expenses (from schedule of expenses by use and function)	(212,096)	(199,288)	(190,414)	(188,198)	(167,682)	(159,624)	(151,381)	(139,466)	(136,709)	(121,107)
Income before other revenues, expenses, gains or losses	\$ 14,417	\$ 18,510	\$ 15,565	\$ 13,877	\$ 18,755	\$ 4,810	\$ 3,353	\$ 3,123	\$ (4,567)	\$ 2,748
Capital improvement bond proceeds	2,373	-	-	7,889	8,992	3,295	1,670	8,098	4,831	-
Capital gifts	155	165	-	-	-	-	-	-	1,092	538
Capital appropriations	218	1,108	1,122	1,122	1,131	1,167	-	-	-	262
Additions to permanent endowments	-	-	-	-	-	-	1,000	-	-	-
Uncollectible capital gifts	-	-	-	-	-	-	-	(2,465)	-	-
University infrastructure bond proceeds	-	-	-	-	1,829	-	-	-	-	-
Prior period adjustment	-	-	3,617	-	-	-	-	-	-	-
Net assets, beginning	226,799	207,016	186,712	163,824	133,117	123,845	117,822	109,066	107,710	104,162
<b>Net assets, ending</b>	<b>\$ 243,962</b>	<b>\$ 226,799</b>	<b>\$ 207,016</b>	<b>\$ 186,712</b>	<b>\$ 163,824</b>	<b>\$ 133,117</b>	<b>\$ 123,845</b>	<b>\$ 117,822</b>	<b>\$ 109,066</b>	<b>\$ 107,710</b>
Invested in capital assets, net of related debt	\$ 155,328	\$ 160,358	\$ 156,437	\$ 143,670	\$ 117,272	\$ 93,162	\$ 101,222	\$ 80,912	\$ 82,002	\$ 68,457
Restricted - expendable	44,321	49,131	35,448	31,608	36,133	33,396	11,304	26,391	17,163	25,231
Restricted - nonexpendable	1,175	1,047	1,140	1,390	1,098	1,103	1,103	100	104	101
Unrestricted	43,138	16,263	13,991	10,044	9,321	5,456	10,216	10,419	9,797	13,921
<b>Total</b>	<b>\$ 243,962</b>	<b>\$ 226,799</b>	<b>\$ 207,016</b>	<b>\$ 186,712</b>	<b>\$ 163,824</b>	<b>\$ 133,117</b>	<b>\$ 123,845</b>	<b>\$ 117,822</b>	<b>\$ 109,066</b>	<b>\$ 107,710</b>

Source: College of Charleston Comprehensive Annual Financial Reports

## SCHEDULE OF RATIOS OF OUTSTANDING DEBT

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenue bonds	\$ 160,354	\$ 165,699	\$ 170,845	\$ 175,790	\$ 86,132	\$ 89,316	\$ 92,381	\$ 62,896	\$ 64,810	\$ 27,265
State institution bonds	5,358	5,674	5,981	6,267	6,260	6,514	6,753	6,983	7,200	-
Bond anticipation note	33,500	33,500	33,500	-	-	-	-	-	-	-
Capital lease obligations	3,550	4,264	4,952	-	-	-	-	-	-	-
<b>Total Outstanding Debt</b>	<b>\$ 202,762</b>	<b>\$ 209,137</b>	<b>\$ 215,278</b>	<b>\$ 182,057</b>	<b>\$ 92,392</b>	<b>\$ 95,830</b>	<b>\$ 99,134</b>	<b>\$ 69,879</b>	<b>\$ 72,010</b>	<b>\$ 27,265</b>
<b>Full time equivalent students (fiscal year)</b>	10,206	10,191	9,806	9,904	9,802	9,883	9,942	9,860	9,947	9,732
<b>Outstanding debt per student</b>	\$ 19,867	\$ 20,522	\$ 21,954	\$ 18,382	\$ 9,426	\$ 9,696	\$ 9,971	\$ 7,087	\$ 7,239	\$ 2,802

