

# **COLLEGE OF CHARLESTON**

**CHARLESTON, SOUTH CAROLINA**



*Porters Lodge in the Cistern Yard*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
*A Component Unit of the State of South Carolina*  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**PREPARED BY**  
**THE OFFICE OF THE CONTROLLER**

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# COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*Fountain on the north side of Randolph Hall*

## INTRODUCTORY SECTION

September 16, 2013

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 June 30, 2013. 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 the continued implementation of our 10-year Strategic Plan, our Campus Master Plan, and our Diversity Strategic Plan.



We continue planning for a national comprehensive fundraising campaign; progressing toward our goal of offering academic programs at Dixie Plantation; and maintaining our competitive edge in the education marketplace.

In May 2013, the College awarded more than 1,800 undergraduate degrees in two ceremonies on the College's historic Cistern Yard. Our Graduate School awarded a total of 126 degrees in certificate and master's programs such as marine biology, environmental studies, communication, business administration, and historic preservation.

These graduates joined the College's network of nearly 55,000 alumni around the world. We now have 33 alumni chapters across the country and abroad, including active chapters in London and Beijing.

For Fall 2013, the College received over 14,000 total applications, including about 12,000 freshman applications.

### **Budget and Philanthropy**

Demonstrating the institution's fiscal stability, the College has continued to see growth in its net position. The College's net position \$276,275,753 increased by \$13,264,314 or 5% in fiscal year 2013. We owe much of our financial health to the remarkable efforts of our faculty and staff. They along with our Development Team, our Executive Team, and our Deans remain committed to constantly improving our efficiency and quality and acquiring the external resources needed for the College to meet and exceed its goals.

We had another outstanding year in fundraising and continue to develop a culture of philanthropy at the College. The College raised \$15.4 million in fiscal year 2013. That is an all-time high for any fiscal year in the College's history. More importantly, this total represents five consecutive years of sustained fundraising growth.

Our Institutional Advancement, Academic Affairs, Marketing and Communications, and Alumni Relations teams continue to make great strides in the planning, preparation, and implementation of the College's comprehensive fundraising campaign. The campaign has five priorities: to significantly increase merit-based and need-based scholarships; to recruit and retain distinguished faculty, endowed chairs, and visiting scholars; to follow our new Campus Master Plan and modernize our facilities and our technology infrastructure; to develop distinctive academic programs and expand student services to better prepare our students for professional success in our global society; and to continue to grow our base of philanthropic support from our network of alumni, parents, and friends.

Our campaign also has been advanced by the formation of a Campaign Steering Committee. This group of donors, friends, alumni, and College administrators will help to execute the campaign, act as champions for the College, and help secure leadership gifts.

We anticipate a public launch of the campaign in Spring 2014.

### **Strategic Planning**

We made some modest but important revisions to our Strategic Plan last year. 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.

The latest revisions to the plan reflect the rapidly changing Charleston economy and call on the College to also take advantage of and support both Charleston's existing assets and its emerging assets. Existing assets include the Port; historic preservation; the ecology of the Lowcountry; the tourism industry; African American history; urban planning; the arts community; and Southern Jewish history. Emerging assets include the industries of aerospace; digital media and technology; and healthcare and biosciences. Our reciprocal relationship with these assets will help us differentiate the College from other universities throughout the nation and around the world.

### **Campus Master Plan and Facilities**

In February 2011, the College began the process of updating our 2004 Facilities Master Plan. This plan, which is now called the Campus Master Plan, was approved in April 2012 by the Board of Trustees. The plan describes options for addressing our space needs,

including the improvement of our existing facilities and the creation of new living, learning, and administrative spaces.

One of the major projects identified in the plan is the renovation of the Rita Hollings Science Center. This project is currently in the design phase, and we plan to seek construction approval and issue bonds to fund the project later this year. The General Assembly has allocated \$2 million toward this project, which ultimately is expected to cost \$60 million.

Another major project identified in the plan is a new residence hall. In August 2013, private developer McAlister Development opened Campus Center Apartments near the center of our campus. The complex is an 8-story building with a total of 400 fully-furnished two, three, and four bedroom apartments. The complex also includes a 20,000 square foot fitness center on the first floor, which is available to all College of Charleston students.

The College continues to make progress toward the goal of developing a satellite campus at Dixie Plantation. The 881-acre 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 property includes a completed 4.3-mile nature trail that offers access to the property's diverse ecology and features interpretive signage detailing the property's unique environmental landscapes and history.

Over the winter, the College planted 75,000 longleaf pine seedlings at Dixie as part of an ongoing reforestation project. The College recently completed the conversion of an old barn on the property for use as an air-conditioned, multi-purpose event space. John Henry Dick's former art studio has been converted into a museum that celebrates his life and art. The College is in the process of building two field research stations at Dixie that are scheduled for completion by next spring. The research stations will support environmental science research and instruction for students and faculty in our Environmental Sciences, Biology, and Archaeology programs.

Currently, many of our faculty, staff, and students use Dixie Plantation throughout the school year for a variety of academic programs in fields such as biology, visual arts, and archaeology. In the coming years, with the new facilities and improvements, Dixie will become a heavily used and important part of the College.

In early 2014, we plan to open a College store on King Street in the heart of Charleston's nationally renowned shopping district. The store will serve as a "front door" to the College for tourists and others shopping or walking on King Street. Future plans call for the second and third floors of the store to be renovated for use as event space. In addition, the rooftop will be converted to an outdoor event space for weddings, receptions, and meetings.

### **Diversity Strategic Plan**

The first Diversity Strategic Plan in the College's 242-year history was approved by the Board of Trustees on April 20, 2012. The plan will guide the College as we diversify our student body, faculty, and staff; incorporate diversity into our curriculum; enhance the data we use to measure diversity; and create a more welcoming and inclusive campus.

Since we began implementing the plan last year, we have enhanced our recruiting of diverse students, begun building better support systems for diverse students, initiated a comprehensive study of our diversity climate, and identified scholarship funds to support the recruitment and retention of a more diverse student body.

### **Academic Accreditation**

On March 22 2013, the College submitted its Fifth-Year Interim Report to the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC). The College was notified by SACSCOC that no additional reports or information for our Fifth-Year Interim Report or our Quality Enhancement Plan, Impact Report would be needed.

The College is preparing for future site visits by SACSCOC, and, ultimately, our 10-year reaffirmation visit in 2017.

### **New Academic Programs and North Campus**

The College continues to strengthen its academic portfolio with the addition of new degree programs. New programs include a Bachelor of Arts in Psychology; a Bachelor of Arts in Dance; a redesigned Bachelor of Science in Computer Information Systems; and minors in Real Estate and Global Trade.

In August, the College began offering courses for our new Bachelor of Professional Studies (BPS) program. The BPS program will enable adult learners (age 24 or older) with prior college experience to complete a bachelor's degree. There are two BPS degree concentrations: Organizational Leadership and Management and Communication and Information Systems. All required courses for this program will be offered at our North Charleston Campus in the evenings and during the day on weekends in a combined online and on-site class format.

Over the past year, we continued to revamp our North Campus. The College hired a director for the Center for Continuing and Professional Education and launched several new professional development and continuing education courses. Course topics include accounting and finance; design and composition; and writing and publishing. In addition, the College is in the process of securing a building lease to relocate the North Campus, which includes the Lowcountry Graduate Center (LGC). As the fiscal agent for the LGC, the College continues to work closely and cooperatively with the center's other member institutions – the Medical University of South Carolina and The Citadel – to advance and strengthen graduate education and economic development initiatives in the Charleston region. A search for the director of the LGC is underway.

### **Student Achievements**

Our students continue to be instrumental 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, athleticism, diversity and energy.

Two recent examples of their achievements:

- In October 2012, College of Charleston sophomore Alix Generous presented her research on coral reefs at the United Nations Convention on Biological Diversity. She was the only undergraduate student to present at the convention in Hyderabad, India.
- In February 2013, hundreds of our students organized and participated in the annual Dance Marathon, which is the College's largest student-run fundraising event. The event raised more than \$42,000 for the Medical University of South Carolina Children's Hospital. Since the event was established in 2007, it has raised more than \$450,000.

This past year a number of our athletic teams and individual student-athletes competed for Southern Conference and National Championships. In May, our Sailing Team won the Coed national championship for the fourth time. Our Volleyball Team won its 12<sup>th</sup>-straight Southern Conference Regular Season or Tournament title and moved on to the NCAA Tournament; our Women's Tennis Teams claimed its fifth consecutive Southern Conference Championship and moved on to the NCAA Tournament; and our Club Squash and Club Crew teams both won national titles.

Christin Newman, team captain of the Women's Tennis Team, was the first College of Charleston Women's Tennis player in program history to be named Southern Conference Player of the Year. She also was one of four students from our May 2013 graduating class to maintain a perfect 4.0 GPA throughout college.

Juan Maegli, a member of our Sailing Team, was named College Sailor of the Year by the Intercollegiate Sailing Association. He is the fourth College of Charleston sailor to receive this prestigious award. Juan also is a two-time college sailing national champion and a two-time Olympian representing his native country of Guatemala.

In addition, many of our student-athletes were named to the 2013 Southern Conference Spring Academic All-Conference Team.

### **Colonial Athletic Association**

On July 1, 2013, the College officially began its inaugural year of competition as a member of the Colonial Athletic Association.

This move to the Colonial will offer the College access to stronger conference opponents; increased opportunities for at-large bids to NCAA championship tournaments; and a larger and stronger recruiting pool of student-athletes.

In addition, the Colonial will provide many academic-related benefits to the College. Through the Colonial Academic Alliance, our students, faculty and staff will have access to an array of learning, research, study abroad, and professional development programs. The Alliance, which is led by the provosts of the Colonial schools, prides itself on collaboration and resource-sharing among its member institutions.

We are particularly excited about opportunities for greater national exposure stemming from our membership in the Colonial. Most notably, our marketing, admissions, and fundraising operations will benefit from the College having a presence in larger population centers and larger media markets in locations such as New York, Boston, and Philadelphia.

In addition, the College's membership in the Colonial will help bring greater visibility and value to all degrees earned by South Carolinians. In turn, this will encourage talented students from other parts of the country to enroll in our state's public colleges and universities and to remain in our state as they start careers and families.

#### **Faculty Achievements and Grants**

Our distinguished faculty help set us apart from our competitors. They provide a personalized education and nurture the student-centered culture at the College that attracts our students and their families. Many of our faculty are leaders in their respective fields and receive national recognition for their research, published findings, and general expertise.

Our faculty also mentor and expand opportunities for students to engage in research projects. Faculty-student research projects over the past year include a two-week research expedition off the coast of Oregon to construct a deep-sea observatory on an active volcano. The expedition was part of a larger \$250 million project funded by the National Science Foundation.

Other recent research projects included an archaeological dig in Greece and the collection of oral histories of World War II veterans in Charleston.

Our faculty continue to identify and secure outside research funding that elevates the College's international reputation in a variety of research fields and enhances the academic experience we offer our students. In fiscal year 2013, the College and its faculty were awarded more than \$8.3 million in external research funding. This is an increase of 38% over the level of funding awarded in fiscal year 2012.

### National Recognition

The College continues to receive national recognition and exposure through a variety of university rankings. The College remains ranked among the nation's best institutions for quality and affordability. In July 2013, Forbes Magazine named the College one of the Top 25 Best Value Colleges in the country. At number 7 in the Forbes rankings, the College is the highest-ranking public university in the country, with the exception of the U.S. military academies.

In August 2013, The Princeton Review named the College to its list of "The Best 371 Colleges" for the tenth consecutive year. These well-deserved national recognitions affirm the significant accomplishments and dedication of our students, faculty, and staff.

In closing, I believe the College is doing exceptionally well. We owe much of our success to the support of our donors, friends, and alumni and to the hard work of our faculty, staff, and students. Through their efforts and the leadership of our Executive Team, the College has become an indispensable contributor to the cultural, intellectual, and social fabric of Charleston and an essential economic engine for the State of South Carolina.

Sincerely,

A handwritten signature in blue ink that reads "P. George Benson". The signature is fluid and cursive, with the first name "P." and last name "Benson" clearly legible.

## LETTER OF TRANSMITTAL

October 8, 2013

**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, 2013. This report contains the financial statements as well as other information useful to those we serve and to whom we are accountable. The CAFR includes 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, an organizational chart of the institution, the business and finance officers, and the certificate of achievement for excellence in financial reporting. 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 CAFR. This report fulfills that requirement for the fiscal year ended June 30, 2013. The College is included in the statewide CAFR as a component unit with the current year implementation of GASB Statement No. 61, The Financial Reporting Entity: Omnibus.

### 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 control, 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 position and cash flows.

### Internal Control

The objective of internal controls is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. The cost of a control should not exceed the benefits to be derived. 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, 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 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, but has an open and unrestricted reporting relationship with the Audit Committee of the Board of Trustees. 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 2013, the audit was conducted by Elliott Davis LLC. The audited report appears in the front of the Financial Section and expresses an unmodified opinion on the College's financial statements.

Furthermore, Elliott Davis LLC audits the College's major 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. Additionally, in accordance with NCAA (National Collegiate Athletic Association) Bylaw 3.2.4.16, Elliott Davis will perform the engagement work of the agreed upon procedures of the College's Department of Athletics. The most recent engagements (fiscal year 2012) detected no institutional liabilities related to the College's federal and athletic programs. Finally, the College is audited on a periodic basis by the South Carolina Budget and Control Board Division of General Services to ensure compliance with the provisions of the South Carolina Procurement Code.

### Reference to Management's Discussion & Analysis (MD&A)

The letter of transmittal complements and should be read in conjunction with MD&A. The discussion focuses on recent activities, accounting changes, and currently known facts.

## **INSTITUTIONAL PROFILE**

### 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 10,900 undergraduate and graduate students. The College has six undergraduate schools, an honors college and a graduate school. These schools offer 52 majors, 73 minors and 26 master's programs.

The College of Charleston is committed to attracting the most promising students from South Carolina as well from other states and nations. Out-of-state and international students comprise 37% of the student enrollment with 49 states and U. S. territories and 39 foreign countries represented.

In August 2013, President George Benson announced he would be retiring as President of the College to return to teaching. President Benson will become a faculty member in the School of Business effective July 1, 2014. The Board of Trustees has begun the process of selecting the next president of the College.

