

**COLLEGE OF CHARLESTON
CHARLESTON, SOUTH CAROLINA**



COMPREHENSIVE ANNUAL FINANCIAL REPORT
Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina
FOR THE YEAR ENDED JUNE 30, 2004

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

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COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2004**

INTRODUCTORY SECTION

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COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



INTRODUCTORY SECTION



December 6, 2004

Office of the President

Dear College of Charleston Family and Friends,

One of the College's greatest strengths has always been the dedication of our faculty, staff, and community to the education and well-being of our students. This dedication manifests itself in many ways, but it is most obvious when we overcome our challenges and continue to exceed our goals as a preeminent institution of higher education.



This past year has been a remarkable demonstration of that dedication. Despite a difficult economic environment, we have moved forward at an exceptional pace. The goals of our Fourth Century Initiative -- with its focus on comprehensive enhancements to the critical areas of faculty, programs, student services, and facilities -- are being met and exceeded with extraordinary results. In last year's Comprehensive Annual Financial Report (CAFR) letter, I gave some general examples of what we've accomplished since the Initiative's beginning in 2001; this year I'd like to give some specifics:

- 42 additional full-time faculty members have been hired since 2001, further lowering the student/faculty ratio, and class size has been significantly reduced (almost 1/3 of classes now have fewer than 20 students).
- The average SAT scores and GPAs of admitted students have steadily risen, making our admissions standards among the most competitive in the Southeast.
- Expansion plans for the School of Education and the School of Sciences and Mathematics are now well underway, and construction of new facilities for both our School of Business and our School of the Arts is now in progress.
- We have opened the new Multicultural Center, the Jewish Studies Center, the Tennis Center at Patriot's Point, the Fitness Center, new food courts, and a new parking facility, and the new Addlestone Library will open during the spring term.

- Student living space has been expanded through three new residence halls, and extensive renovations have been completed to two existing residence halls with more renovations scheduled.
- All student services, including Financial Aid, Student Affairs, Internships, Service Learning, and Career Services, have been expanded and are now being consolidated in one physical location.
- We are in the process of establishing a new First Year Experience Program and a new Postgraduate Mentoring Program, and we have expanded support for the Office of Undergraduate Research.
- We have partnered with the Medical University of South Carolina to establish a groundbreaking program in Genomics, we are pursuing an innovative program in Life Sciences, and we are now seeking approval to offer one of the nation's only undergraduate programs in Informatics.
- We have developed a new Latin American and Caribbean Studies major, a new Hospitality and Tourism Management major, a Graduate Certificate in Organizational and Corporate Communications, and a new Masters Degree in Historic Preservation.
- A campus-wide wireless network has been built, and over 45% of our classrooms are now smart classrooms.

As a result of these enhancements, the College of Charleston is being increasingly recognized on a national level for its academic programs, outstanding faculty, and overall undergraduate experience. Recently the College was one of the select few (from a field of over 300 applicants) to receive a grant from the Ewing Marion Kauffman Foundation to establish the undergraduate, multi-disciplinary initiative "Liberal Education and the Entrepreneurial Mind." The 2004 edition of *Barron's Profiles of American Colleges* has affirmed the College's Admission Rankings as "Highly Competitive," and *The Princeton Review* has again ranked us as one of the "Best 357" in the nation.

The improvement in South Carolina's economy is obviously very good news to us, and the state's financial report will hopefully remain encouraging. Because there are numerous sectors throughout the state competing for a limited amount of funds, however, our major challenge will be attracting the resources necessary to maintain and advance our vision in the future. So far we have been very successful in our efforts to increase fundraising, and we will continue to explore all available avenues of philanthropy and private giving. And as we pursue these new

opportunities, our operations will remain streamlined and our programs focused, and the outstanding quality of our student experience will remain uncompromised.

I remain deeply honored to serve the College of Charleston community. As part of a dedicated team, I look forward to even more progress and opportunities in the future – both for our students and our state.