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

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

**TUITION AND FEES**  
Last Ten Academic Years

Academic Year Beginning in Fall	Undergraduate (1)		Undergraduate (2)	
	Resident	Nonresident	Resident	Nonresident
2010 (3)	\$ 10,314	\$ 23,172	\$ 430	\$ 965
2009	8,988	21,846	375	910
2008	8,400	20,418	350	851
2007	7,778	18,732	324	781
2006	7,234	16,800	301	700
2005	6,668	15,342	276	637
2004	6,202	14,140	256	587
2003	5,770	13,032	238	541
2002	4,858	10,974	200	455
2001	3,780	8,540	158	356

	Graduate (1)		Graduate (2)	
	Resident	Nonresident	Resident	Nonresident
2010 (3)	\$ 11,346	\$ 25,490	\$ 473	\$ 1,062
2009	9,886	24,030	412	1,001
2008	8,820	21,438	368	893
2007	7,776	18,744	324	781
2006	7,224	16,800	301	700
2005	6,624	15,288	276	637
2004	6,144	14,088	256	587
2003	5,712	12,984	238	541
2002	4,800	10,920	200	455
2001	3,720	8,496	155	354

Notes:

(1) These amounts are for an academic year of 24 semester hours.

(2) Per credit hour

(3) Tuition was subsequently reduced for the 2011 Spring semester

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

## SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years

(amounts in thousands)

Fiscal Year Ended June 30,	Defined Net Revenue Available for Debt Service	Total Revenue Available for Debt Service	Debt Service Payment Requirements			Coverage Ratio
			Principal	Interest	Total	
<b>Revenue Bonds</b>						
2011	\$ 17,605	\$ 25,375	\$ 5,415	\$ 7,763	\$ 13,178	1.93
2010	16,139	22,798	5,215	7,974	13,189	1.73
2009	14,811	19,594	5,015	8,134	13,149	1.49
2008	12,664	15,839	4,400	7,448	11,848	1.34
2007	10,487	17,683	3,180	4,008	7,188	2.46
2006	9,993	14,492	3,070	4,085	7,155	2.03
2005	9,550	13,522	2,815	4,193	7,008	1.93
2004	8,459	8,913	2,050	2,748	4,798	1.86
2003	3,802	4,177	1,160	2,147	3,307	1.26
2002	1,817	2,959	1,410	1,005	2,415	1.23
<b>State Institutional Bonds</b>						
2011	\$ 703	\$ 703	\$ 305	\$ 198	\$ 503	1.40
2010	675	675	295	207	502	1.34
2009	649	649	275	225	500	1.30
2008	537	537	265	223	488	1.10
2007	534	534	255	230	485	1.10
2006	529	656	240	240	480	1.37
2005	563	653	225	287	512	1.28
2004	522	3,582	220	254	474	7.56

Source: College of Charleston Controller's Office

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

In addition, each year's figures for revenue available for debt service were recalculated during fiscal year 2006 and consequently, resulted in a revised schedule for that period. The 2010 schedule reflects those revisions.