### Component Units

The College of Charleston and its graduate school are considered to be a component unit of the State of South Carolina. The funds of the College of Charleston are included in the CAFR of the State of South Carolina. In addition, the College of Charleston Foundation and the College of Charleston 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 ECONOMIC CONDITION**

### Local Economy

The overall U.S. economy is continuing to recover from the 2007-2009 recession at a slow pace, as most financial indicators remain flat or slightly improved. The economy is still generating new jobs, and GDP will grow near 2% for 2013 and improve in 2014.<sup>1</sup> Total nonfarm payroll employment increased by 169,000 in August, and the unemployment rate was 7.3 percent. Although the rate changed very little compared to July, it was down from 8.1 percent a year ago. In August the number of long term unemployed was approximately 4.3 million. Over the past 12 months the number of long term unemployed has decreased by approximately 733,000. The industries with the most new jobs in August were retail, education and health services, leisure and hospitality, and professional and business services. Employment in mining and logging, construction,

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<sup>1</sup> Kiplinger's Economic Outlook, September 2013

transportation and warehousing, financial activities and government showed little or no change. The information industry lost jobs, mostly related to a decline in motion picture and sound recording employment. Average hourly earnings for the U.S. worker have risen by 2.2 percent over the year.<sup>2</sup>

The South Carolina economy has also experienced a slow and gradual recovery over the past year. The unemployment rate was 8.1 percent as of July 2013 compared to 9.6 percent in August 2012. In South Carolina the industries with the most growth over the past year were Leisure and Hospitality, Construction, and Finance. Natural Resources and Mining showed a decrease; Manufacturing, Educational and Health Services, Government and Other Services remained relatively flat. The weekly average number of initial unemployment insurance claims increased in July 2013 but were 5 percent lower than the previous year. The upstate had the largest increase in claims, while Charleston, Florence, and Myrtle Beach had modest declines. Home sales in South Carolina improved 21 percent from a year ago. The median single-family home sales price is 5 percent higher than 2012, foreclosure activity continues to slow decreasing by 32 percent, and building permit activity is up 37 percent from a year ago. Again, the largest declines in building permits were in the upstate.<sup>3</sup>

The state is making great strides in its efforts to attract new and expanding companies by providing a business-friendly climate as evidenced by a sampling of following awards:

- Forbes ranked S.C. 5th best for its pro-business regulatory environment
- FDI Magazine ranked S.C. and Governor Nikki Haley among the top ten in the nation for best strategy, recruitment and overall Foreign Direct Investment
- Area Development's Gold Shovel Award Winner
- Area Development ranked S.C. 2nd in the nation as a place to do business
- Captured five of the top ten spots in Business Facilities' State Rankings
- Site Selection Magazine ranked S.C. 9th overall in top state business climates according to a survey of corporate real estate executives

In 2012 South Carolina recruited more than 14,000 jobs and capital investment totaling \$4 billion. Of the new projects, 72 percent were in the manufacturing industry. There has also been an international focus with an increase in foreign direct investment of \$2.6 billion and 4,679 jobs. Exports reached record levels at nearly \$25.3 billion in goods sold around the world, increasing by 21 percent from the previous year. Exports are expected to grow more as Boeing has begun to deliver their aircrafts.<sup>4</sup>

The Charleston area economy has seen greater recovery than other areas in the state. The unemployment rate for the Charleston Metropolitan Statistical Area (MSA) was only 6.7 percent in July 2013, compared to 8.0 percent in 2012. The area expanded in most business sectors, and the industries with the highest percentage increases in jobs over the past year were Mining, Logging, and Construction, Leisure and Hospitality, and Government. The increase in construction jobs is related to the rebound of the housing

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<sup>2</sup> Bureau of Labor Statistics, U.S. Department of Labor, News Release September 6, 2013

<sup>3</sup> South Carolina Economic Outlook, South Carolina Department of Commerce, August 2013

<sup>4</sup> South Carolina Department of Commerce Activity Report 2012

market in the area. Total nonfarm employment for the region was approximately 312,300 in August 2013, of which there were 62,400 jobs in Government, 58,800 jobs in Trade, Transportation, and Utilities, and 44,600 jobs in Professional and Business Services.<sup>5</sup>

Charleston's Harbor deepening project moved forward in 2012. The S.C. General Assembly committed \$200 million towards the project. The President included the project in his budget and named port deepening one of the most important projects in the nation. The study and construction are expected to be completed by 2019.<sup>6</sup>

Other important events in the Charleston area include the following:

- 2012 PGA Championship held on Kiawah Island, resulting in an estimated economic impact of \$193 million, in addition to international media coverage
- Delivery of the first South Carolina made Boeing 787 to Air India
- Conde Nast magazine named Charleston the number one tourism destination in the nation and the world
- Construction began on the renovation of Joint Base Charleston's longest runway
- Renovation and expansion of the Charleston Airport's passenger terminal began, with expected completion in 2015

### Long term Financial Planning

The College developed and implemented an annual planning and budgeting cycle in fiscal year 2012. The cycle allows the College to align funding with implementation of the Strategic Plan, which was adopted in 2009. Planning continues for the comprehensive fundraising campaign, which will assist with funding the Strategic Plan initiatives.

With the update of the Facilities Master Plan, identified capital projects of the College include progress on the development of Dixie Plantation, the Grice Marine Lab, the build-out of the new science center, the renovations of the Rita L. Hollings Science Center and the Simmons Center for the Arts. The College is planning on issuing bonds for both the Science Center and the Arts Center. The College began work to update the wireless and classroom information technology infrastructure and will continue to invest in this project. Deferred maintenance projects will continue to be addressed over the next several years.

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. The College continues to work to expand alternative funding sources as noted above to continue to advance the strategic plan initiatives.

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<sup>5</sup> U.S. Bureau of Labor Statistics, U.S. Department of Labor

<sup>6</sup> Charleston Metro Chamber of Commerce, Economic Forecast 2013-2014

### 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.

Finally, 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

The College has advanced and will continue to make ongoing progress related to several major initiatives that began in prior years. The Facilities Master Plan was updated and finalized by the Board of Trustees in April 2012. The plan provides a roadmap for future campus development including major renovation projects and possible new facilities such as an active-learning high-tech classroom building, an alumni center, and an additional building for our business school. Projects that were completed or had significant progress during the year include:

- Major renovations to two buildings on George Street that house academic departments
- Completion of a new Chick-fil-a
- Dixie Plantation infrastructure improvements
- Completion of the second floor of the new Science building
- Renovations to the Center for Social Science Research

The College underwent an efficiency study of its information technology operations in fiscal year 2013, and is currently implementing recommendations from the study. The College continues to benefit from the results of the Comprehensive Program for Quality and Efficiency (CPQE). CPQE is a mechanism for the ongoing, internal review of quality and efficiency in the processes, management, offices, and programs of each campus division.

## **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 CAFR for the fiscal year ended June 30, 2012. 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

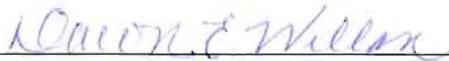
We wish to thank the President and the Board of Trustees of the College for their continued commitment to the fiscal management of the College. Likewise, we wish to thank the members of the College community whose cooperation made the successful close of the fiscal year possible.



Stephen C. Osborne  
Executive Vice President for Business Affairs



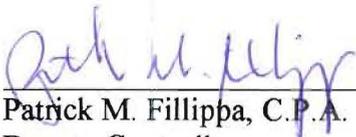
Priscilla D. Burbage  
Vice President for Fiscal Services



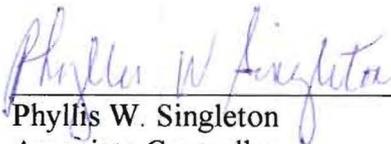
Dawn E. Willan, C.P.A.  
Controller



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



Patrick M. Fillippa, C.P.A.  
Deputy Controller



Phyllis W. Singleton  
Associate Controller

**COLLEGE OF CHARLESTON  
BOARD OF TRUSTEES  
2013- 2014**

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Alumni Association Trustee

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Member At Large

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Seventh District

Joseph F. Thompson, Jr.  
First District

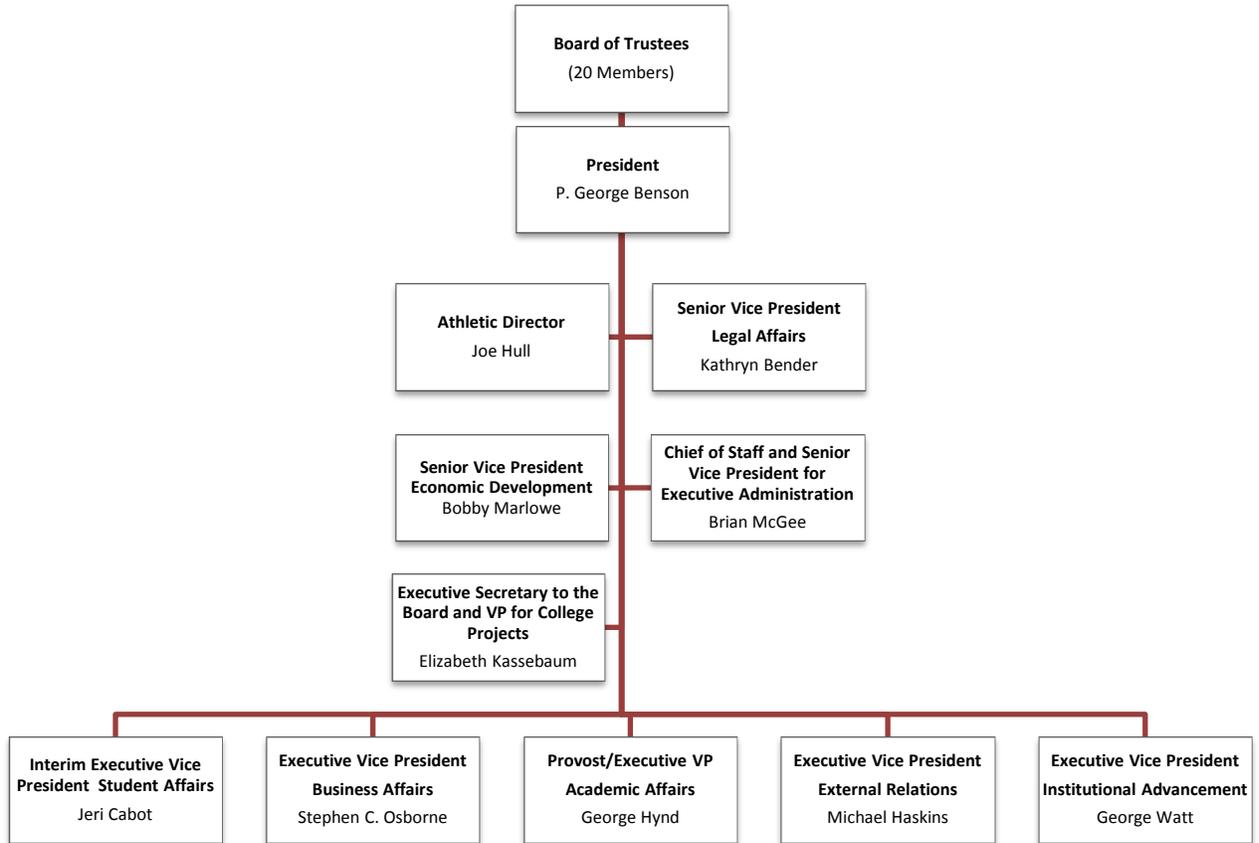
Henrietta U. Golding  
Seventh District

Ricci Land Welch  
Sixth District

David M. Hay  
Member At Large

John B. Wood, Jr.  
Fourth District

# COLLEGE OF CHARLESTON PRESIDENT'S OFFICE ORGANIZATIONAL STRUCTURE



**COLLEGE OF CHARLESTON  
BUSINESS AND FINANCE OFFICERS  
2013-2014**

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 M. Fillippa, C.P.A.  
Deputy Controller

Phyllis Singleton  
Associate Controller

Samuel B. Jones  
Associate Vice President for Budgeting and Payroll Services

Gail E. Long, C.P.A.  
Internal Auditor

David Katz  
Treasurer



Government Finance Officers Association

**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, 2012**

Executive Director/CEO

# COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*Atrium of the Beatty Center for the School of Business*



*Cistern Yard, near Physicians Promenade*

## FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the College of Charleston (the College), a component unit of the State of South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 reflects 98% of total assets, 98% of net assets, and 91% of total revenues of the discretely presented component units. Those statements were audited by another auditor whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for these discretely presented components units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the College of Charleston Foundation and College of Charleston Cougar Club were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the College as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient audit evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The Introductory Section and Statistical Section as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013 on our consideration of the College's internal control over financial reporting and on 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* in considering College's internal control over financial reporting and compliance

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a long, sweeping underline.

Greenville, South Carolina  
October 8, 2013

**COLLEGE OF CHARLESTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013**

**Introduction**

The College of Charleston's (the College) Management Discussion and Analysis (MD&A) presents an overview of its financial condition and guides the reader toward significant financial matters for the fiscal year ended June 30, 2013. 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 position of \$276.3 million in fiscal year 2013 grew by \$13.3 million or 5.0 percent in comparison to fiscal year 2012.
- State appropriations totaling \$19.8 million in fiscal year 2013 increased by \$0.9 million or 5.0 percent from the prior year's appropriations.
- Tuition and fee revenue of \$133.9 million for fiscal year 2013 reflects an additional \$5.8 million, up approximately 4.6 percent in relation to fiscal year 2012. Total revenues increased \$7.7 million, or 3.2 percent.
- Total operating expenses of \$224.8 million in fiscal year 2013 show an added 6.0 percent in contrast to fiscal year 2012.
- The College completed major renovations to 72 and 74 George Street (faculty office space), opened a new Chick-fil-a location, and continued improvement on the Dixie Plantation site.
- The College refunded two bond series which will reduce total debt service payments by approximately \$6.5 million.

**Using the Annual Financial Report**

The annual financial report encompasses three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; 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 State and Local Governments and Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. During fiscal year 2013 the College implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The financial statements 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 Position) has improved or deteriorated as a result of current year's financial activities (the Statement of Revenues, Expenses and Changes in Net Position). 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 debt 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 Position*** (the balance sheet) includes 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, unearned 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 position 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. The statement also displays deferred outflows and inflows of resources, which are consumptions or acquisitions of net position in one period that are applicable to future periods.

In addition, the ***Statement of Net Position*** presents three major components of net position. The first component, net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The next component displays the restricted portion of net position, subdivided into expendable and nonexpendable. The expendable portion of restricted net position is available for expenditure but must be spent for purposes as determined by donors and/or external entities based on the defined restrictions. The nonexpendable restricted component is available solely for investment purposes. The final component is the unrestricted portion of net position which may be expended for any lawful purpose of the institution.

Secondly, the ***Statement of Revenues, Expenses, and Changes in Net Position*** presents the sources of revenue, types of expenses, gains or losses, and changes in net position. 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; sales and services of auxiliary enterprises; student organization revenues; and other sources.

Scholarships and fellowships applied to student accounts are shown as a reduction of student tuition and 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.

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 debt 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 Position. 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 the cash basis.

### **Statement of Net Position**

The Statement of Net Position is the residual of all other elements presented in the financial statements. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The change in net position 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 position as of June 30, 2013 and 2012 follows.

**Condensed Statement of Net Position**

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Assets</b>				
Current assets	\$ 142,338,396	\$ 133,477,331	\$ 8,861,065	6.6%
Capital assets, net of depreciation	345,716,534	345,162,217	554,317	0.2%
Other noncurrent assets	5,834,716	6,251,585	(416,869)	-6.7%
<b>Total Assets</b>	<b>\$ 493,889,646</b>	<b>\$ 484,891,133</b>	<b>\$ 8,998,513</b>	<b>1.9%</b>
<b>Liabilities</b>				
Current liabilities	\$ 30,577,083	\$ 30,102,165	\$ 474,918	1.6%
Noncurrent liabilities	187,036,810	191,777,529	(4,740,719)	-2.5%
<b>Total Liabilities</b>	<b>\$ 217,613,893</b>	<b>\$ 221,879,694</b>	<b>\$ (4,265,801)</b>	<b>-1.9%</b>
<b>Net Position</b>				
Net investment in capital assets	\$ 164,855,627	\$ 159,378,927	\$ 5,476,700	3.4%
Restricted - expendable	53,288,670	50,543,709	2,744,961	5.4%
Restricted - nonexpendable	1,162,851	1,110,167	52,684	4.7%
Unrestricted	56,968,605	51,978,636	4,989,969	9.6%
<b>Total Net Position</b>	<b>\$ 276,275,753</b>	<b>\$ 263,011,439</b>	<b>\$ 13,264,314</b>	<b>5.0%</b>

A 5.0 percent growth in the **Total Net Position** illustrates that the College remains financially sound even through recent years of severe economic downturns and a slow but improving recovery. Total net position was \$276.3 million as of the end of fiscal year 2013, growing \$13.3 million.

**Total Assets** of \$493.9 million have increased by \$9.0 million or 1.9 percent from last fiscal year to the current fiscal year. This increase is mostly attributable to increased cash on hand at year end. Cash and cash equivalents comprise approximately 91 percent of current assets. Included in the current cash balance is funding for internal capital projects and deferred maintenance.

**Total Liabilities** of \$217.6 million decreased by 1.9 percent. The decrease in liabilities is attributable mostly to scheduled principal payments for outstanding debt.

Net investment in capital assets in the amount of \$164.9 million increased by \$5.5 million, or 3.4 percent. The 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 primarily in an area of approximately 11 city blocks in the center of downtown Charleston. The increase in the balance is the result of the reduction of long term debt due to principal payments.

The expendable component of restricted net position includes funds for state approved capital projects. The increase in restricted expendable net position is due to changes in several projects including \$2.7 million related to the field stations at Dixie Plantation.

The nonexpendable component of restricted net position represents 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 of the financial statements for additional information regarding this endowment.

Unrestricted net position of \$57.0 million increased \$5.0 million or 9.6 percent. The majority of this increase is due to an increase in internal capital projects, including deferred maintenance. Increases in cash are derived from revenue streams consisting of student tuition and fees along with sales and services of auxiliary enterprises.