With best wishes,

A handwritten signature in dark ink, appearing to read "Leo Higdon, Jr.", followed by a long horizontal flourish.

Leo I. Higdon, Jr.
President



LETTER OF TRANSMITTAL

December 6, 2004

Leo I. Higdon, Jr.
President
College of Charleston

We take pleasure in presenting to you the Comprehensive Annual Financial Report for the College of Charleston for the year ended June 30, 2004. The audit report appears in the Financial Section and expresses an unqualified opinion on the College's financial statements.

INTRODUCTION

Management Responsibility

This Comprehensive Annual Financial Report includes the financial statements for the year ended June 30, 2004, as well as other information useful to those we serve and to whom we are accountable. *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.* It is our belief that, to the best of our knowledge, the data contained herein is accurate in all material respects and is reported in a manner designed to present fairly the College's financial position, as well as revenues, expenses, changes in net assets, and cash flows.

The financial statements reflect reporting standards issued by the Governmental Accounting Standards Board. This Annual Report includes all disclosures necessary for the reader to gain an understanding of the College's financial operations for the year ended June 30, 2004.

Explanation of Sections

The ***Introductory Section*** includes a message from the President, this transmittal letter, a listing of the members of the Board of Trustees, the Business and Finance Officers, and an organizational chart of the institution. In addition, the College has received the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association of the United States and Canada (GFOA) for fiscal year ended June 30, 2003. This introduction will acquaint the reader with the organization, structure and scope of the College's operations.

The ***Financial Section*** presents management's discussion and analysis which, when read in conjunction with the financial statements and the notes to the financial statements, will provide a more complete picture of the financial health of the institution. The financial statements may be used to make reasonable comparisons of the College's financial position as it relates to other public higher educational institutions. In addition to the financial statements and accompanying notes, this section includes the report of the independent auditors.

The ***Statistical Section*** includes selected financial, statistical and demographic information. This information provides a broad overview of trends in the financial affairs of the College.

Profile of Government

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 world-class liberal arts education for over 11,000 undergraduate and graduate students.

The College of Charleston and its graduate school are considered to be part of the State of South Carolina primary entity. The funds of the College of Charleston are included in the Comprehensive Annual Financial Report of the State of South Carolina. 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 of the College.

The College of Charleston is committed to attracting the most promising students both from South Carolina and other states. The average combined SAT scores of entering freshmen for Fall 2003 was 1206, far exceeding the state and national averages, with no other state institution having a higher average. Out-of-state and international students comprise 35% of the student enrollment with 51 states and US possessions and 76 foreign countries represented.

ECONOMIC CONDITION AND OUTLOOK

The South Carolina economy turned in a relatively quiet performance in June 2004. The indicators tracked here were generally split between positive and negative. Overall, though, a flat reading for the state's leading index and an increase in the state's coincident index suggest that the current economic expansion is still on track. Nationally, the economy slowed a bit during the late spring and early summer, in part because of higher energy prices cutting into retail sales. Major economic indicators are detailed as follows.

- The South Carolina Leading Index was unchanged at 113.4 in June.
- Initial claims for unemployment insurance dropped May and June.
- The South Carolina Coincident Index rose 0.2 percent due to stronger retail sales and job growth. The state's jobless rate rose to 6.6 percent as the labor force expanded quickly.
- The state's budget surplus for fiscal year 2004 is another indication of the state's improved economy.

Total employment in South Carolina has generally been trending upward since early 2002. On the whole, the pace of employment growth remains below average, but there have been indications of a shift towards faster growth. Over the first seven months of 2004, total employment in South Carolina increased by approximately 23,600 jobs. This represents a gain of 1.3 percent over seven months. As for the geographic spread of these recent gains in the three metro areas -- Charleston, Columbia and Greenville -- Charleston and Columbia have recorded job gains so far in 2004, while the Greenville area has seen a slight employment decline. Specifically, between December 2003 and July 24, Charleston has added about 6,500 jobs. Columbia has added 7,100 and the Greenville area has lost about 1,500 jobs. In general, it appears as though improvements in the state budget outlook will benefit the Columbia area, Charleston has been posting strong job numbers throughout the last several years, and the Greenville area has been lagging, in part because of ongoing pressures on its manufacturing base.