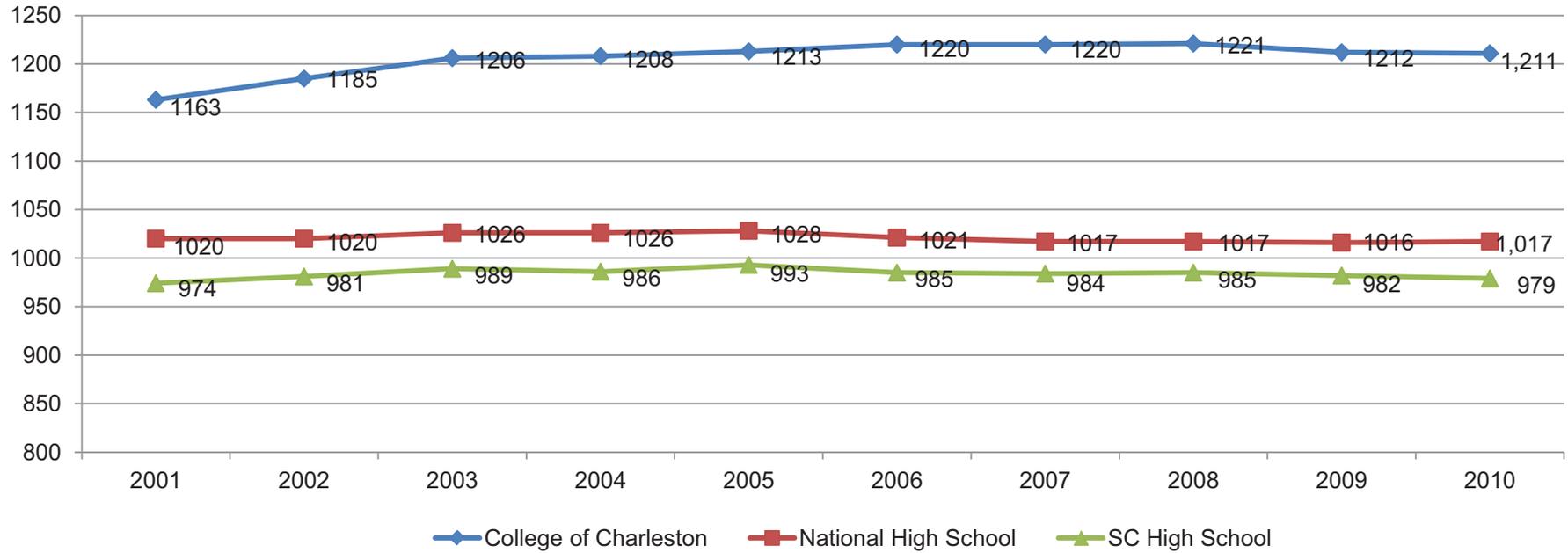
## ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

Last Ten Academic Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Admissions - Freshman</b>										
Applications	11,280	11,083	9,964	8,941	8,673	8,217	8,076	7,606	8,635	8,356
Applications accepted	7,896	7,703	6,401	5,775	5,311	5,436	5,238	4,560	5,144	5,471
Accepted as a percentage of applications	70.0%	69.5%	64.2%	64.6%	61.2%	66.2%	64.9%	60.0%	59.6%	65.5%
Students enrolled	2,010	2,143	1,955	2,064	1,968	1,993	1,944	1,874	2,003	1,974
Enrolled as a percentage of accepted	25.5%	27.8%	30.5%	35.7%	37.1%	36.7%	37.1%	41.1%	38.9%	36.1%
SAT scores - total	1,211	1,212	1,221	1,220	1,220	1,213	1,208	1,206	1,185	1,163
Verbal	606	606	612	611	610	609	607	605	595	584
Math	605	606	609	609	610	604	601	601	590	579
South Carolina average SAT score - total	979	982	985	984	985	993	986	989	981	974
U.S. average SAT score - total	1,017	1,016	1,017	1,017	1,021	1,028	1,026	1,026	1,020	1,020
<b>Enrollment</b>										
Undergraduate and graduate FTE	10,206	10,191	9,806	9,904	9,802	9,883	9,942	9,860	9,947	9,732
Undergraduate and graduate headcount	11,532	11,772	11,367	11,316	11,218	11,332	11,607	11,536	11,716	11,617
Percentage of Men	35.4%	33.0%	34.2%	34.3%	34.0%	33.9%	33.3%	34.1%	33.8%	33.5%
Percentage of Women	64.6%	63.1%	65.4%	65.7%	66.0%	66.1%	66.7%	65.9%	66.2%	66.5%
Percentage of African American	6.3%	6.3%	6.5%	6.9%	7.2%	7.7%	8.5%	9.0%	8.7%	8.8%
Percentage of White	83.3%	79.8%	82.7%	82.8%	82.5%	82.0%	83.0%	83.5%	84.9%	84.9%
Percentage of Other	10.4%	10.4%	10.8%	10.3%	10.3%	10.3%	8.4%	7.4%	6.4%	6.3%
<b>Degrees Earned</b>										
Undergraduate	2,380	2,212	2,287	2,145	2,209	2,098	2,162	2,162	1,870	1,798
Graduate	246	172	189	218	204	207	192	174	154	165