In summary, the changes in total net position 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 Position**

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

<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>				
	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Revenues:</b>				
Tuition and fees*	\$ 133,935,670	\$ 128,093,347	\$ 5,842,323	4.6%
Federal, state, and local grants and contracts	28,125,202	27,420,254	704,948	2.6%
Sales and services of Auxiliary Enterprises*	43,531,563	43,516,148	15,415	0.0%
Other Operating Revenue	2,964,041	3,066,341	(102,300)	-3.3%
<b>Total Operating Revenues</b>	<b>\$ 208,556,476</b>	<b>\$ 202,096,090</b>	<b>\$ 6,460,386</b>	<b>3.2%</b>
State appropriations	\$ 19,809,777	\$ 18,872,340	\$ 937,437	5.0%
Federal grants and contracts	10,297,628	10,216,054	81,574	0.8%
State grants and contracts	-	5,170	(5,170)	-100.0%
Gifts	3,229,952	3,008,092	221,860	7.4%
Auxiliary enterprises interest income	164,682	163,676	1,006	0.6%
Interest and investment income	253,585	1,005,561	(751,976)	-74.8%
Nongovernmental grants and contracts	390,738	518,884	(128,146)	-24.7%
Capital appropriations	3,752,769	3,431,879	320,890	9.4%
Capital gifts	981,258	460,000	521,258	113.3%
<b>Total Nonoperating and Other Revenues</b>	<b>\$ 38,880,389</b>	<b>\$ 37,681,656</b>	<b>\$ 1,198,733</b>	<b>3.2%</b>
<b>Total Revenues</b>	<b>\$ 247,436,865</b>	<b>\$ 239,777,746</b>	<b>\$ 7,659,119</b>	<b>3.2%</b>
<b>Expenses:</b>				
Personnel cost	\$ 98,159,971	\$ 95,000,246	\$ 3,159,725	3.3%
Benefits	27,855,518	25,436,129	2,419,389	9.5%
Supplies and services	61,625,540	52,848,449	8,777,091	16.6%
Utilities	8,806,973	7,989,850	817,123	10.2%
Scholarships and fellowships	15,456,717	15,965,283	(508,566)	-3.2%
Depreciation	12,857,663	14,725,425	(1,867,762)	-12.7%
<b>Total Operating Expenses</b>	<b>\$ 224,762,382</b>	<b>\$ 211,965,382</b>	<b>\$ 12,797,000</b>	<b>6.0%</b>
Interest expense on capital assets and related debt	\$ 9,367,537	\$ 8,689,733	\$ 677,804	7.8%
Loss on sale or disposal of capital assets	42,632	72,928	(30,296)	-41.5%
<b>Total Nonoperating Expenses</b>	<b>\$ 9,410,169</b>	<b>\$ 8,762,661</b>	<b>\$ 647,508</b>	<b>7.4%</b>
<b>Total Expenses</b>	<b>\$ 234,172,551</b>	<b>\$ 220,728,043</b>	<b>\$ 13,444,508</b>	<b>6.1%</b>
<b>Change in Net Position</b>	<b>\$ 13,264,314</b>	<b>\$ 19,049,703</b>	<b>\$ (5,785,389)</b>	<b>-30.4%</b>
<b>Net Position, Beginning</b>	<b>263,011,439</b>	<b>243,961,736</b>	<b>19,049,703</b>	<b>7.8%</b>
<b>Net Position, Ending</b>	<b>\$ 276,275,753</b>	<b>\$ 263,011,439</b>	<b>\$ 13,264,314</b>	<b>5.0%</b>

\* Net of scholarship discounts and allowances

For fiscal year 2013, the Statement of Revenues, Expenses, and Changes in Net Position reflects a net position of \$276.3 million, an augmentation of \$13.3 million or 5.0 percent in comparison to fiscal year 2012. Total revenue summed to \$247.4 million while total expenses excluding interest on debt and the loss on disposal of capital assets totaled \$224.8 million. The primary streams of revenue sources consist of tuition and fees, grants and contracts, sales and services of auxiliary enterprises, and state appropriations.

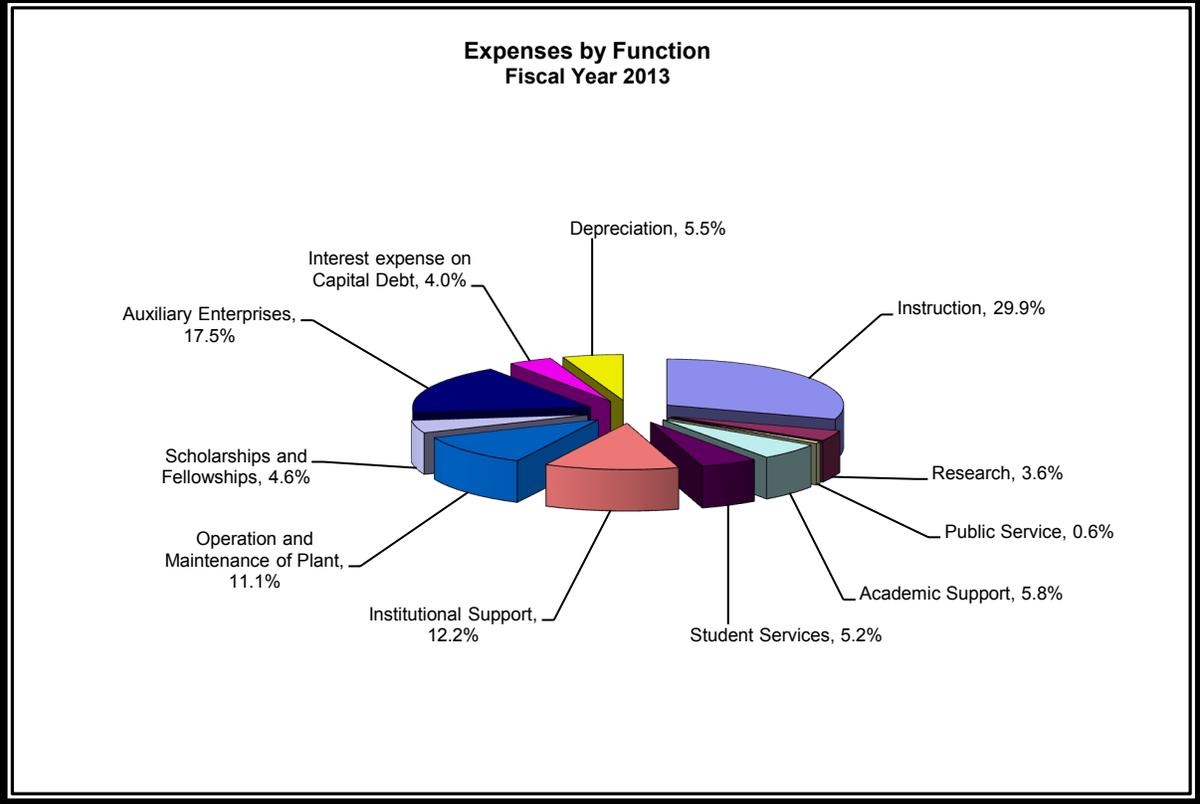
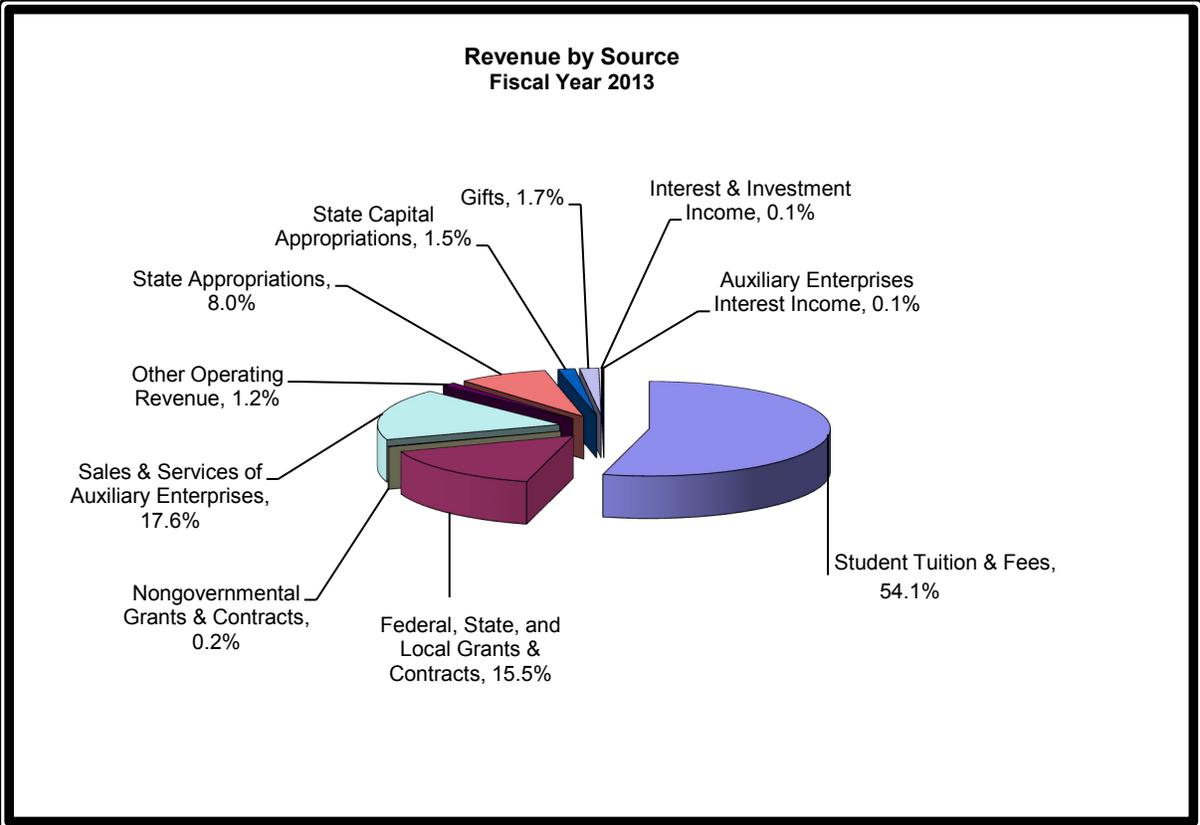
Tuition and related fees of \$133.9 million comprise the largest part of the total operating revenues. Tuition and related fees increased by 4.6 percent compared to fiscal year 2012. This is due to a Board of Trustees approved increase of 3.15 percent for resident students and 4.0 percent for nonresident students. For fiscal years 2013 and 2012 tuition and fees comprise 54.1 percent and 53.4 percent of total revenue, respectively.

State appropriations encompass 8.0 percent or \$19.8 million of the total revenue. The base appropriation increased by \$0.3 million and Employee Pay Plan Funds increased by \$0.7 million. These increases partially funded the state mandated increase in salaries and employer benefit expenses. Capital appropriations include amounts received from the State Capital Reserve Fund and excess Lottery funds, which were allocated for deferred maintenance and technology projects.

Operating and non operating grant and contract revenue combined increased by \$0.8 million. The College is continuing its efforts to increase external revenue streams to offset the continuing declines in state support. Offsetting this increase was a decrease to interest and investment income of \$0.8 million. Investment income is under the control of the State Treasurer. The College records its share of the state's investment pool results each year. Capital gifts increased by \$0.5 million this year. The College received a \$1.0 million private grant for construction of the Dixie Plantation field stations.

Total operating expenses reported for fiscal year 2013 were \$224.8 million. Personnel costs and benefits comprise most of the operating expenses of the College. Approximately \$126.0 million or 56.1 percent of the total operating expenses covered personnel costs and benefits for the fiscal year. Operating expenses increased by 6.0 percent or \$12.2 million due mostly to increases in personnel costs and benefits. Personnel costs increased due to a state mandated cost of living increase, and merit increases for some faculty and staff. There were also increases to the employer contributions for medical, dental, and retirement programs. Supplies and services increased by \$8.8 million or 16.6 percent. This includes increases in deferred maintenance projects, renovation projects, and information technology equipment.

(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, 2013. A synopsis of the Statement of Cash Flows follows.

<b>Condensed Statement of Cash Flows</b>				
	<b>2013</b>	<b>2012</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
Net cash provided by (used for) operating activities	\$ (461,852)	\$ 3,192,202	\$ (3,654,054)	-114.5%
Net cash provided by noncapital financing activities	33,676,764	32,793,115	883,649	2.7%
Net cash used for capital debt and related financing activities	(25,075,850)	(23,113,174)	(1,962,676)	-8.5%
Net cash provided by investing activities	200,513	170,590	29,923	17.5%
<b>Net change in cash and cash equivalents</b>	<b>8,339,575</b>	<b>13,042,733</b>	<b>(4,703,158)</b>	<b>-36.1%</b>
<b>Cash and cash equivalents, Beginning of Year</b>	<b>122,419,518</b>	<b>109,376,785</b>	<b>13,042,733</b>	<b>11.9%</b>
<b>Cash and cash equivalents, End of Year</b>	<b>\$ 130,759,093</b>	<b>\$ 122,419,518</b>	<b>\$ 8,339,575</b>	<b>6.8%</b>

To begin with, cash flows from operating activities show a net decrease of \$3.7 million. Increases from operating activities include an additional \$5.5 million in tuition and fee revenue, the results of increases approved by the Board of Trustees. Cash flow from grants and contracts was \$1.5 million greater than fiscal year 2012. Offsetting these increases were higher payments to employees for salaries and benefits of \$5.6 million, and to suppliers of \$6.1 million.

Cash provided by noncapital financing activities increased by \$0.9 million with 5.0 percent due to the increase in state appropriations to fund a portion of state mandated increases in salary and employer benefits.

Finally, payments for capital expenditures were greater in fiscal year 2013 than in fiscal year 2012. Purchases of capital assets increased \$6.3 million. Cash flow from the refunding of two bond series resulted in additional cash flow of \$4.6 million, and proceeds from state capital appropriations increased by \$1.4 million.

As of June 30, 2013, cash and cash equivalents made up 27.5 percent 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. The College updated its master plan during fiscal year 2012. The College had approximately \$345.7 million invested in capital assets, net of accumulated depreciation of \$152.7 million at June 30, 2013. Total net capital assets at June 30, 2013 was relatively unchanged in comparison to June 30, 2012. The increases in construction in progress, building improvements and equipment are offset by current year depreciation. Major construction projects that were in progress at year end include several projects at Dixie Plantation, the completion of the second floor of the new science center, the renovation of the Center for Social Science Research, and Grice Marine Lab.

Renovation projects completed during the year and transferred from construction in progress to capital assets include renovations to 72 and 74 George Street (faculty office space), a new Chick-fil-a, and Barnett Park. In addition, the College has begun planning for the renovations of the Simons Center for the Arts and the Rita L. Hollings Science Center. A synopsis of the net capital assets for the fiscal years ended 2013 and 2012 further illustrates the significant changes between the accounting periods.

<b>Capital Assets</b>				
	<b>2013</b>	<b>2012</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
Land	\$ 41,850,600	\$ 41,850,600	\$ -	0.0%
Construction in progress	11,518,910	4,592,460	6,926,450	150.8%
Land improvements	4,233,895	4,102,016	131,879	3.2%
Buildings	351,111,658	351,111,658	-	0.0%
Building improvements	62,261,877	59,201,290	3,060,587	5.2%
Machinery, equipment, and other	19,754,180	17,180,655	2,573,525	15.0%
Information technology equipment and software	7,180,487	7,180,487	-	0.0%
Motor vehicles	541,024	572,420	(31,396)	-5.5%
Accumulated depreciation	(152,736,097)	(140,629,369)	(12,106,728)	8.6%
<b>Total Capital Assets - Net</b>	<b>\$ 345,716,534</b>	<b>\$ 345,162,217</b>	<b>\$ 554,317</b>	<b>0.2%</b>

## **Debt**

Outstanding long term debt was \$181.9 million as of June 30, 2013. Long term debt decreased by \$5.0 million due to principal payments. During fiscal year 2013, the College refunded two series of bonds, which will reduce future debt service payments by approximately \$6.5 million.

See notes 5, 10, and 11 of the financial statements 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. However, the Charleston area has seen greater progress in its recovery from the recession than other parts of the state. The fiscal year end 2013 news release of the S. C. Comptroller General's Office<sup>1</sup> reported an increase in revenues of \$525.1 million (8.2 percent). There was a \$270.6 million surplus in the Budgetary General Fund of which \$208.9 million was distributed in fiscal year 2014 as supplemental appropriations. The remaining \$61.8 million was transferred to the Contingency Reserve Fund. The state has fully funded both the Rainy Day Fund and Capital Reserve account. Agencies were allowed to carry over \$381.1 million of unspent 2013 appropriations for use in the current year. Despite the increase in revenue and fully funded reserves, the state has continuing challenges with funding retirement benefits.