Overall, it is clear that the U. S. economy experienced some softness moving into the summer months, and several South Carolina indicators appear to reflect that as well.

MAJOR INITIATIVES

Since its founding in 1770 as one of the original colonial colleges, the College of Charleston has remained focused on providing an outstanding education to the citizens of the state and in more recent years the region, the nation, and the world. As the College now enters its fourth century, management has reaffirmed its commitment to educational excellence and embarked on a quest to become a nationally preeminent public liberal arts and sciences university.

The goals of the College include: strengthening student learning; assuring a high quality, diverse, and engaged student body; assuring high quality and diverse faculty and staff; enhancing relationships with constituents; enhancing campus environment and technology infrastructure; and improving institutional effectiveness.

To achieve this vision and its goals, the College has embarked on the Fourth Century Initiative designed to enhance the quality of every student's educational experience. Key impact areas for the Initiative include:

- ◆ **Students**

The Initiative funds merit scholarships, significantly increases need-based grants, as well as expands the on-campus student employment program. These funds, combined with a significant increase in financial aid, ensure that no qualified student is unable to attend the College because of financial need. A decrease in student enrollment is also planned.

- ◆ **Faculty**

The heart of the educational experience of a college or university is its faculty. By adding to our excellent roster 50 full-time faculty who share our passion for student-centered learning, we will improve our student/teacher ratio, increase opportunities to work with faculty, and decrease the average class size.

- ◆ **Staff**

While clearly the number and quality of the faculty will have the greatest impact on the student's educational experience, staff support in key areas is also critically important. The College is adding new staff positions to areas that have the most immediate impact on the academic and student life services in areas such as tutoring, advising, career services, student affairs, and wellness.

- ◆ **Programs**

Increased emphasis on curricular and co-curricular programs that connect learning experiences outside the classroom with the learning that occurs within academic programs is another key tenant of the Initiative. Funds for curriculum development and research guarantee that our curriculum remains practical and relevant to the times.

- ◆ **Integration of New Technologies**

It has become ever more important that laboratories, classrooms and libraries are equipped to apply the newest and most innovative teaching methodologies. The campus has

embarked on a campus wide wireless network project to ensure that our students have access to the newest and best technologies.

◆ **Facilities**

The construction and purchase of new instructional and residential facilities as well as significant renovation of existing ones are integral to the campus re-nourishment that the Fourth Century Initiative will bring.

These efforts ensure that students who attend the College now and in the future are provided with the finest in academic facilities, the most accomplished faculty, and the latest in scientific and computer technology. The College continues to be committed to the present and future of higher education in South Carolina.

FINANCIAL INFORMATION

Internal Control

The management of the College is responsible for the establishment and maintenance of internal control policies and procedures designed to safeguard College assets. As part of this responsibility, the management ensures that its financial statements are prepared in conformity with generally accepted accounting principles, and that reasonable controls are in place to ensure the following:

- 1) That access to College assets is granted only with appropriate management authorization.
- 2) That transactions are executed in accordance with the general or specific authorization of management.
- 3) That transactions are recorded on a timely basis.
- 4) That transactions are recorded based on criteria applicable to state guidelines, generally accepted accounting principles and criteria as designated by the National Association of College and University Business Officers.

The College of Charleston's Office of Internal Audit periodically reviews procedures and issues reports with recommended improvements to the system. This office reports directly to the President of the College. Annual audits are conducted under the authority of the S.C. State Auditor with testing to ensure the adequacy of internal controls and the College's compliance with applicable laws and regulations.

Budgetary Control

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. Its preparation is based on programmatic planning by the College through its executive management, academic offices and department heads. The budgets are then presented to the Board of Trustees for approval.