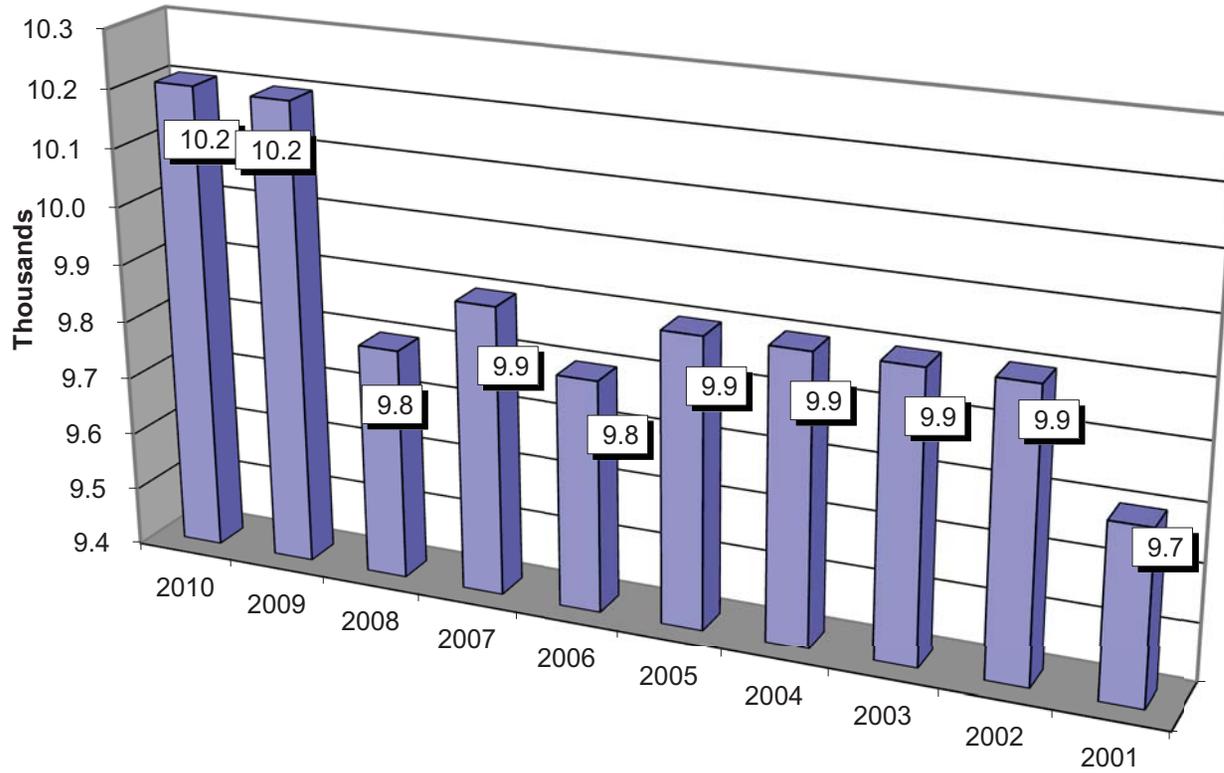
Source: College of Charleston Office of Institutional Research