<sup>1</sup> News Release, Comptroller General's Office, August 28, 2013

The S.C. Department of Revenue suffered a cyber security breach of its database in 2012, which affected approximately 3.8 million taxpayers. The state initially offered to fund the cost of identity theft protection for one year for affected taxpayers at a cost of \$12 million. The state has now extended funding in its current year budget for a second year of protection. In addition, the current year's budget includes significant funds for the improvement of deteriorating roads and bridges. Salary increases were not approved for fiscal year 2014, but there were increases to employee and employer pension contributions, which were included in prior year legislation.

In fiscal year 2014 the College received an increase of \$400,000 to their appropriation for the Computer Science program, in addition to \$100,000 in nonrecurring funds. This is in response to the growing need for computer science majors in the Charleston area. The College also received nonrecurring funds for the Avery Research Center, and the Rita L. Hollings Science Center renovation.

The Charleston area continues to attract not only tourists, but permanent residents as well. The area has experienced a population growth that is expected to continue into the future. The population in the Charleston Metropolitan Statistical Area (MSA) was 697,000 in 2012, and is projected to grow to approximately 736,000 by 2020. The household growth rate for the Charleston MSA was 24.3 percent between 2000 and 2011<sup>2</sup>, which exceeds the household growth rate for both South Carolina and the United States. Berkeley County is the 35th fastest-growing county in America, and Mount Pleasant is the 38th fastest growing municipality. Charleston and North Charleston are also among the country's 100 fastest-growing municipalities.<sup>3</sup>

The influx of people to the area has had a positive effect on the job market, with an increase in jobs and lower unemployment. The civilian workforce growth rate was 19.6 percent between 2000-2012, exceeding the South Carolina growth rate of 2.8 percent and the United States growth rate of 4.1 percent over the same time period. The three largest employers in the Charleston area are Joint Base Charleston (22,000 employees), the Medical University of South Carolina (13,000 jobs), and Boeing (6,000 jobs).<sup>2</sup> The College of Charleston has established partnerships with both MUSC and Boeing over the past several years and a joint committee has been formed between the College and MUSC to identify additional opportunities for collaboration in the future.

The College is moving forward with implementing its strategic plan, given ongoing budget constraints. The College utilizes a year-long planning and budgeting cycle to align its strategic priorities with its financial resources. As an outcome of the process, funds have been allocated to update the information technology infrastructure across campus. Planning for a national comprehensive fundraising plan continues to move forward.

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<sup>2</sup> Charleston Regional Development Alliance, [www.crda.org](http://www.crda.org)

<sup>3</sup> Census Data: SC Population Growth Centers on Coast, The State, June 13, 2013

## **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.



*Edward Emerson Towell Library*

**COLLEGE OF CHARLESTON  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 49,690,585
Cash and cash equivalents, restricted	80,003,542
Accounts receivable	5,336,878
Allowances for bad debts	(235,000)
Grants and contracts receivable	2,980,328
Component unit receivable	1,496,343
Interest income receivable	56,181
Prepaid items	2,787,886
Inventories	221,653
<b>Total Current Assets</b>	<b>\$ 142,338,396</b>

**Noncurrent Assets**

Cash and cash equivalents, restricted	\$ 1,064,966
Component unit receivable	1,333,880
Student loans receivable	2,051,686
Prepaid items	367,313
Bond issue costs, net	1,016,871
Capital assets not being depreciated	53,369,510
Capital assets, net of accumulated depreciation	292,347,024
<b>Total Noncurrent Assets</b>	<b>\$ 351,551,250</b>

<b>Total Assets</b>	<b>\$ 493,889,646</b>
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**Liabilities And Net Position**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 5,468,810
Accrued payroll and related liabilities	7,946,816
Retainage payable	170,997
Unearned revenues	4,463,569
Deposits held for others	356,766
Student deposits	1,762,861
Compensated absences payable	2,482,510
Accrued interest payable	1,758,735
Bonds payable	6,162,818
Other liabilities	3,201
<b>Total Current Liabilities</b>	<b>\$ 30,577,083</b>

**Noncurrent Liabilities**

Compensated absences payable	\$ 2,691,653
Bonds payable	181,880,207
Federal capital contribution	2,464,950
<b>Total Noncurrent Liabilities</b>	<b>\$ 187,036,810</b>

<b>Total Liabilities</b>	<b>\$ 217,613,893</b>
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**Net Position**

Net investment in capital assets	\$ 164,855,627
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**Restricted for:**

Expendable	
Scholarships and fellowships	257,756
Research	410,961
Loans	(4,426)
Capital projects	49,149,048
Debt service	3,475,331
Nonexpendable	
Endowed professorship	109,222
Endowment other	1,053,629

<b>Unrestricted</b>	<b>56,968,605</b>
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<b>Total Net Position</b>	<b>\$ 276,275,753</b>
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See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

**Operating Revenues**

Tuition and related fees (\$6,705,503 pledged for debt service; net of scholarship discounts and allowances of \$27,678,542)	\$ 133,935,670
Federal grants and contracts	9,277,750
State grants and contracts	18,671,257
Local grants and contracts	176,195
Nongovernmental grants and contracts	540,709
Educational activities revenues	564,364
Student organizations generated revenues	1,384,776
Sales and services of auxiliary enterprises	
Revenues not pledged for debt service	
Athletics (net of scholarship discounts and allowances of \$1,923,662)	11,424,083
Health services (net of scholarship discounts and allowances of \$251,461)	1,241,932
Rental, vending, bookstore and debit card	1,382,746
Revenues pledged for debt service	
Housing (net of scholarship discounts and allowances of \$3,904,949)	18,722,307
Food service (net of scholarship discounts and allowances of \$1,618,309)	8,614,917
Parking	2,145,578
Other sources	474,192
<b>Total Operating Revenues</b>	<b>\$ 208,556,476</b>

**Operating Expenses**

Personnel cost	\$ 98,159,971
Benefits	27,855,518
Supplies and services	61,625,540
Utilities	8,806,973
Scholarships and fellowships	15,456,717
Depreciation	12,857,663
<b>Total Operating Expenses</b>	<b>\$ 224,762,382</b>

**Operating Loss** \$ (16,205,906)

**Nonoperating Revenues (Expenses)**

State appropriations	\$ 19,809,777
Federal grants and contracts	10,297,628
Gifts	3,229,952
Auxiliary enterprises interest income	164,682
Interest and investment income	253,585
Interest and amortization expense on capital assets and related debt	(9,367,537)
Nongovernmental grants and contracts	390,738
Loss on sale or disposal of capital assets	(42,632)
<b>Total Net Nonoperating Revenues</b>	<b>\$ 24,736,193</b>

**Income Before Other Revenues** \$ 8,530,287

**Other Revenues**

Capital appropriations	\$ 3,752,769
Capital gifts	981,258
<b>Total Other Revenues</b>	<b>\$ 4,734,027</b>

**Increase In Net Position** \$ 13,264,314

**Net Position, Beginning Of Year** 263,011,439

**Net Position, End Of Year** **\$ 276,275,753**

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Cash Flows From Operating Activities**

Tuition and fees	\$	134,896,654
Grants and contracts		28,223,871
Sales and services of education and other activities		1,949,140
Sales and services of auxiliary enterprises		43,422,130
Other operating revenues		866,040
Payments to employees for salaries and benefits		(125,350,788)
Payments to suppliers		(60,296,894)
Payments for utilities		(8,806,973)
Payments to students for scholarships and fellowships		(15,456,717)
Loans issued to students		(268,172)
Collection of loans from students		257,013
Deposits held for others		102,844
Student direct lending receipts		61,003,206
Student direct lending disbursements		(61,003,206)
<b>Net Cash Used for Operating Activities</b>	<b>\$</b>	<b>(461,852)</b>

**Cash Flows From Noncapital Financing Activities**

State appropriations	\$	19,809,777
Gifts and grants for other than capital purpose		13,866,987
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>\$</b>	<b>33,676,764</b>

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

Proceeds from state capital appropriations	\$	3,104,672
Proceeds from capital grants and gifts		394,258
Purchases of capital assets		(14,158,227)
Proceeds from sales of capital assets		14,570
Principal paid on capital debt		(43,050,000)
Proceeds from capital debt		38,161,667
Proceeds from investments in capital and related financing activities		449,907
Interest paid on capital related debt		(9,992,697)
<b>Net Cash Used for Capital Debt And Related Financing Activities</b>	<b>\$</b>	<b>(25,075,850)</b>

**Cash Flows From Investing Activities**

Interest on investments	\$	200,513
<b>Net Cash Provided by Investing Activities</b>	<b>\$</b>	<b>200,513</b>

Net change in cash and cash equivalents	\$	8,339,575
Cash and cash equivalents - Beginning of the Year		122,419,518
<b>Cash and Cash Equivalents - End of the Year</b>	<b>\$</b>	<b>130,759,093</b>

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

Operating loss	\$	(16,205,906)
Adjustments to reconcile net operating loss to net cash used for operating activities		
Depreciation expense		12,857,663

**Changes in assets and liabilities:**

Deposits held for others		102,844
Account receivable, net		(188,659)
Inventories		(16,864)
Student loans receivable		(11,159)
Prepaid items		1,166,339
Accounts payable and accrued expenses		379,427
Accrued compensated absences and related liabilities		464,445
Unearned revenue		893,871
Student and other deposits		96,147
<b>Net Cash Used for Operating Activities</b>	<b>\$</b>	<b>(461,852)</b>

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

Current assets:		
Cash and cash equivalents	\$	49,690,585
Cash and cash equivalents, restricted		80,003,542
Noncurrent assets:		
Restricted cash and equivalents		1,064,966
<b>Total Cash and Cash Equivalents</b>	<b>\$</b>	<b>130,759,093</b>

**COLLEGE OF CHARLESTON FOUNDATION  
NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013**

<b>Assets</b>	
Cash and cash equivalents	\$ 402,093
Accounts receivable	50,560
Prepaid expenses	65,485
Other assets	90,668
Unconditional promises to give, net	7,666,861
Investments	74,858,872
Collections	7,482,163
Property and equipment, net	5,312,438
<b>Total Assets</b>	<b>\$ 95,929,140</b>

<b>Liabilities</b>	
Accounts payable	\$ 325,491
Accrued liabilities	69,716
Annuities payable	255,359
Marine Genomics grant payable (College of Charleston)	1,333,880
<b>Total Liabilities</b>	<b>\$ 1,984,446</b>

<b>Net Assets</b>	
Unrestricted:	
Board-designated quasi-endowment	\$ 1,061,695
Undesignated	8,955,674
	<b>\$ 10,017,369</b>

Temporarily restricted:	
Restricted for:	
Program expenses	\$ 13,521,997
Portion of perpetual endowment subject to a time restriction under UPMIFA and with purpose restrictions	31,121,922
Investment in property	5,179,334
	<b>\$ 49,823,253</b>

Permanently restricted:	
Donor restricted permanent endowments	\$ 34,104,072

<b>Total Net Assets</b>	<b>\$ 93,944,694</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 95,929,140</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, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, gains, (losses), and other support:</b>				
Contributions	\$ 1,248,831	\$ 11,257,333	\$ 582,283	\$ 13,088,447
Rental income	820,841	-	-	820,841
Net interest and dividend income	293,930	1,791,600	-	2,085,530
Net realized and unrealized gains (losses) on investments	436,258	5,307,990	-	5,744,248
Special events	-	52,364	-	52,364
Other income	-	243,161	-	243,161
Changes in value of split interest agreements	-	(18,480)	-	(18,480)
	<b>\$ 2,799,860</b>	<b>\$ 18,633,968</b>	<b>\$ 582,283</b>	<b>\$ 22,016,111</b>
<b>Net assets released from restrictions:</b>				
Program restrictions satisfied	\$ 6,517,776	\$ (6,517,776)	\$ -	\$ -
Administrative surcharges	696,112	(696,112)	-	-
Transfers based on changes in donor intent	-	458,653	(458,653)	-
<b>Total revenue, gains, (losses), and other support</b>	<b>\$ 10,013,748</b>	<b>\$ 11,878,733</b>	<b>\$ 123,630</b>	<b>\$ 22,016,111</b>
<b>Expenses:</b>				
<b>Program:</b>				
Student aid and recognition	\$ 2,759,258	\$ -	\$ -	\$ 2,759,258
Programs of education, research, and student and faculty enrichment	5,231,184	-	-	5,231,184
Total program expenses	<b>\$ 7,990,442</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,990,442</b>
<b>Supporting Services:</b>				
General and administrative	\$ 636,024	\$ -	\$ -	\$ 636,024
Fundraising	1,463,492	-	-	1,463,492
Total supporting services	<b>\$ 2,099,516</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,099,516</b>
<b>Total Expenses</b>	<b>\$ 10,089,958</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,089,958</b>
<b>Change in net assets</b>	<b>\$ (76,210)</b>	<b>\$ 11,878,733</b>	<b>\$ 123,630</b>	<b>\$ 11,926,153</b>
<b>Net Assets, Beginning of Year</b>	<b>\$ 10,093,579</b>	<b>\$ 37,944,520</b>	<b>\$ 33,980,442</b>	<b>\$ 82,018,541</b>
<b>Net Assets, End of Year</b>	<b>\$ 10,017,369</b>	<b>\$ 49,823,253</b>	<b>\$ 34,104,072</b>	<b>\$ 93,944,694</b>

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON COUGAR CLUB  
 NONGOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT  
 STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2013**

**Assets**

**Current Assets**

Cash and cash equivalents	\$	1,525,774
Cash and cash equivalents, restricted		604,066
Accounts receivable		11,725
Unconditional promises to give, net		18,910
Due from related parties		375
Prepaid expenses		1,879
<b>Total Current Assets</b>	<b>\$</b>	<b>2,162,729</b>

**Other Assets**

Unconditional promises to give, net	\$	20,000
Property and equipment, net		8,333
<b>Total Other Assets</b>	<b>\$</b>	<b>28,333</b>

<b>Total Assets</b>	<b>\$</b>	<b>2,191,062</b>
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**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable	\$	9,938
Due to related parties		40,426
Deferred revenue		9,000
<b>Total Current Liabilities</b>	<b>\$</b>	<b>59,364</b>

**Net Assets**

Unrestricted	\$	549,643
Unrestricted board designated		705,627
Temporarily restricted		876,428
<b>Total Net Assets</b>	<b>\$</b>	<b>2,131,698</b>

<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>2,191,062</b>
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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, 2013**

**UNRESTRICTED NET ASSETS**

**Unrestricted revenues and gains**

Contributions and memberships	\$ 1,115,028
Special events net of direct expenses of \$38,679	38,046
Interest	3,359
Other income	4,046
<b>Total unrestricted revenues and gains</b>	<b>\$ 1,160,479</b>

<b>Net assets released from restrictions</b>	<b>\$ 1,171,426</b>
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<b>Total revenue, gains and other support</b>	<b>\$ 2,331,905</b>
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**Expenses:**

**Program:**

Grants and support	\$ 2,009,648
Membership activities	85,863
<b>Total program expenses</b>	<b>\$ 2,095,511</b>

**Supporting Services:**

Management and general	\$ 147,353
Fundraising	111,089

<b>Total Expenses</b>	<b>\$ 2,353,953</b>
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<b>Increase in unrestricted net assets</b>	<b>\$ (22,048)</b>
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**TEMPORARILY RESTRICTED NET ASSETS**

Contributions	\$ 970,011
Net assets released from restrictions	(1,171,426)

<b>Increase in temporarily restricted net assets</b>	<b>\$ (201,415)</b>
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<b>Increase in net assets</b>	<b>\$ (223,463)</b>
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<b>Net Assets, Beginning of Year</b>	<b>\$ 2,355,161</b>
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<b>Net Assets, End of Year</b>	<b>\$ 2,131,698</b>
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See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**



*Theodore S. Stern Student Center*

**NOTES TO THE FINANCIAL STATEMENTS**

## **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 College is a component unit of the State of South Carolina and its financial statements are included in the Comprehensive Annual Financial Report (CAFR) of the State.

The accompanying basic financial statements present the statement of net position, statement of revenues, expenses, and changes in net position, 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 nongovernmental discretely presented component units, the College of Charleston Foundation (the Foundation) and the College of Charleston Cougar Club (the Cougar Club).

The 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 its fiscal year runs concurrent with that of 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*, GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The financial statement presentation provides a comprehensive, entity wide perspective of the College's net position, revenues, expenses and changes in net position and cash flows.

In addition and as per GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and Statement No. 61, *The Financial Reporting Entity*, 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.