Additionally, the Board receives quarterly updates of year to date actual revenue and expenditures and a comparison to budget. Any adjustments, and/or revisions to the budget, are approved by the Board on a quarterly basis.

After approval, the College ensures budgetary control through the application of account classifications that reflect the various functions of the College with detailed itemization of cost activity by function. Using this approach and the necessary reporting of the data, the responsibility for budgetary control rests at the departmental chairperson level with appropriate oversight provided by the executive management of the College. A centralized review system by accounting personnel ensures proper classification of costs. A computerized system of encumbrance reporting ensures an on-line, real-time processing environment that budgets are not exceeded and that budget variances are approved through executive management.

In addition to this Comprehensive Annual Financial Report, the College prepares annual reports of financial and operational data which 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 prudent management of public funds.

Debt Administration

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 the College's credit rating. The College will manage debt on a portfolio basis. The College's 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 credit which will permit the College to issue debt and finance capital projects at favorable interest rates while meeting its strategic objectives. The College will limit its overall debt to a level that will maintain an acceptable credit score with the bond rating agencies.

Cash Management

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

Risk Management

The College participates in a statewide risk management program in which the state assumes substantially all risks for unemployment and workers' compensation benefits and claims of covered employees for health, dental, and group life insurance benefits. In addition, the College pays premiums to the South Carolina Insurance Reserve Fund to cover the risk of loss related to the following assets and activities:

- 1) Building and property (including contents),
- 2) General tort liability,
- 3) Automobile liability, and,
- 4) Automobile physical damage (comprehensive and collision).

The largest claim the College submitted was after Hurricane Hugo in September 1989. The buildings were fully insured for replacement claim costs and the College received over

\$2,000,000 from the Insurance Reserve Fund for damaged properties. The College also obtains employee fidelity bond insurance coverage from a commercial insurer.

OTHER INFORMATION

Independent Audit

The College of Charleston, as a state agency, receives audit services through the S.C. State Auditor's Office. In recent years the State Auditor has contracted audit services to various independent audit firms. Audits are conducted on an annual basis with the S.C. State Auditor assuming authority and oversight of the audit. The auditor's opinion is unqualified. For the fiscal year 2004, the audit was conducted by Cherry, Bekaert and Holland, L.L.P.

The College was also audited by Cherry, Bekaert & Holland, L.L.P. to ensure compliance with the requirements of the Single Audit Act of 1984 as provided under Federal Circular A-133 for federal grants, contracts, and the National Collegiate Athletic Association (NCAA). The most recent audit (Fiscal Year 2004) detected no institutional liabilities related to the College's federal and athletic programs.

Furthermore, the College is audited on a periodic basis by the Division of General Services to ensure compliance with the provisions of the South Carolina Procurement Code.

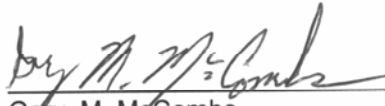
Certificate of Achievement for Excellence in Accounting Reporting

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the College of Charleston for its comprehensive annual financial report for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

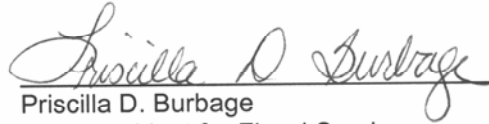
A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

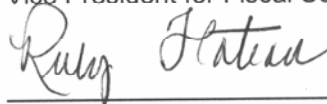
We wish to thank the Board of Trustees and the President of the College for their continued commitment to the fiscal management of the College. Likewise, we wish to thank the members of the College community whose cooperation made the successful close of the fiscal year possible.