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



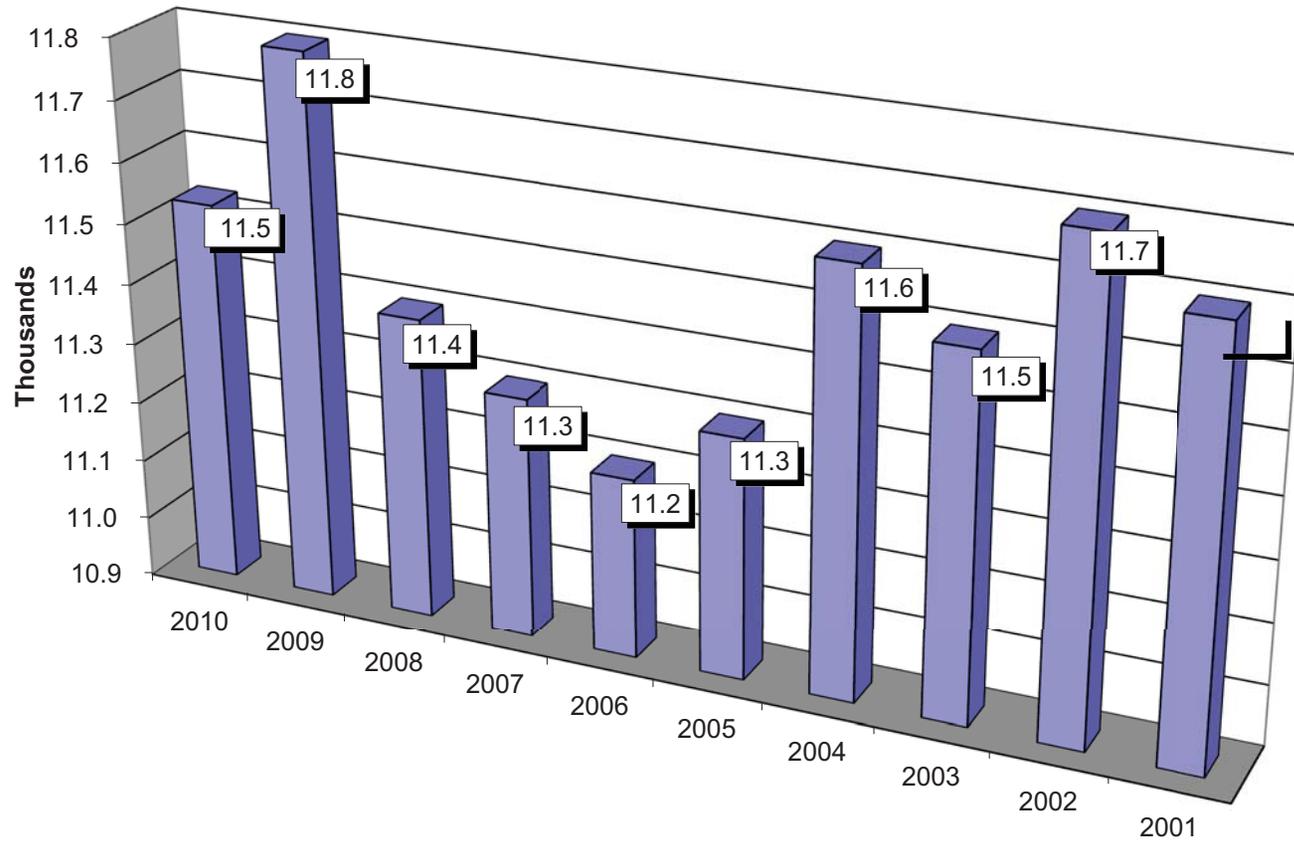
Source: College of Charleston Office of Admissions