### **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 Position.

## **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 and Prepaid Items**

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 inventories include maintenance, janitorial, housing, and office supplies. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

## **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. For assets capitalized prior to fiscal year 2012, a full year of depreciation was taken during the year the asset was placed in service, and no depreciation was taken in the year of disposition. Beginning in fiscal year 2012, capital assets are depreciated based on the number of months the asset is in service during the fiscal year. The change in depreciation method was required by the State of South Carolina.

### **Unearned Revenues and Deposits**

Unearned 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. Unearned 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 Position and as an expense in the Statement of Revenues, Expenses, and Changes in Net Position.

### **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 expense categories. The liability and expenses incurred are recorded at year end as compensated absences payable in the Statement of Net Position, and as a component of personnel cost and benefits expense in the Statement of Revenues, Expenses, and Changes in Net Position.

## **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 Position**

The College's net position is classified as follows:

*Net investment in capital assets:* 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 net investment in capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.

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

*Restricted net position – nonexpendable:* Nonexpendable restricted net position consists 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 position:* Unrestricted net position represents 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 position is 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 expense on capital asset related debt, losses on the sale or 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 Position. 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, deferred inflows, deferred outflows, 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 CAFR of the State of South Carolina.

The following schedule as of June 30, 2013, reconciles deposits and investments in the notes to the Statement of Net Position amounts:

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**Schedule of Deposits and Investments**  
As of June 30, 2013

**Statement of Net Position**

Current assets	
Cash and cash equivalents	\$ 49,690,585
Cash and cash equivalents, restricted	80,003,542
Noncurrent assets	
Cash and cash equivalents, restricted	1,064,966
	<u>\$ 130,759,093</u>

**Disclosure, Deposits, and Investments**

Cash on hand	\$ 3,202
Deposits held by State Treasurer	130,691,027
Payroll checking account	4,956
Wells Fargo Perkins loan account	59,908
	<u>\$ 130,759,093</u>

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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, 2013, 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 CAFR 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 \$80,003,542 consist of \$77,119,279 for capital project accounts, \$905,608 for debt service accounts, and \$1,978,655 for other (auxiliary enterprise, grant and contract, etc.) accounts. Noncurrent restricted cash deposits of \$104,759 and \$960,207 are restricted for the endowment fund and Perkins Loan fund, respectively.

## **NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2013, are summarized as follows:

<b>Accounts Receivable As of June 30, 2013</b>	
Student accounts	\$ 2,122,837
Other	2,644,322
Auxiliary enterprises	569,719
Total accounts receivable	<u>\$ 5,336,878</u>
Allowance for bad debts	<u>\$ (235,000)</u>
Federal grants and contracts	\$ 2,592,780
State grants and contracts	242,783
Nongovernmental grants and contracts	144,765
Total grants and contracts receivable	<u>\$ 2,980,328</u>
Component unit receivable	\$ 2,830,223
Interest income receivable	56,181
Student loans receivable	2,051,686
Total other receivables	<u>\$ 4,938,090</u>
<b>Net Accounts Receivable</b>	<b><u>\$ 13,020,296</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, 2013, the allowance for bad debts on student accounts is estimated at \$225,000 and \$10,000 for non-student accounts.

## NOTE 4 – LOANS RECEIVABLE

Student loans made through the federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2013. The Perkins Loan Program provides various repayment options. Students have the right to repay the loans over periods up to ten years depending on the amount of the loan and loan cancellation privileges the student may exercise. These loans are classified as noncurrent receivables. If 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 7/1/2012	Increases	Decreases	Ending Balance 6/30/2013
Capital assets not being depreciated:				
Land	\$ 41,850,600	\$ -	\$ -	\$ 41,850,600
Construction in progress	4,592,460	9,749,936	(2,823,486)	11,518,910
Total capital assets not being depreciated	<u>\$ 46,443,060</u>	<u>\$ 9,749,936</u>	<u>\$ (2,823,486)</u>	<u>\$ 53,369,510</u>
Other capital assets:				
Land improvements	\$ 4,102,016	\$ 131,879	\$ -	\$ 4,233,895
Buildings	351,111,658	-	-	351,111,658
Building improvements	59,201,290	3,060,587	-	62,261,877
Machinery, equipment, and other	17,180,655	3,320,501	(746,976)	19,754,180
Information technology equipment and software	7,180,487	-	-	7,180,487
Motor vehicles	572,420	29,766	(61,162)	541,024
Total other capital assets	<u>\$ 439,348,526</u>	<u>\$ 6,542,733</u>	<u>\$ (808,138)</u>	<u>\$ 445,083,121</u>
Less accumulated depreciation for:				
Land improvements	\$ 3,499,845	\$ 74,853	\$ -	\$ 3,574,698
Buildings	92,164,834	8,874,943	-	101,039,777
Building improvements	28,168,640	2,194,798	-	30,363,438
Machinery, equipment, and other	9,149,003	1,676,661	(689,773)	10,135,891
Information technology equipment and software	7,180,487	-	-	7,180,487
Motor vehicles	466,560	36,408	(61,162)	441,806
Total accumulated depreciation	<u>\$ 140,629,369</u>	<u>\$ 12,857,663</u>	<u>\$ (750,935)</u>	<u>\$ 152,736,097</u>
Other capital assets, net	<u>\$ 298,719,157</u>	<u>\$ (6,314,930)</u>	<u>\$ (57,203)</u>	<u>\$ 292,347,024</u>
<b>Capital assets, net</b>	<u><b>\$ 345,162,217</b></u>	<u><b>\$ 3,435,006</b></u>	<u><b>\$ (2,880,689)</b></u>	<u><b>\$ 345,716,534</b></u>

During fiscal year 2013, there was no capitalized interest. The depreciation expense was \$12,857,663. In addition, the College disposed of assets with a net book value of \$57,203. The loss incurred from the disposal of assets totaled \$42,632.

## **NOTE 6 – RETIREMENT PLANS**

The majority of employees of the College of Charleston 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 of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position 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, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available CAFR which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual

performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. Teacher and Employee Retention Incentive (TERI) participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

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 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. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2012, employees participating in the SCRS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for SCRS was 15.15%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, 0.15% for the incidental death program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. The College of Charleston's actual retirement and incidental death program contributions to the SCRS for the years ended June 30, 2013, 2012, and 2011 were:

<u>Fiscal Year</u> <u>Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2013	10.450%	\$ 4,232,029	0.15%	\$ 60,747
2012	9.385%	\$ 3,717,762	0.15%	\$ 59,421
2011	9.240%	\$ 3,632,418	0.15%	\$ 58,968

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average AFC multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2012, employees participating in the PORS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for PORS was 16.85%. Included in the total PORS employer contribution rate is a base retirement contribution of 11.90%, 0.20% for the incidental death program, 0.20% for the accidental death program, and a 4.55% surcharge that will fund retiree health and dental insurance coverage. The College of Charleston actual retirement, incidental death program and accidental death program contributions to the PORS for the years ended June 30, 2013, 2012, and 2011 were:

Fiscal Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
2013	10.450%	\$ 224,966	0.20%	\$ 3,781	0.20%	\$ 3,781
2012	9.385%	\$ 200,521	0.20%	\$ 3,529	0.20%	\$ 3,529
2011	9.240%	\$ 212,352	0.20%	\$ 3,816	0.20%	\$ 3,816

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.55% from the employer in fiscal year 2013. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and 0.15% incidental death program contribution amounts are remitted to SCRS.

For fiscal year 2013, total contributions requirements to the ORP were approximately \$4,661,172 (excluding the surcharge) from the College of Charleston as employer and approximately \$3,107,208 from its employees as plan members.

The amounts paid by the College of Charleston for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

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, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates.

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the College of Charleston's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the College of Charleston recognizes no contingent liability for unfunded costs associated with participation in the plans.

## **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 of Charleston contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of the South Carolina Public Employee Benefit Authority (PEBA).

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 beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 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 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan (RMP) are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.55% of annual covered payroll for 2013 and 4.30% of annual covered payroll for 2012. The IB sets the employer contribution rate based on a pay-as-you-go basis. The College of Charleston paid approximately \$3,958,176 and \$3,535,901 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2013 and 2012, respectively. The College contributed 100% of the required contribution. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2013 and 2012. The College of Charleston recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$49,272 and \$49,047 for the years ended June 30, 2013 and 2012, respectively.

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 (SCRHITF) is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The South Carolina Long Term Disability Insurance Trust Fund (SCLTDITF) is primarily funded through investment income and employer contributions.

A copy of the complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

## **NOTE 8 – LITIGATION, CONTINGENCIES, 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 \$5,448,960 at June 30, 2013. Of this total, \$5,416,506 is attributable to capital projects and the balance of \$32,454 is for noncapital project expenses. The College has current resources on hand from bond issues, private gifts, and student fees to cover these commitments. The State has issued Research University Infrastructure bonds to advance economic development and create a knowledge-based economy, thereby increasing job opportunities, or to facilitate and increase externally funded research at the research universities, including land acquisition, acquisition or construction of buildings, equipment, furnishings, site preparation, road, highway improvements, and water and sewer infrastructure. The College has \$768,475 of proceeds available to draw at June 30, 2013.

## **Subsequent Events**

The College is planning on completing a major renovation to the Rita L. Hollings Science Center. Construction is scheduled to begin in July 2014 with targeted occupancy before Fall 2016. The Board of Trustees has approved the issuance of bonds up to a maximum of \$62 million for the project. Phase one of the project has been approved by the state. Phase two and the related bond issuance are scheduled to be considered for approval by the State Joint Bond Review Committee and the Budget and Control Board at their December 2013 meetings.

## **NOTE 9 – LEASE OBLIGATIONS**

Future commitments for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2013 are as follows:

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### **Real Property Operating Lease Commitments**

<b><u>Year Ending June 30,</u></b>	<b><u>External Parties</u></b>	<b><u>Other State Agencies</u></b>	<b><u>CofC Foundation</u></b>	<b><u>Total</u></b>
2014	\$ 1,783,979	\$ 643,502	\$ 820,841	\$ 3,248,322
2015	1,494,502	154,830	770,841	2,420,173
2016	1,496,533	154,830	100,000	1,751,363
2017	1,496,533	154,830	100,000	1,751,363
2018	1,496,533	154,830	100,000	1,751,363
2019-2023	7,482,665	774,150	500,000	8,756,815
2024-2028	187,067	774,150	500,000	1,461,217
2029-2033	-	774,150	500,000	1,274,150
2034-2038	-	774,150	500,000	1,274,150
2039-2043	-	774,150	-	774,150
2044-2048	-	774,150	-	774,150
2049-2053	-	774,150	-	774,150
2054-2058	-	774,150	-	774,150
2059-2062	-	425,783	-	425,783
Total Minimum Lease Payments	<u>\$ 15,437,812</u>	<u>\$ 7,881,805</u>	<u>\$ 3,891,682</u>	<u>\$ 27,211,299</u>

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## **Operating Leases**

The College's operating leases having remaining terms of more than one year expire in various fiscal years from 2014 through 2062. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are typically 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.

The College has real property operating leases for seventeen different locations with the Foundation, a component unit. In 2010 the College renewed fifteen of these leases through 2015 with two remaining renewal options of five years each. These triple net leases cover office space, student housing, and parking with annual rentals. Other leases with the Foundation that are not triple net include Dixie Plantation with a 2038 end date, and a villa in Trujillo Spain with a 2014 end date. There are no escalation clauses for Foundation leases. Under the agreements, the College paid the Foundation \$820,841 during the current fiscal year.

Other operating leases for real property consist of office space, classroom space, dorm space, parking lots, dock space, a practice golf facility, a sports complex, a warehouse, a fitness center, and labs.

In August 2004, the College entered into a nine year lease for residential apartments and parking spaces with Warren Place Joint Venture (formerly known as Brumley, Meyer and Kapp). In 2011 this triple net lease was amended to extend it through 2023. The current year lease payments totaled \$1,193,682.

The College leases a sports complex field from Patriots Point Development Authority, a state agency, with lease terms effective April 1, 1997 through March 31, 2062. 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, 2013 is \$375,005. Amortization of the prepaid rent balance for fiscal year 2013 was \$7,692 and is reported in operating expenses. The College is responsible for all maintenance and improvements as well as insurance, assessments and other fees that may be levied or invoked on the property. Rent is adjusted annually based on the Consumer Price Index for the Southeast Region. The College paid the Patriots Point Development Authority \$155,790 in rent in fiscal year 2013. The College also subleases dock space at Charleston Harbor Marina located near the sports complex at Patriots Point, and the current year lease payment was \$50,401. The current term of this exempt lease ends in 2018.

The College leases a golf practice facility from The Links at Stono Ferry with lease terms effective August 11, 2007 through August 10, 2014 with the option to renew for up to three consecutive periods of one year each. Rent for this facility is \$150,000 per year.

The College leases the North Campus and Lowcountry Graduate Center building from the South Carolina Research Authority with lease terms effective September 1, 2009 through August 31, 2014. For fiscal year 2013, the total payment was \$475,069.

The College also renewed its lease for warehouse space, effective December 15, 2012 through December 14, 2021. The total rental payment for fiscal year 2013 was \$236,658.

The College entered into a ten year lease for a fitness center beginning August 30, 2013 and ending August 29, 2023 with two renewal options of ten years each. Rent for the first year of the initial term is \$485,135.

The College entered into a seven year lease for 41,000 square feet of office, classroom, and lab space at Fountain Walk beginning January 1, 2014 and ending December 31, 2020 with one five year renewal option. Rent for the first year of the initial term is \$1,291,500.

The College has exempt leases for two historic houses with parking located at 29 and 31 Coming Street. The lease terms are July 1, 2011 through June 30, 2014 with the option to renew for one period of two years. For fiscal year 2013, total rent paid for these properties was \$126,484. Additionally, the College has an exempt lease for office space for faculty research at 1 Carriage Lane. The lease term is October 1, 2012 to September 30, 2013 with two renewal options of one year each. Total rent paid for fiscal year 2013 was \$9,900.

Finally, the total operating lease expenditures for fiscal year 2013 were \$5,418,242, of which approximately \$335,000 is for the per copy charge on the copy machines. The College reports all of these operating lease costs in operating expenses.

## NOTE 10 – BONDS

Bonds consisted of the following at June 30, 2013:

	<u>Original Balance</u>	<u>Fixed Interest Rates</u>	<u>Maturity Dates</u>	<u>Outstanding Balance</u>	<u>Debt Retired FY 2013</u>
<b>Revenue Bonds</b>					
Higher Education Facilities Revenue					
Refunding Bond, Series 2002B	\$ 12,840,000	5.0%	2012	\$ -	\$ 1,565,000
Bond, Series 2003D	20,000,000	3.125-5.0%	2033	-	13,580,000
Bond, Series 2004A	5,190,000	3.625-4.6%	2019	2,460,000	355,000
Bond, Series 2007C	55,320,000	4.0-5.0%	2037	49,505,000	1,120,000
Bond, Series 2012A	25,630,000	2.0-4.0%	2032	24,620,000	1,010,000
Bond, Series 2013A	12,510,000	3.0-4.0%	2033	12,510,000	-
Academic/Administrative Facilities Revenue					
Bond, Series 2004B	27,265,000	4.0-5.375%	2034	405,000	24,280,000
Bond, Series 2007D	40,610,000	4.125-5.625%	2037	36,465,000	800,000
Bond, Series 2011A	33,745,000	2.0-5.0%	2037	33,745,000	-
Bond, Series 2013B	24,835,000	4.25-5.375%	2034	<u>24,835,000</u>	-
<b>Total Revenue Bonds</b>				\$ 184,545,000	\$ 42,710,000
<b>State Institutional Bonds</b>					
Series 2003A	\$ 7,200,000	3.0-4.125%	2023	<u>\$ 4,460,000</u>	<u>\$ 340,000</u>
Subtotal Bonds Payable				\$ 189,005,000	\$ 43,050,000
Less: Unamortized					
Premiums/(Discounts)				28,046	
Deferred loss on refunding				(990,021)	
<b>Total Bonds Payable</b>				<u>\$ 188,043,025</u>	<u>\$ 43,050,000</u>

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 capital 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, 2012, used to calculate the College's debt service limit on bond indebtedness for the preceding year, were \$696,707 which results in a legal debt margin at June 30, 2013, of \$627,036. Bond premiums/(discounts) and other bond issuance costs are capitalized and amortized over the life of the bonds. The amount amortized was \$113,384 for fiscal year 2013.

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 and amortization expense incurred for fiscal year 2013 was \$9,367,537. There was no capitalized interest during the year.

Amounts including interest required to complete payment of the Revenue Bonds as of June 30, 2013 are as follows:

<b>Revenue Bonds</b>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,825,000	\$ 7,292,741	\$ 13,117,741
2015	6,020,000	7,196,983	13,216,983
2016	6,225,000	6,996,701	13,221,701
2017	6,420,000	6,794,339	13,214,339
2018	6,630,000	6,585,183	13,215,183
2019-2023	33,450,000	29,309,811	62,759,811
2024-2028	40,715,000	21,982,350	62,697,350
2029-2033	47,875,000	13,010,411	60,885,411
2034-2037	31,385,000	3,532,956	34,917,956
<b>Total Revenue Bonds</b>	<b>\$ 184,545,000</b>	<b>\$ 102,701,475</b>	<b>\$ 287,246,475</b>

Amounts including interest required to complete payment of the State Institution Bonds as of June 30, 2013 are as follows:

<b>State Institutional Bonds</b>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 355,000	\$ 168,700	\$ 523,700
2015	370,000	156,275	526,275
2016	390,000	143,325	533,325
2017	415,000	129,675	544,675
2018	430,000	115,150	545,150
2019-2023	2,500,000	312,313	2,812,313
<b>Total State Institutional Bonds</b>	<b>\$ 4,460,000</b>	<b>\$ 1,025,438</b>	<b>\$ 5,485,438</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, 2013, \$24,954,000 of bonds outstanding is considered defeased. Management believes the College was in compliance with all applicable bond covenants as of June 30, 2013.

In May 2013, the College issued \$12,510,000 in 2013A revenue bonds. The proceeds were used to refund the 2003D revenue bonds. Unamortized bond issue costs and unamortized discounts on the 2003D bonds resulted in a loss on refunding of approximately \$252,000. In May 2013, the College issued 2013B Academic and Administrative Facilities revenue bonds in the amount of \$24,835,000. The proceeds were used to refund the outstanding 2004B Academic and Administrative Facilities revenue bonds. The primary security for the bonds 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. Unamortized bond issue costs and unamortized discounts on the 2004B bonds resulted in a loss on refunding of approximately \$334,000. The College reduced its total debt service payments over the next 20 years by approximately \$6,491,000. The economic gain resulting from the transactions totaled approximately \$4,843,000.

## NOTE 11 – LONG TERM LIABILITIES

Long term liability activity for the year ended June 30, 2013 was as follows:

<b>Long Term Liabilities</b>					
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Due Within One Year</u>
<b>Bonds Payable</b>					
State Institution Bonds	\$ 4,800,000	\$ -	\$ 340,000	\$ 4,460,000	\$ 355,000
Unamortized Premiums/ (Discounts)	<u>1,504</u>	<u>-</u>	<u>137</u>	<u>1,367</u>	<u>137</u>
Total State Institution Bonds	<u>\$ 4,801,504</u>	<u>\$ -</u>	<u>\$ 340,137</u>	<u>\$ 4,461,367</u>	<u>\$ 355,137</u>
Revenue Bonds	\$ 189,910,000	\$ 37,345,000	\$ 42,710,000	\$ 184,545,000	\$ 5,825,000
Unamortized Premiums/ (Discounts)	<u>(1,008,713)</u>	<u>716,478</u>	<u>(318,914)</u>	<u>26,679</u>	<u>7,000</u>
Total Revenue Bonds	<u>\$ 188,901,287</u>	<u>\$ 38,061,478</u>	<u>\$ 42,391,086</u>	<u>\$ 184,571,679</u>	<u>\$ 5,832,000</u>
Deferred Loss on refunding	\$ (430,646)	\$ (586,070)	\$ (26,695)	\$ (990,021)	\$ (24,319)
Total Bonds Payable	<u>\$ 193,272,145</u>	<u>\$ 37,475,408</u>	<u>\$ 42,704,528</u>	<u>\$ 188,043,025</u>	<u>\$ 6,162,818</u>
<b>Other Liabilities</b>					
Federal Capital Contribution	\$ 2,464,950	\$ -	\$ -	\$ 2,464,950	\$ -
Accrued Compensated Absences	<u>4,709,718</u>	<u>2,746,703</u>	<u>2,282,258</u>	<u>5,174,163</u>	<u>2,482,510</u>
Total Other Liabilities	<u>\$ 7,174,668</u>	<u>\$ 2,746,703</u>	<u>\$ 2,282,258</u>	<u>\$ 7,639,113</u>	<u>\$ 2,482,510</u>
<b>Total Long term Liabilities</b>	<u><b>\$ 200,446,813</b></u>	<u><b>\$ 40,222,111</b></u>	<u><b>\$ 44,986,786</b></u>	<u><b>\$ 195,682,138</b></u>	<u><b>\$ 8,645,328</b></u>

## 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, 2013, net appreciation of \$4,759 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 College of Charleston Cougar Club. Independent auditors retained by the organizations audit the financial statements of these entities.

The financial report of the 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 Cougar Club may 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 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.

### **College of Charleston Foundation**

The 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) covers \$250,000 for each interest bearing account. At times throughout the year, the Foundation may maintain bank account balances in excess of the FDIC insured limit. The Foundation has not experienced losses in such deposit accounts.

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, 2013, promises to give from two donors accounted for approximately 34 percent of the total unconditional promises to give balance.

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

The College of Charleston Foundation investments as of June 30, 2013, were as follows:

<b>Investments Carried at Fair Value</b>		
	<b>Cost</b>	<b>Fair value</b>
Cash	\$ 144,406	\$ 144,406
Debt securities	1,752,550	2,239,398
Equity securities	138,572	166,230
Mutual funds	46,106,969	51,497,343
Alternative investments	<u>15,915,000</u>	<u>20,811,495</u>
<b>Total</b>	<b><u>\$ 64,057,497</u></b>	<b><u>\$ 74,858,872</u></b>

The following schedule details transactions between the College and the Foundation during the year ended June 30, 2012.

<b>Transactions between the College and the Foundation for Fiscal Year 2013</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.	\$ 820,841
The Foundation reimbursed the College for scholarships awarded. The amount is reported as a part of gifts under nonoperating revenue.	\$ 2,596,174
The Foundation reimbursed the College for certain expenditures that were paid by the College for the benefit of the Foundation.	\$ 2,882,475
The Foundation reimbursed the College to assist with certain capital projects.	\$ 314,258

### **College of Charleston Cougar Club**

The Cougar Club is a separately chartered corporation organized exclusively to provide financial assistance and scholarships to the Athletic Department. The College received \$1,953,037 in scholarships and other support from the Cougar Club for the year ended June 30, 2013.

The College has receivables totaling \$2,830,223 with the component units. The details of the component unit receivables follow.

<b>Component Units Receivable</b>	
<b>As of June 30, 2013</b>	
The Foundation	
Capital Projects Receivable	\$ 1,457,917
Marine Genomics endowment receivable	1,333,880
Total Foundation receivable	<u>\$ 2,791,797</u>
The Cougar Club	
Operating expenses receivable	<u>\$ 38,426</u>
Total Cougar Club receivable	<u>\$ 38,426</u>
<b>Total Component Units Receivable</b>	<b><u>\$ 2,830,223</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:

<b><u>Managed Risks Assumed by the State</u></b>	
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:

- | <b><u>Risks of Loss Covered by Insurance</u></b> |   |
|--|---|
| 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, 2013 are summarized as follows:

	Personnel Costs and Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 65,487,704	\$ 4,235,328	\$ 331,945	\$ -	\$ -	\$ 70,054,977
Research	3,791,880	4,723,304	263	-	-	8,515,447
Public Service	873,271	526,581	-	-	-	1,399,852
Academic Support	9,076,399	4,514,604	-	-	-	13,591,003
Student Services	9,177,731	2,938,010	-	-	-	12,115,741
Operation and Maintenance of Plant	8,705,615	12,504,297	4,709,074	-	-	25,918,986
Institutional Support	18,684,767	9,807,068	-	-	-	28,491,835
Scholarships and Fellowships (net of discounts and allowances)	-	-	-	10,798,979	-	10,798,979
Auxiliary Enterprises	10,218,122	22,376,348	3,765,691	4,657,738	-	41,017,899
Depreciation	-	-	-	-	12,857,663	12,857,663
<b>Total Operating Expenses</b>	<b>\$ 126,015,489</b>	<b>\$ 61,625,540</b>	<b>\$ 8,806,973</b>	<b>\$ 15,456,717</b>	<b>\$ 12,857,663</b>	<b>\$ 224,762,382</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 2011-2012 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, 2013.

### State Appropriations

#### Noncapital Appropriations

Original appropriations per annual Appropriations Act	\$ 18,111,904
Less: SC Budget and Control Board mandated appropriation reduction	(34,000)
Employee Pay Plan Funds	937,957
From Commission on Higher Education:	
Academic Endowment Incentive	8,817
Low Country Graduate Center	785,099

**Total State noncapital appropriations recorded as current year revenue** **\$ 19,809,777**

#### Capital Appropriations

From SC Education Lottery Fund	\$ 1,778,775
From Capital Reserve Fund	1,973,994

**Total State capital appropriations recorded as current year revenue** **\$ 3,752,769**

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 the 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, 2013.

<b>Other Amounts Received from State Agencies</b>	
Received from CHE:	
Hope Scholarships	\$ 277,200
LIFE Scholarships	12,084,340
Palmetto Scholarships	4,248,436
Need Based Grants	1,193,040
SC National Guard Program	26,438
Various other CHE amounts	26,261
Received from Department of Education	91,918
Received from Winthrop University	391,691
Received from Various State Agencies	<u>331,933</u>
<b>Total</b>	<b><u>\$ 18,671,257</u></b>

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 – SUMMARY FINANCIAL INFORMATION

Summarized financial activity for the year ended June 30, 2013 was as follows:

	<b>2013</b>	<b>2012</b>	<b>Increase/ (Decrease)</b>
Charges for services	\$ 208,556,476	\$ 202,096,090	\$ 6,460,386
Operating grants and contributions	15,275,211	15,304,509	(29,298)
Less: Program expenses	(234,129,919)	(220,655,115)	(13,474,804)
Net program expenses	<u>\$ (10,298,232)</u>	<u>\$ (3,254,516)</u>	<u>\$ (7,043,716)</u>
Transfers:			
State appropriations	\$ 19,809,777	\$ 18,872,340	\$ 937,437
State capital appropriations	3,752,769	3,431,879	320,890
Total transfers	<u>\$ 23,562,546</u>	<u>\$ 22,304,219</u>	<u>\$ 1,258,327</u>
Change in net position	\$ 13,264,314	\$ 19,049,703	\$ (5,785,389)
Net position - beginning	<u>263,011,439</u>	<u>243,961,736</u>	<u>19,049,703</u>
<b>Net position - ending</b>	<b><u>\$ 276,275,753</u></b>	<b><u>\$ 263,011,439</u></b>	<b><u>\$ 13,264,314</u></b>

# COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*J. Stewart Walker, Jr. Sailing Complex in Mt. Pleasant*

## 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.

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

**SCHEDULE OF OPERATING AND NONOPERATING REVENUES BY SOURCE**

	For the Year Ended June 30,																			
	(amounts expressed in thousands)										(percent of total revenues)									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Operating Revenues:</b>																				
Student tuition and fees (net of scholarship allowance)	\$ 133,936	\$ 128,093	\$ 118,768	\$ 108,009	\$ 98,406	\$ 90,435	\$ 82,491	\$ 76,836	\$ 70,209	\$ 64,584	55.19%	54.30%	52.43%	49.59%	47.77%	44.75%	44.25%	46.73%	45.37%	45.29%
Federal grants and contracts	9,278	8,939	8,244	7,584	12,084	15,125	9,903	9,568	9,351	9,787	3.82%	3.79%	3.64%	3.48%	5.87%	7.48%	5.31%	5.82%	6.04%	6.86%
State grants and contracts	18,671	18,140	17,981	18,448	17,868	17,996	16,347	16,136	15,398	14,715	7.69%	7.69%	7.94%	8.47%	8.67%	8.91%	8.77%	9.81%	9.95%	10.32%
Local grants and contracts	176	176	184	81	8	8	8	7	23	-	0.07%	0.07%	0.08%	0.04%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%
Nongovernmental grants and contracts	541	165	192	105	18	102	226	300	341	283	0.22%	0.07%	0.08%	0.05%	0.01%	0.05%	0.12%	0.18%	0.22%	0.20%
Sales and services of educational and other activities	1,949	1,950	1,845	2,604	1,499	1,124	1,212	1,057	991	1,050	0.80%	0.83%	0.81%	1.20%	0.73%	0.56%	0.65%	0.64%	0.64%	0.74%
Sales and services of auxiliary enterprises (net of scholarship allowance)	43,532	43,517	40,593	36,453	36,531	33,550	28,476	25,029	24,412	20,206	17.94%	18.45%	17.93%	16.74%	17.74%	16.60%	15.27%	15.23%	15.79%	14.18%
Other operating revenue	474	1,116	211	693	2,383	2,069	1,817	1,561	1,255	1,561	0.20%	0.47%	0.09%	0.31%	1.16%	1.03%	0.98%	0.96%	0.82%	1.10%
<b>Total Operating Revenues</b>	<b>\$ 208,557</b>	<b>\$ 202,096</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>85.93%</b>	<b>85.67%</b>	<b>83.00%</b>	<b>79.88%</b>	<b>81.95%</b>	<b>79.38%</b>	<b>75.35%</b>	<b>79.37%</b>	<b>78.84%</b>	<b>78.69%</b>
<b>Nonoperating Revenues:</b>																				
State appropriations	\$ 19,810	\$ 18,872	\$ 19,794	\$ 24,767	\$ 27,173	\$ 36,094	\$ 37,806	\$ 30,328	\$ 28,896	\$ 27,354	8.16%	8.00%	8.74%	11.37%	13.19%	17.86%	20.28%	18.44%	18.67%	19.18%
Federal grants and contracts	10,298	10,216	14,792	12,576	4,583	-	-	-	-	-	4.24%	4.33%	6.53%	5.77%	2.22%	0.00%	0.00%	0.00%	0.00%	0.00%
Gifts	3,230	3,008	2,515	2,181	2,239	2,044	5,836	1,814	1,768	1,517	1.33%	1.28%	1.11%	1.00%	1.09%	1.01%	3.13%	1.10%	1.14%	1.06%
Interest and investment income	417	1,169	855	3,758	2,712	3,204	1,739	1,141	1,503	59	0.17%	0.50%	0.38%	1.73%	1.32%	1.59%	0.93%	0.69%	0.97%	0.04%
Other grants and contracts	391	525	539	539	475	324	576	657	587	1,473	0.17%	0.22%	0.24%	0.25%	0.23%	0.16%	0.31%	0.40%	0.38%	1.03%
<b>Total Nonoperating Revenues</b>	<b>\$ 34,146</b>	<b>\$ 33,790</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>14.07%</b>	<b>14.33%</b>	<b>17.00%</b>	<b>20.12%</b>	<b>18.05%</b>	<b>20.62%</b>	<b>24.65%</b>	<b>20.63%</b>	<b>21.16%</b>	<b>21.31%</b>
<b>Total Operating and Nonoperating Revenues</b>	<b>\$ 242,703</b>	<b>\$ 235,886</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>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.