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



Source: College of Charleston Office of Institutional Research

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



Source: College of Charleston Office of Institutional Research

## DEMOGRAPHIC STATISTICS

State of South Carolina  
Last Ten Calendar Years

<b>Year</b>	<b>Population as of June 30</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Average Annual Unemployment Rate</b>
2010	4,596,958	\$ 152,448,918	\$ 33,163	11.2%
2009	4,561,242	145,042,934	31,799	11.7%
2008	4,479,800	146,337,147	32,666	6.9%
2007	4,407,709	141,333,189	32,065	5.6%
2006	4,330,108	134,367,581	31,031	6.3%
2005	4,254,989	124,543,528	29,270	6.7%
2004	4,201,437	117,358,740	27,933	6.8%
2003	4,146,770	110,735,346	26,704	6.7%
2002	4,104,683	107,050,133	26,080	6.0%
2001	4,062,933	104,226,420	25,653	5.2%

Source: South Carolina Comptroller General's Office

## Ten Largest Employers

Latest Completed Calendar Year and Nine Years Prior<sup>a</sup>  
(Listed alphabetically)

<u>2001</u>	<u>2010</u>
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Greenville County School District	Greenville County School District
Michelin North America, Inc.	Greenville Hospital System
Springs Industries, Inc.	Michelin North America, Inc.
University of South Carolina	Palmetto Health Alliance, Inc.
U.S. Department of Defense	University of South Carolina
U.S. Postal Service	U.S. Department of Defense
Wal-Mart Associates, Inc.	U.S. Postal Service
Westinghouse Savannah River	Wal-Mart Associates, Inc.

<sup>a</sup> The ten largest employers prior to calendar year 2001 are unavailable.

Source: South Carolina Department of Employment and Workforce

## FACULTY AND STAFF STATISTICS

Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Instructional Faculty</b>										
Part time	337	342	375	378	373	343	337	366	388	340
Full time	532	525	525	521	522	515	499	487	463	454
Percentage tenured	59%	61%	59%	60%	59%	61%	60%	59%	58%	60%
<b>Staff and administrators with faculty rank</b>										
Full time	837	828	824	773	743	710	685	667	861	794
<b>Total employees</b>										
Part time	337	342	375	378	373	343	337	366	388	340
Full time	1,369	1,353	1,349	1,294	1,265	1,225	1,184	1,154	1,324	1,248
<b>FTE Students per full time</b>										
Instructional Faculty	19.2	19.4	18.7	19.0	18.8	19.0	19.8	20.4	21.3	21.9
Staff member	12.2	12.3	11.9	12.8	13.2	13.8	14.4	14.9	11.5	12.5
<b>Average annual faculty salary</b>	\$ 64,679	\$ 64,707	\$ 64,735	\$ 62,275	\$ 59,600	\$ 57,965	\$ 55,057	\$ 52,582	\$ 51,630	\$ 50,535

Source: College of Charleston Office of Institutional Research

## SCHEDULE OF CAPITAL ASSET INFORMATION

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Academic buildings										
Net assignable square feet (in thousands)	722	720	708	712	705	703	605	604	611	597
Administrative and support buildings										
Net assignable square feet (in thousands)	169	167	155	155	168	160	174	174	164	157
Laboratories										
Net assignable square feet (in thousands)	173	171	121	123	122	121	126	126	125	123
Auxiliary and independent operations buildings										
Net assignable square feet (in thousands)	1,046	1,038	1,190	1,191	918	922	920	933	535	532
Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (in thousands)	816	798	780	762	741	720	702	680	662	643
Volumes per student	71	68	69	67	66	64	60	59	57	55
Student Housing:										
Residence Halls	8	8	8	8	7	7	7	7	7	6
Apartments	3	3	3	3	2	2	2	1	1	-
Other housing options	30	30	29	29	30	30	31	21	23	23
Units available	3,375	3,375	3,402	3,402	2,840	2,842	2,770	2,550	2,644	1,958
Units in use	3,188	3,227	3,169	3,281	2,860	2,834	2,778	2,567	2,488	2,008
Percent occupancy	94.5%	95.6%	93.2%	96.0%	100.7%	99.7%	100.3%	100.7%	94.1%	102.6%
Dining facilities:										
Locations	6	6	6	6	6	6	4	4	4	3
Average daily customers	5,470	5,263	5,782	5,854	5,574	4,991	3,688	3,725	2,528	1,807
Parking facilities:										
Parking spaces available	2,269	2,249	2,300	2,287	2,232	2,372	2,534	2,550	2,675	2,592
Parking permits issued to students	972	1,069	1,136	1,240	1,181	1,101	1,324	1,408	1,373	1,441
Parking permits issued to faculty/ staff	959	924	921	934	1,053	1,030	1,004	995	1,071	939