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

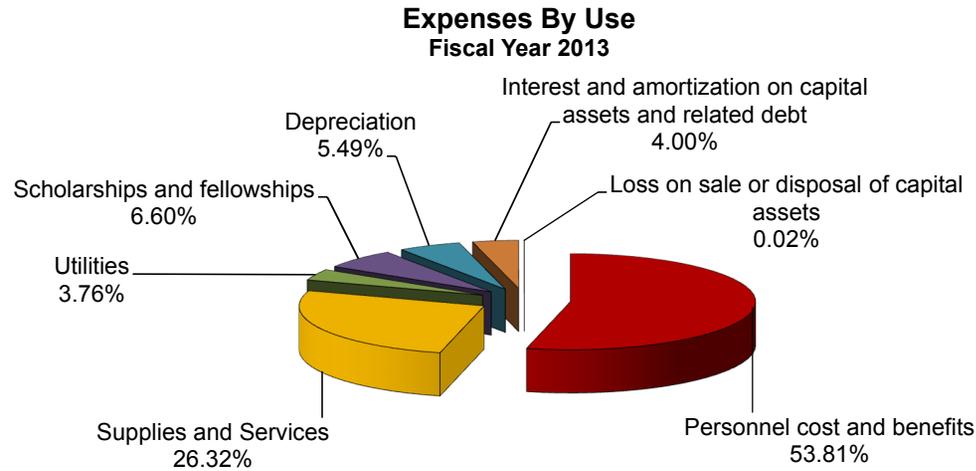
**SCHEDULE OF EXPENSES BY FUNCTION**

	For the Year Ended June 30,																			
	(amounts expressed in thousands)										(percent of total expenses)									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Expenses:</b>																				
Instruction	\$ 70,055	\$ 67,426	\$ 64,386	\$ 62,200	\$ 62,752	\$ 61,877	\$ 58,447	\$ 55,232	\$ 51,228	\$ 48,051	29.92%	30.54%	30.36%	31.21%	32.96%	32.88%	34.86%	34.60%	33.84%	34.45%
Research	8,515	7,959	7,227	7,931	5,592	5,647	5,974	5,662	4,650	4,750	3.64%	3.61%	3.41%	3.98%	2.94%	3.00%	3.56%	3.55%	3.07%	3.41%
Public service	1,400	1,382	1,122	4,020	1,200	1,172	865	889	955	1,120	0.60%	0.63%	0.53%	2.02%	0.63%	0.62%	0.52%	0.56%	0.63%	0.80%
Academic support	13,591	13,267	13,046	10,280	13,344	13,742	13,322	13,061	12,022	10,123	5.80%	6.01%	6.15%	5.16%	7.01%	7.30%	7.94%	8.18%	7.94%	7.26%
Student services	12,116	11,385	10,723	10,046	9,970	9,170	8,152	7,687	7,122	6,254	5.17%	5.16%	5.06%	5.04%	5.24%	4.87%	4.86%	4.82%	4.70%	4.48%
Operation and maintenance of plant	25,919	22,514	22,346	18,043	21,730	24,393	22,526	22,845	24,348	22,526	11.07%	10.20%	10.54%	9.05%	11.41%	12.96%	13.43%	14.31%	16.08%	16.15%
Institutional support	28,492	23,917	23,097	21,493	18,034	16,713	14,913	13,081	11,435	11,529	12.17%	10.84%	10.89%	10.78%	9.47%	8.88%	8.89%	8.19%	7.55%	8.27%
Scholarships and fellowships (net of discounts and allowances)	10,799	11,935	11,713	8,515	7,711	7,276	7,212	6,794	5,585	8,072	4.61%	5.41%	5.52%	4.27%	4.05%	3.87%	4.30%	4.26%	3.69%	5.79%
Auxiliary enterprises	41,018	37,455	35,176	32,963	32,409	32,189	26,068	24,776	24,087	19,321	17.51%	16.96%	16.58%	16.54%	17.02%	17.10%	15.55%	15.52%	15.91%	13.85%
Interest and amortization expense on capital assets and related debt	9,367	8,690	8,503	9,388	6,948	7,671	3,591	3,721	3,929	2,993	4.00%	3.94%	4.01%	4.71%	3.65%	4.08%	2.14%	2.33%	2.60%	2.15%
Loss on sale or disposal of capital assets	43	73	-	36	103	79	280	83	-	-	0.02%	0.03%	0.00%	0.02%	0.05%	0.04%	0.17%	0.05%	0.00%	0.00%
Depreciation	12,858	14,725	14,757	14,373	10,621	8,269	6,332	5,793	6,020	4,727	5.49%	6.67%	6.95%	7.22%	5.57%	4.40%	3.78%	3.63%	3.99%	3.39%
<b>Total Expenses</b>	<b>\$ 234,173</b>	<b>\$ 220,728</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>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)									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Operating Expenses:</b>																				
Personnel cost and benefits	\$ 126,016	\$ 120,436	\$ 113,725	\$ 112,316	\$ 109,387	\$ 105,071	\$ 98,115	\$ 93,528	\$ 85,847	\$ 80,533	53.81%	54.57%	53.50%	56.36%	57.45%	55.83%	58.51%	58.59%	56.71%	57.74%
Supplies and services	61,625	52,849	51,465	43,541	45,973	51,152	44,332	42,582	42,170	37,192	26.32%	23.94%	24.30%	21.85%	24.14%	27.18%	26.44%	26.68%	27.86%	26.67%
Utilities	8,807	7,990	7,971	7,458	6,759	5,878	5,384	4,778	4,648	4,105	3.76%	3.62%	3.80%	3.74%	3.55%	3.12%	3.21%	2.99%	3.07%	2.94%
Scholarships and fellowships	15,457	15,965	15,675	12,176	10,623	10,078	9,648	9,139	8,767	9,916	6.60%	7.23%	7.40%	6.11%	5.58%	5.35%	5.75%	5.73%	5.79%	7.11%
Depreciation	12,858	14,725	14,757	14,373	10,621	8,269	6,332	5,793	6,020	4,727	5.49%	6.67%	7.00%	7.21%	5.58%	4.40%	3.78%	3.63%	3.97%	3.39%
<b>Total Operation Expenses</b>	<b>\$ 224,763</b>	<b>\$ 211,965</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>95.98%</b>	<b>96.03%</b>	<b>96.00%</b>	<b>95.27%</b>	<b>96.30%</b>	<b>95.88%</b>	<b>97.69%</b>	<b>97.62%</b>	<b>97.40%</b>	<b>97.85%</b>
<b>Nonoperating Expenses:</b>																				
Interest and amortization expense on capital assets and related debt	\$ 9,367	\$ 8,690	\$ 8,503	\$ 9,388	\$ 6,948	\$ 7,671	\$ 3,591	\$ 3,721	\$ 3,929	\$ 2,993	4.00%	3.94%	4.00%	4.71%	3.65%	4.08%	2.14%	2.33%	2.60%	2.15%
Loss on sale or disposal of capital assets	43	73	-	36	103	79	280	83	-	-	0.02%	0.03%	0.00%	0.02%	0.05%	0.04%	0.17%	0.05%	0.00%	0.00%
<b>Total Nonoperating Expenses</b>	<b>\$ 9,410</b>	<b>\$ 8,763</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>4.02%</b>	<b>3.97%</b>	<b>4.00%</b>	<b>4.73%</b>	<b>3.70%</b>	<b>4.12%</b>	<b>2.31%</b>	<b>2.38%</b>	<b>2.60%</b>	<b>2.15%</b>
<b>Total Expenses</b>	<b>\$ 234,173</b>	<b>\$ 220,728</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>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 NET POSITION AND CHANGES IN NET POSITION

	For the Year Ended June 30,									
	(amounts expressed in thousands)									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total revenues (from schedule of revenues by source)	\$ 242,703	\$ 235,886	\$ 226,513	\$ 217,798	\$ 205,979	\$ 202,075	\$ 186,437	\$ 164,434	\$ 154,734	\$ 142,589
Total expenses (from schedule of expenses by use and function)	(234,173)	(220,728)	(212,096)	(199,288)	(190,414)	(188,198)	(167,682)	(159,624)	(151,381)	(139,466)
Income before other revenues, expenses, gains or losses	\$ 8,530	\$ 15,158	\$ 14,417	\$ 18,510	\$ 15,565	\$ 13,877	\$ 18,755	\$ 4,810	\$ 3,353	\$ 3,123
Capital improvement bond proceeds	-	-	2,373	-	-	7,889	8,992	3,295	1,670	8,098
Capital gifts	982	460	155	165	-	-	-	-	-	-
Capital appropriations	3,753	3,431	218	1,108	1,122	1,122	1,131	1,167	-	-
Additions to permanent endowments	-	-	-	-	-	-	-	-	1,000	-
Uncollectible capital gifts	-	-	-	-	-	-	-	-	-	(2,465)
University infrastructure bond proceeds	-	-	-	-	-	-	1,829	-	-	-
Prior period adjustment	-	-	-	-	3,617	-	-	-	-	-
Net Position, beginning	263,011	243,962	226,799	207,016	186,712	163,824	133,117	123,845	117,822	109,066
<b>Net Position, ending</b>	<b>\$ 276,276</b>	<b>\$ 263,011</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>
Net investment in capital assets	\$ 164,856	\$ 159,379	\$ 155,328	\$ 160,358	\$ 156,437	\$ 143,670	\$ 117,272	\$ 93,162	\$ 101,222	\$ 80,912
Restricted - expendable	53,289	50,544	44,321	49,131	35,448	31,608	36,133	33,396	11,304	26,391
Restricted - nonexpendable	1,163	1,110	1,175	1,047	1,140	1,390	1,098	1,103	1,103	100
Unrestricted	56,968	51,978	43,138	16,263	13,991	10,044	9,321	5,456	10,216	10,419
<b>Total Net Position</b>	<b>\$ 276,276</b>	<b>\$ 263,011</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>

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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenue bonds	\$ 184,572	\$ 188,901	\$ 160,590	\$ 165,699	\$ 170,845	\$ 175,790	\$ 86,132	\$ 89,316	\$ 92,381	\$ 62,896
State institution bonds	4,461	4,802	5,122	5,674	5,981	6,267	6,260	6,514	6,753	6,983
Bond anticipation note	-	-	33,500	33,500	33,500	-	-	-	-	-
Capital lease obligations	-	-	3,550	4,264	4,952	-	-	-	-	-
Deferred loss on refunding	(990)	(431)	-	-	-	-	-	-	-	-
<b>Total Outstanding Debt</b>	<b>\$ 188,043</b>	<b>\$ 193,272</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>Full time equivalent students (fiscal year)</b>	10,558	10,589	10,206	10,191	9,806	9,904	9,802	9,883	9,942	9,860
<b>Outstanding debt per student</b>	\$ 17,810	\$ 18,252	\$ 19,867	\$ 20,522	\$ 21,954	\$ 18,382	\$ 9,426	\$ 9,696	\$ 9,971	\$ 7,087

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
2012	\$ 9,918	\$ 25,304	\$ 413	\$ 1,054
2011	9,616	24,330	401	1,014
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

	Graduate (1)		Graduate (2)	
	Resident	Nonresident	Resident	Nonresident
2012	\$ 10,910	\$ 27,834	\$ 455	\$ 1,160
2011	10,580	26,764	441	1,115
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

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 expressed 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>						
2013	\$ 17,819	\$ 27,552	\$ 5,825	\$ 7,293	\$ 13,118	2.10
2012	19,090	27,436	6,085	8,074	14,159	1.94
2011	17,605	25,375	5,415	7,763	13,178	1.93
2010	17,196	23,855	5,215	7,974	13,189	1.81
2009	14,811	19,594	5,015	8,171	13,186	1.49
2008	12,664	15,839	4,400	7,225	11,625	1.36
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
<b>State Institutional Bonds</b>						
2013	\$ 697	\$ 697	\$ 355	\$ 169	\$ 524	1.33
2012	701	701	340	179	519	1.35
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

Note: 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 2012 schedule reflects those revisions.

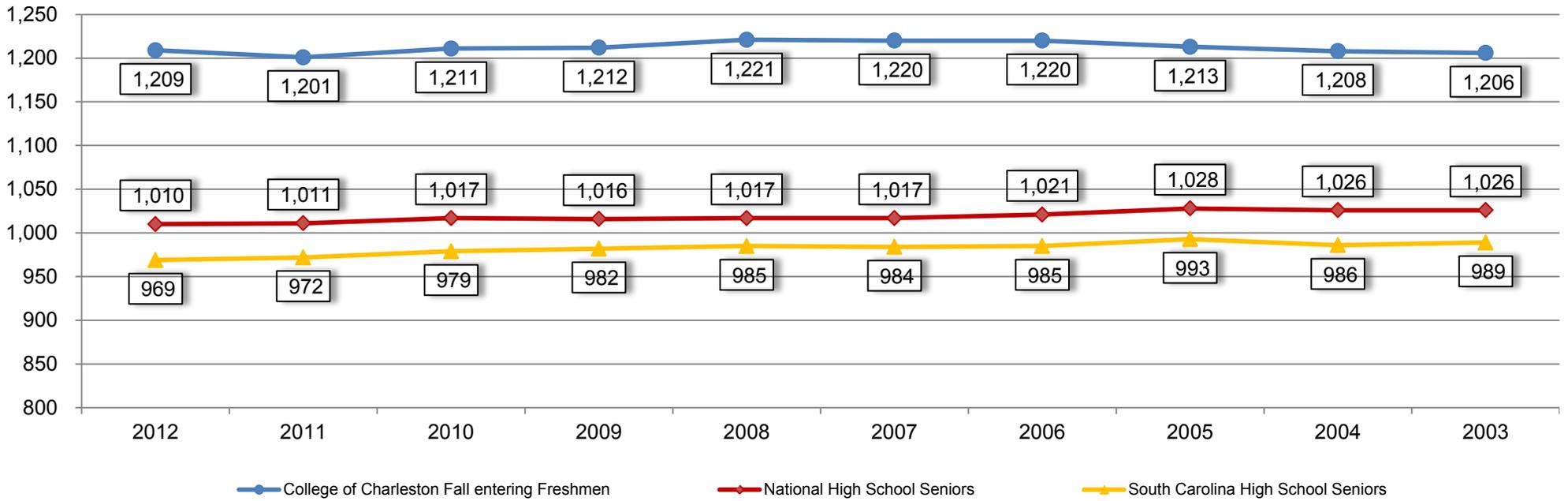
## ADMISSIONS, ENROLLMENT, AND DEGREE STATISTICS

Last Ten Academic Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Admissions - Freshman</b>										
Applications	11,962	11,086	11,280	11,083	9,964	8,941	8,673	8,217	8,076	7,606
Applications accepted	8,092	8,149	7,896	7,703	6,401	5,775	5,311	5,436	5,238	4,560
Accepted as a percentage of applications	67.6%	73.5%	70.0%	69.5%	64.2%	64.6%	61.2%	66.2%	64.9%	60.0%
Students enrolled	2,138	2,334	2,010	2,143	1,955	2,064	1,968	1,993	1,944	1,874
Enrolled as a percentage of accepted	26.4%	28.6%	25.5%	27.8%	30.5%	35.7%	37.1%	36.7%	37.1%	41.1%
SAT scores - total	1,209	1,201	1,211	1,212	1,221	1,220	1,220	1,213	1,208	1,206
Verbal	606	605	606	606	612	611	610	609	607	605
Math	603	596	605	606	609	609	610	604	601	601
South Carolina average SAT score - total	969	972	979	982	985	984	985	993	986	989
U.S. average SAT score - total	1,010	1,011	1,017	1,016	1,017	1,017	1,021	1,028	1,026	1,026
<b>Enrollment</b>										
Undergraduate and graduate FTE	10,558	10,589	10,206	10,191	9,806	9,904	9,802	9,883	9,942	9,860
Undergraduate and graduate headcount	11,723	11,649	11,532	11,772	11,367	11,316	11,218	11,332	11,607	11,536
Percentage of Men	36.0%	36.4%	35.4%	33.8%	33.8%	34.3%	34.0%	33.9%	33.3%	34.1%
Percentage of Women	64.0%	63.6%	64.6%	66.2%	66.2%	65.7%	66.0%	66.1%	66.7%	65.9%
Percentage of African American	6.2%	5.8%	6.3%	5.9%	6.5%	6.9%	7.2%	7.7%	8.5%	9.0%
Percentage of White	82.6%	83.4%	83.3%	81.9%	82.7%	82.8%	82.5%	82.0%	83.0%	83.5%
Percentage of Other	11.2%	10.8%	10.4%	12.2%	10.8%	10.3%	10.3%	10.3%	8.5%	7.5%
<b>Degrees Earned</b>										
Undergraduate	2,333	2,327	2,380	2,212	2,287	2,145	2,209	2,098	2,162	2,162
Graduate	237	216	246	172	189	218	204	207	192	174