### Sources:

Building Square Footage

Libraries

Student Housing

Dining Facilities

Parking Facilities

College of Charleston Office of Institutional Research

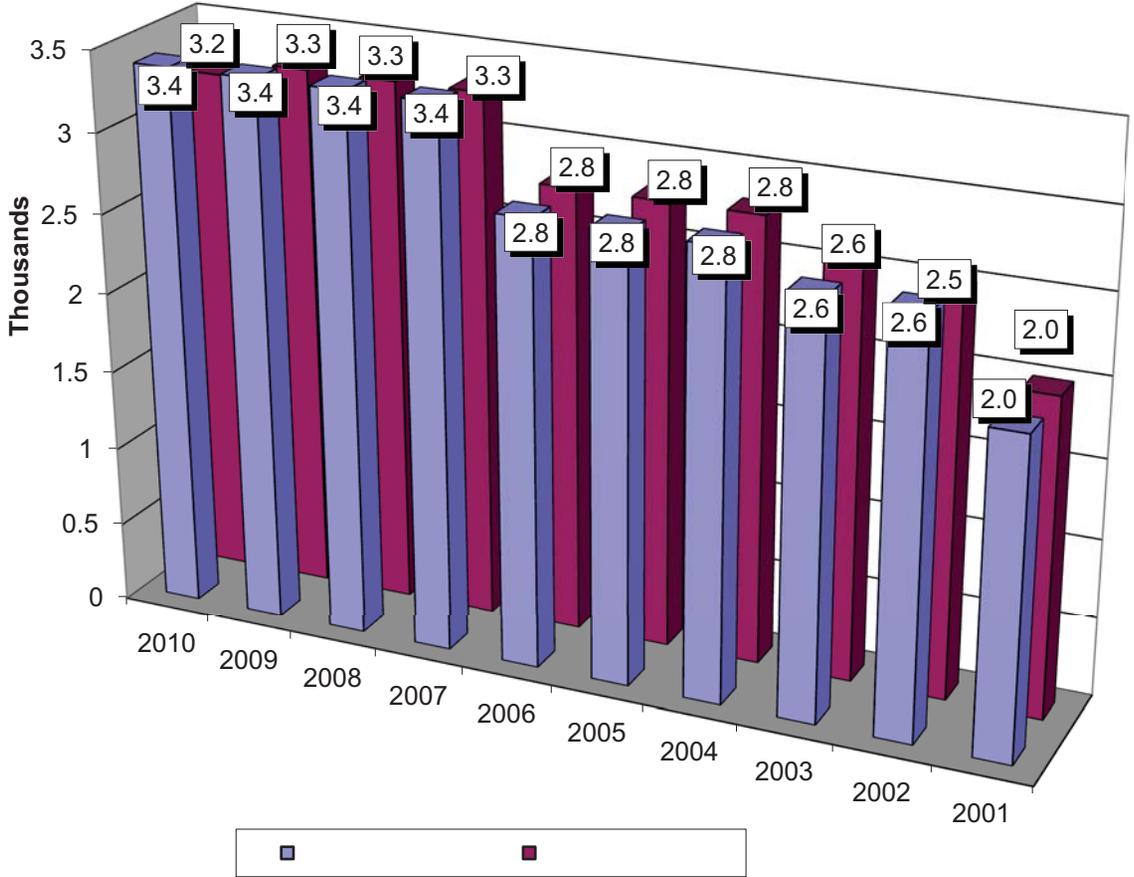
College of Charleston Office of Institutional Research

College of Charleston Residence Life and Housing

College of Charleston Dining Services

College of Charleston Business and Auxiliary Services

**College of Charleston  
Residence Hall Occupancy  
For The Last Academic 10 Years**



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

## ACADEMIC SUBJECT AREAS AND DEGREES OFFERED

Academic Year 2010-2011

UNDERGRADUATE				GRADUATE			
Accounting	A.B., B.S.	History	A.B., B.A.	Accounting	M.S.	History	M.A.
Anthropology	A.B., B.S.	Hospitality and Tourism Management	A.B., B.S.	Arts Management	CER	Languages	M.Ed.
Art History	A.B., B.A.	International Business	A.B., B.S.	Business Administration	M.B.A.	Marine Biology	M.S.
Arts Management	A.B., B.A.	International Studies	A.B., B.A.	Communication	M.A.	Mathematics	M.S.
Astronomy	A.B., B.A.	Latin American and Caribbean Studies	A.B., B.A.	Computer and Information Sciences	M.S.	Middle Grades Education	M. Ed.
Astrophysics	A.B., B.S.	Marine Biology	A.B., B.S.	Early Childhood Education	M.A.T.	Performing Arts	M.A.T.
Athletic Training	A.B., B.S.	Mathematics	A.B., B.S.	Elementary Education	M.A.T.	Public Administration	M.P.A.
Biochemistry	A.B., B.S.	Middle Level Education	A.B., B.S.	English	M.A.	Science and Math for Teachers	M. Ed.
Biology	A.B., B.A., B.S.	Music	A.B., B.A.	English to Speakers of Other Languages	CER	Service Oriented Computing	CER
Business Administration	A.B., B.S.	Philosophy	A.B., B.A.	Environmental Studies	M.S.	Special Education	M.A.T., CER
Chemistry	A.B., B.A., B.S.	Physical Education and Health	A.B., B.S.	Gift and Talented Education	CER	Statistics	CER
Classical Studies	A.B., B.A.	Physics	A.B., B.A., B.S.	Historic Preservation	M.S.	Teaching, Learning, and Advocacy	M.Ed.
Communication	A.B., B.A.	Political Science	A.B., B.A.			Urban and Regional Planning	CER
Computer Information Systems	A.B., B.S.	Psychology	A.B., B.S.				
Computer Science	A.B., B.A., B.S.	Religious Studies	A.B., B.A.				
Discovery Informatics	A.B., B.S.	Secondary Education	B.S.				
Early Childhood Education	A.B., B.S.	Sociology	A.B., B.S.				
Economics	A.B., B.S.	Spanish	A.B., B.A.				
Elementary Education	A.B., B.S.	Special Education	A.B., B.S.				
English	A.B., B.A.	Studio Arts	A.B., B.A.				
French	A.B., B.A.	Theatre	A.B., B.A.				
Geology	A.B., B.A., B.S.	Urban Studies	A.B., B.A.				
German	A.B., B.A.	Women's and Gender Studies	A.B., B.A.				
Historic Preservation and Community Planning	A.B., B.A.						

A.B. - Artium Baccalaureatus (Classical Studies)

B.A. - Bachelor of Arts

B.S. - Bachelor of Science

CER - Post-baccalaureate Certificate

M.A. - Master of Arts

M.B.A. - Master of Business Administration

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

M.Ed. - Master of Education

M.P.A. - Master of Public Administration

M.S. - Master of Science

## COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*The College of Charleston, founded in 1770 and chartered in 1785, is the oldest institution of higher education south of Virginia and the 13th oldest in the United States. The College's emphasis, however, is as much about its future as its storied past. The College offers 54 majors, 71 minors, 19 master's degrees and 7 graduate certificates.*