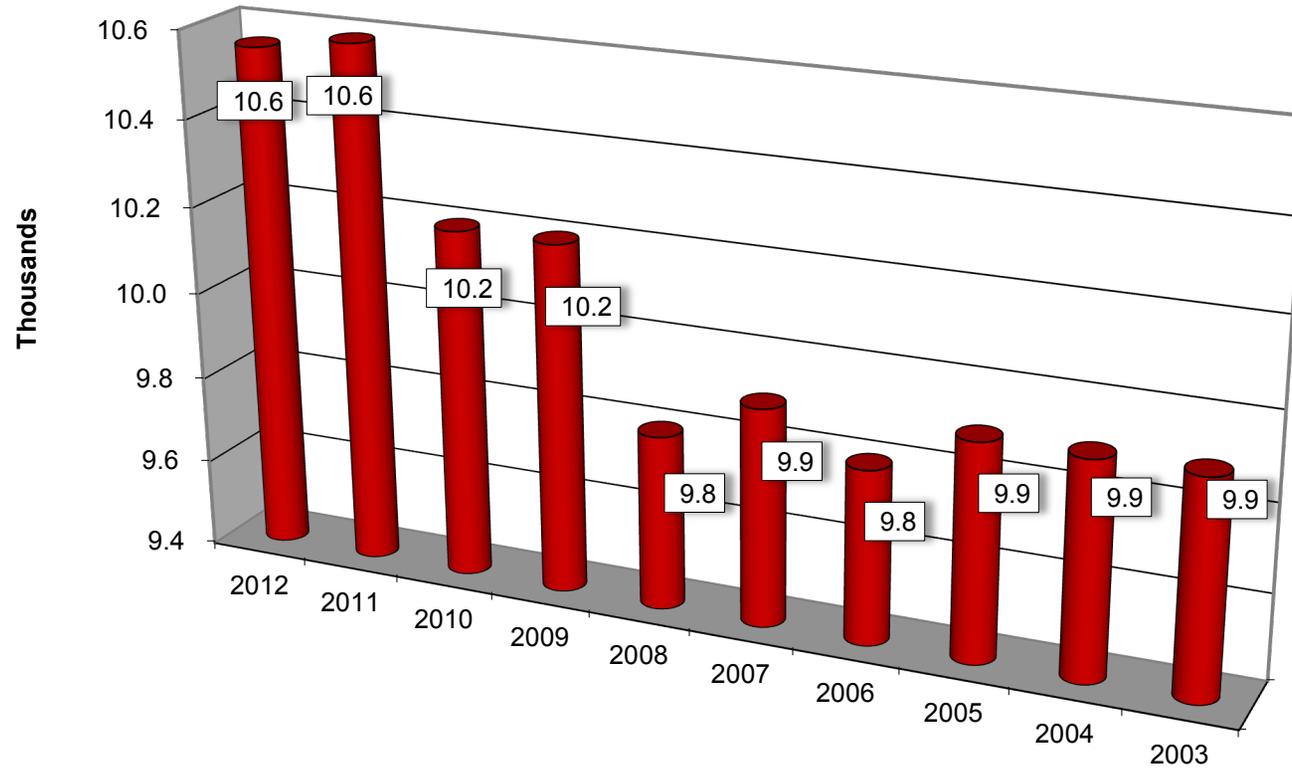
Source: College of Charleston Office of Institutional Research

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



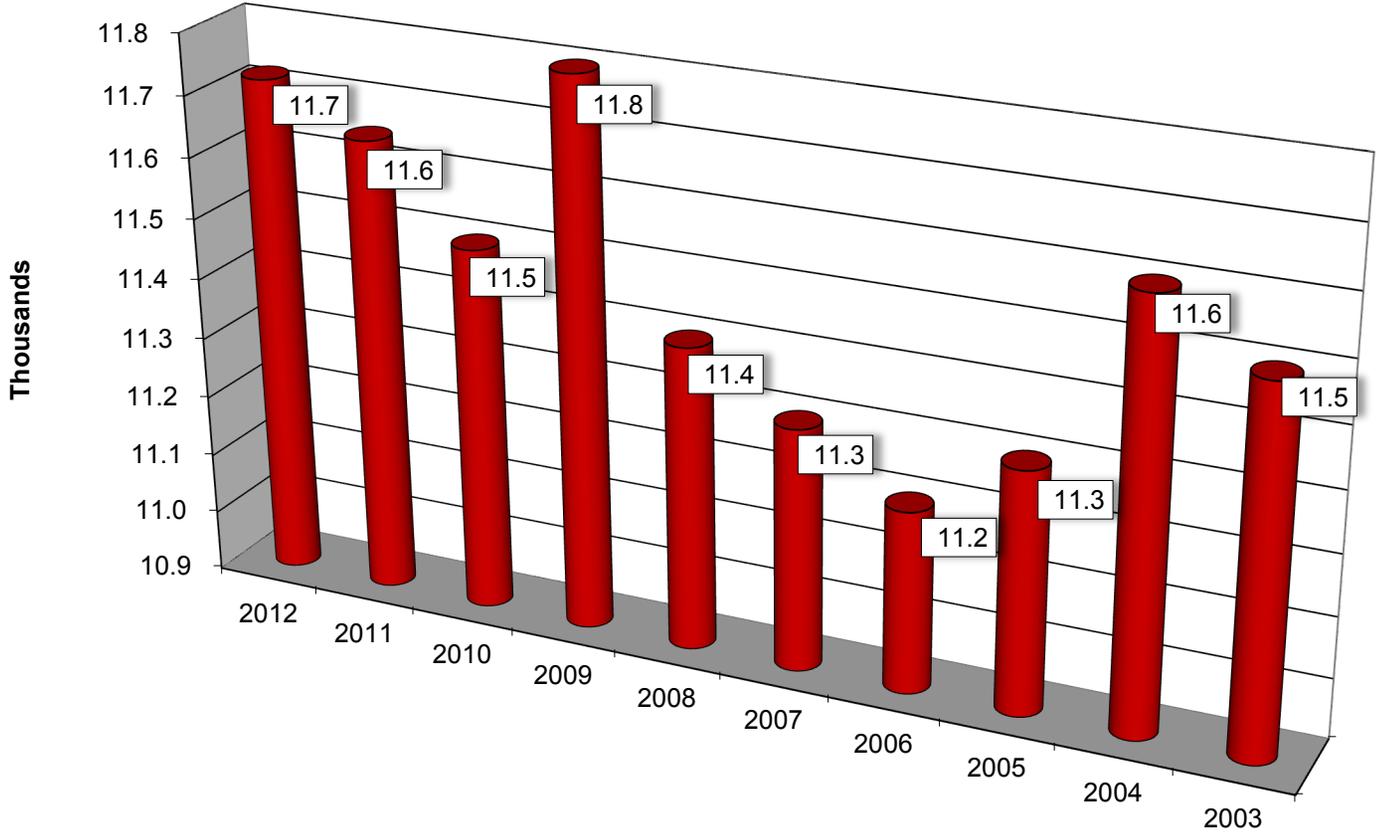
Source: College of Charleston Office of Institutional Research

**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 July 1</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Income</b>	<b>Average Annual Unemployment Rate</b>
2012	4,723,723	\$ 161,863,092	\$ 34,266	9.1%
2011	4,679,230	157,563,712	33,673	10.3%
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%

Source: South Carolina Comptroller General's Office

## Ten Largest Employers

**Latest Completed Calendar Year and Ten Years Prior**  
(Listed alphabetically)

<u>2012</u>	<u>2002</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
Greenville Hospital System	Michelin North America, Inc.
Michelin North America, Inc.	Springs Industries, Inc.
Palmetto Health Alliance, Inc.	U.S. Department of Defense
U.S. Department of Defense	U.S. Postal Service
U.S. Postal Service	University of South Carolina
University of South Carolina	Wal-Mart Associates, Inc.
Wal-Mart Associates, Inc.	Washington Savannah River Company

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

Source: South Carolina Department of Employment and Workforce.

## FACULTY AND STAFF STATISTICS

Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Instructional Faculty</b>										
Part time	373	354	337	342	375	378	373	343	337	366
Full time	547	542	532	525	525	521	522	515	499	487
Percentage tenured	63%	62%	59%	61%	59%	60%	59%	61%	60%	59%
<b>Staff and administrators with faculty rank</b>										
Full time	971	967	837	828	824	773	743	710	685	667
<b>Total employees</b>										
Part time	373	354	337	342	375	378	373	343	337	366
Full time	1,518	1,509	1,369	1,353	1,349	1,294	1,265	1,225	1,184	1,154
<b>FTE Students per full time</b>										
Instructional Faculty	19.3	19.5	19.2	19.4	18.7	19.0	18.8	19.2	19.9	20.2
Staff member	10.9	11.0	12.2	12.3	11.9	12.8	13.2	13.9	14.5	14.8
<b>Average annual faculty salary</b>	\$68,807	\$ 65,965	\$ 64,679	\$ 64,707	\$ 64,735	\$ 62,275	\$ 59,600	\$ 57,965	\$ 55,057	\$ 52,582

Source: College of Charleston Office of Institutional Research

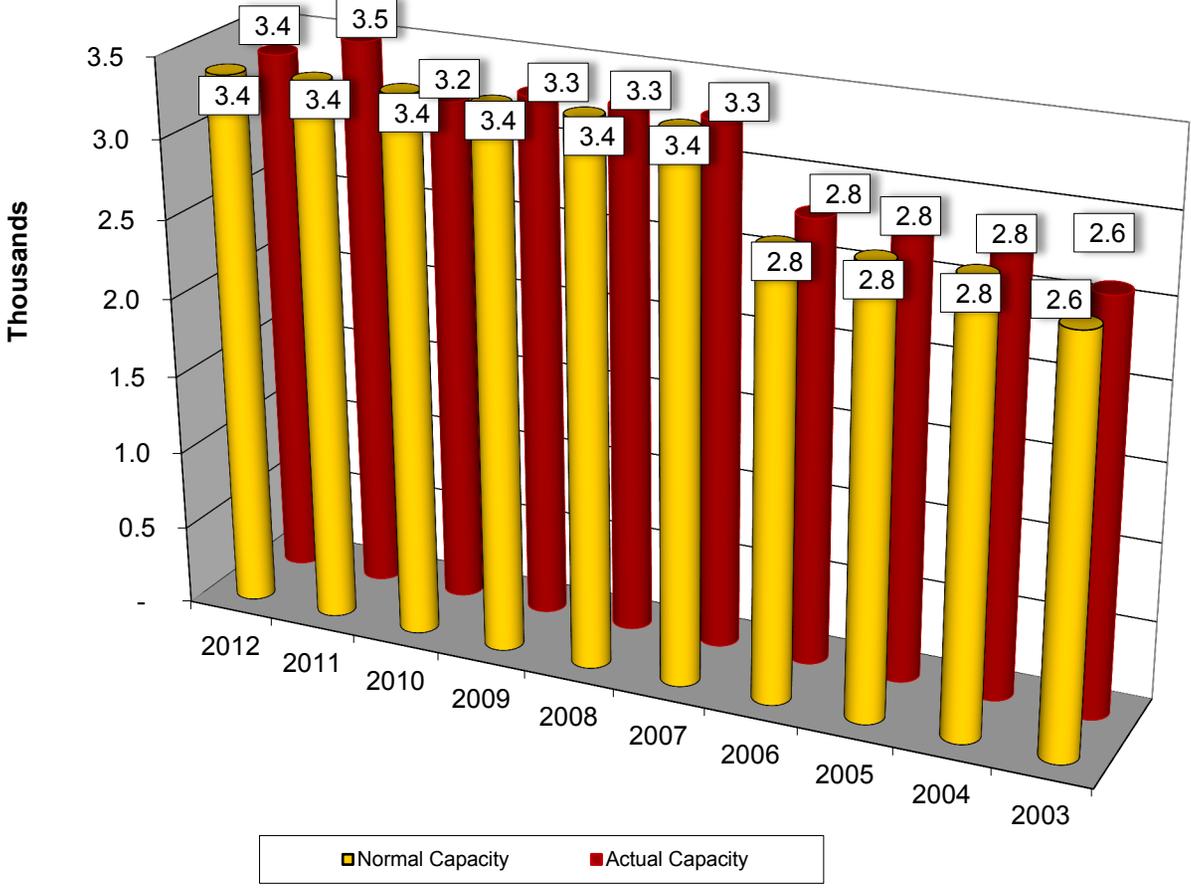
## SCHEDULE OF CAPITAL ASSET INFORMATION

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Academic buildings										
Net assignable square feet (in thousands)	758	751	722	720	708	712	705	703	605	604
Administrative and support buildings										
Net assignable square feet (in thousands)	171	168	169	167	155	155	168	160	174	174
Laboratories										
Net assignable square feet (in thousands)	176	173	173	171	121	123	122	121	126	126
Auxiliary and independent operations buildings										
Net assignable square feet (in thousands)	1,029	1,019	1,046	1,038	1,190	1,191	918	922	920	933
Libraries	1	1	1	1	1	1	1	1	1	1
Number of volumes (in thousands)	1,071	939	816	798	780	762	741	720	702	680
Volumes per student	91	89	71	68	69	67	66	64	60	59
Student Housing:										
Residence Halls	8	8	8	8	8	8	7	7	7	7
Apartments	3	3	3	3	3	3	2	2	2	1
Other housing options	30	30	30	30	29	29	30	30	31	21
Units available	3,284	3,235	3,408	3,235	3,312	3,248	2,840	2,842	2,770	2,550
Units in use	3,183	3,115	3,446	3,253	3,333	3,259	2,860	2,834	2,778	2,567
Percent occupancy	96.9%	96.3%	101.1%	100.6%	100.6%	100.3%	100.7%	99.7%	100.3%	100.7%
Dining facilities:										
Locations	8	6	6	6	6	6	6	6	4	4
Average daily customers	6,165	5,404	5,470	5,263	5,782	5,854	5,574	4,991	3,688	3,725
Parking facilities:										
Parking spaces available	2,224	2,224	2,269	2,249	2,300	2,287	2,232	2,372	2,534	2,550
Parking permits issued to students	991	989	972	1,069	1,136	1,240	1,181	1,101	1,324	1,408
Parking permits issued to faculty/staff	966	938	959	924	921	934	1,053	1,030	1,004	995

### Sources:

Building square footage: College of Charleston Division of Business Affairs  
 Libraries: College of Charleston Library  
 Student housing: College of Charleston Residence Life and Housing  
 Dining and Parking facilities: 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

## ACADEMIC SUBJECT AREAS AND DEGREES OFFERED

Academic Year 2012-2013

### UNDERGRADUATE

Accounting	A.B., B.S.	Historic Preservation and Community Planning	A.B., B.A.
Anthropology	A.B., B.S.	History	A.B., B.A.
Art History	A.B., B.A.	Hospitality and Tourism Management	A.B., B.S.
Arts Management	A.B., B.A.	International Business	A.B., B.S.
Astronomy	A.B., B.A.	International Studies	A.B., B.A.
Astrophysics	A.B., B.S.	Jewish Studies	A.B., B.A.
Athletic Training	A.B., B.S.	Latin American and Caribbean Studies	A.B., B.A.
Biochemistry	A.B., B.S.	Marine Biology	A.B., B.S.
Biology	A.B., B.A., B.S.	Mathematics	A.B., B.A., B.S.
Business Administration	A.B., B.S.	Middle Grades Education	A.B., B.S.
Chemistry	A.B., B.A., B.S.	Music	A.B., B.A.
Classics	A.B., B.A.	Philosophy	A.B., B.A.
Communication	A.B., B.A.	Physical Education and Health	A.B., B.S.
Computer Information Systems	A.B., B.S.	Physics	A.B., B.A., B.S.
Computer Science	A.B., B.A., B.S.	Political Science	A.B., B.A.
Computing in the Arts	A.B., B.A.	Psychology	A.B., B.A., B.S.
Dance	A.B., B.A.	Public Health	A.B., B.A., B.S.
Discovery Informatics	A.B., B.S.	Religious Studies	A.B., B.A.
Early Childhood Education	A.B., B.S.	Secondary Education	B.S.
Economics	A.B., B.S.	Sociology	A.B., B.S.
Elementary Education	A.B., B.S.	Spanish	A.B., B.A.
English	A.B., B.A.	Special Education	A.B., B.S.
Exercise Science	A.B., B.S.	Studio Art	A.B., B.A.
French and Francophone Studies	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.

### GRADUATE

Accounting	M.S.	Languages	M.Ed.
Arts Management	CER	Marine Biology	M.S.
Business Administration	M.B.A.	Mathematics	M.S.
Communication	M.A.	Middle Grades Education	M.A.T.
Computer and Information Sciences	M.S.	Operations Research	CER
Early Childhood Education	M.A.T.	Performing Arts	M.A.T.
Elementary Education	M.A.T.	Public Administration	M.P.A.
English	M.A.	Science and Math for Teachers	M.Ed.
English to Speakers of Other Languages	CER	Service-Oriented Computing	CER
Environmental Studies	M.S.	Special Education	M.A.T., MCER
Gift and Talented Education	CER	Statistics	CER
Historic Preservation	M.S.	Teaching, Learning, and Advocacy	M.Ed.
History	M.A.	Urban and Regional Planning	CER

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.Ed. - Master of Education

M.P.A. - Master of Public Administration

M.S. - Master of Science

MCER - Post-Grad Certificate

# COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



*Thaddeus Street Jr. Education Center*