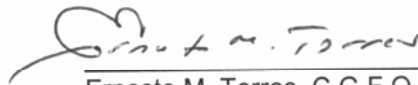
Gary M. McCombs
Senior Vice President for Business Affairs



Priscilla D. Burbage
Vice President for Fiscal Services



Ruby Flateau
Controller



Ernesto M. Torres, C.G.F.O., C.P. A.
Chief Accountant

**COLLEGE OF CHARLESTON
BOARD OF TRUSTEES
2003-2004**

Robert S. Small, Jr., Chairman
Fourth District

William D. Johnson
Sixth District

Marie M. Land, Vice Chairman
Sixth District

Robert W. Marlowe
Member-At-Large

J. Vincent Price, Secretary
Fifth District

F. Creighton McMaster
Fifth District

J. Philip Bell, Secretary
Third District

Lawrence R. Miller
Fourth District

Donald H. Belk
Member-At-Large

Annaliza Oehmig Moorhead
Third District

Charlotte L. Berry
Second District

Y. W. Scarborough, III
Governor's Designee

Dr. L. Cherry Daniel
First District

Joel H. Smith, Esquire
Second District

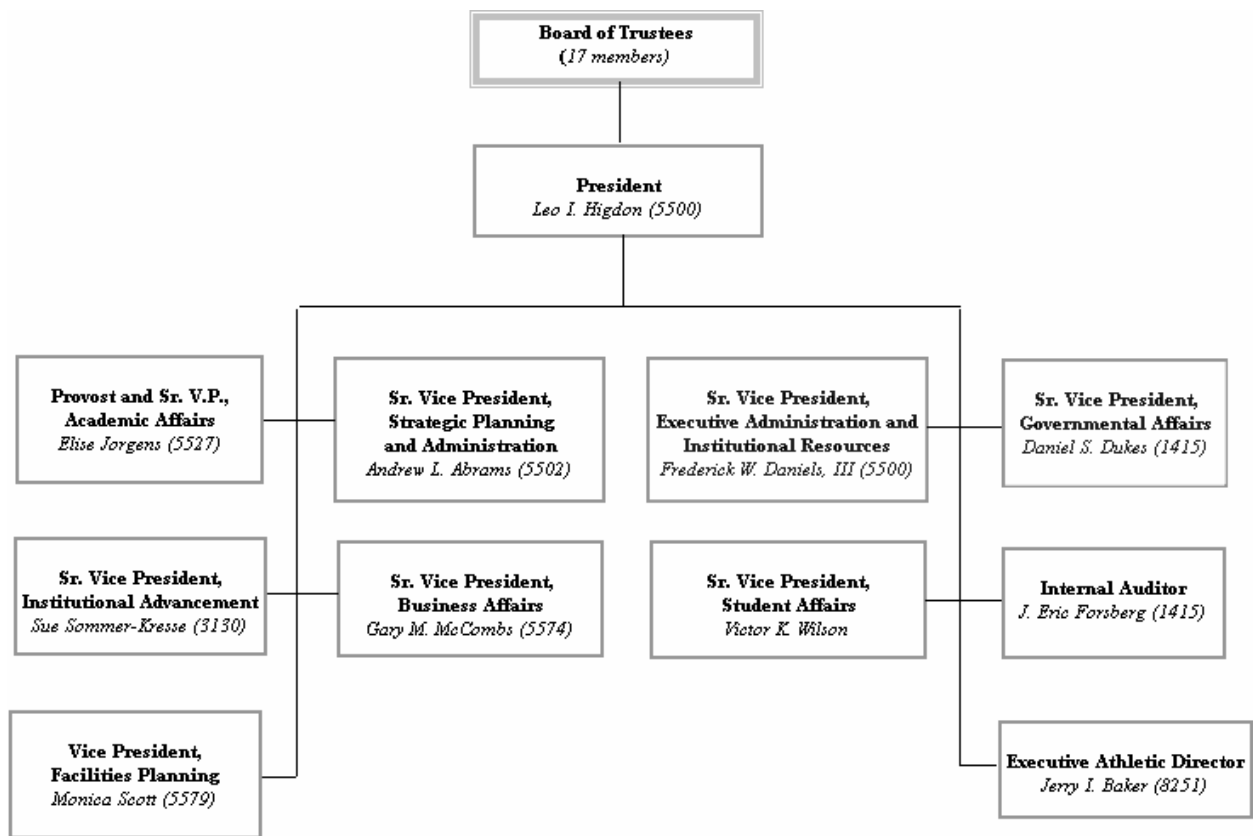
James F. Hightower
Member-At-Large

Dr. Sam Stafford, III
Governor's Designee

Joseph F. Thompson, Jr.
First District

College of Charleston

Organizational Structure



**COLLEGE OF CHARLESTON
BUSINESS AND FINANCE OFFICERS
2003-2004**

Gary M. McCombs
Senior Vice President for Business Affairs

Priscilla Burbage
Vice President for Fiscal Services

Ruby Fleteau
Controller

Ernesto M. Torres, C.G.F.O., C.P.A.
Chief Accountant

Samuel B. Jones
Director of Budgeting and Payroll Services

Anne Brownyard
Associate Vice President for Business Services

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, 2003

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



President

Executive Director

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



FINANCIAL SECTION

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

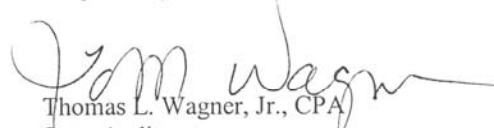
November 4, 2004

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
College of Charleston
Charleston, South Carolina

This report on the audit of the financial statements of the College of Charleston for the fiscal year ended June 30, 2004, was issued by Cherry, Bekaert, & Holland, LLP, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss



Independent Auditors' Report

The Office of the State Auditor
and
Members of the Board of Trustees
The College of Charleston
Charleston, South Carolina

We have audited the accompanying basic financial statements of the business type activity and the aggregate discreetly presented component units of the **College of Charleston**, (The College) as of June 30, 2004 and for the year then ended as listed in the table of contents. These basic financial statements are the responsibility of The College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The College of Charleston Foundation or the Cougar Club, both component units of the College of Charleston. The College of Charleston Foundation's financial statements reflect 20% of total assets and 6% of total revenues. The Cougar Club's financial statements represent 1% of total assets and 1% of total revenues. These statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the basic financial statements, the accompanying basic financial statements of The College are intended to present the financial position, changes in its financial position, and cash flows of only that portion of the business type activities of the State of South Carolina financial reporting entity that is attributable to the transactions of The College. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2004, and the changes in its financial position of the State of South Carolina as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business type activity and the aggregate discreetly presented component units of The College as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004 on our consideration of The College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis presented in the financial section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The information presented in the Introductory and Statistical Sections 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 to the audit of the financial statements and, accordingly, we express no opinion on it.

Chung, Beasant, Holland, L.L.P.

Beaufort, South Carolina
October 15, 2004

**COLLEGE OF CHARLESTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004**

Introduction

The College of Charleston's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and guides the reader toward significant financial matters for the year ended June 30, 2004. Management has prepared the discussion and recommends reading it in conjunction with the accompanying financial statements and footnotes. The responsibility for the financial statements, footnotes and this discussion rests with management.

Financial and Other Highlights

- State appropriations in 2004 decreased by \$2.3 million or 7.8% from the prior year appropriations.
- Tuition and fees increased by \$11.4 million, approximately 21.4%.
- Net assets increased by \$8.8 million or 8% from June 30, 2003. Approximately \$8.1 million of the increase or 92% of the total was due to an increase in the college facilities and other assets, net of depreciation and associated debt.
- A \$33.4 million new library was nearly completed. The opening is scheduled for early winter of 2004.
- Scholarship awards increased approximately \$2.1 million as represented in the increase of discount and allowances.
- Total operating expenses in 2004 represent only modest growth of 1.7% from 2003.

Using the Annual Financial Report:

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

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

First, the *Statement of Net Assets* (the balance sheet) is separated into current and non-current assets and liabilities. Current assets convert to cash within one year and for the College consist mainly of cash and receivables. Current liabilities will settle within one year and consist

primarily of payables and accrued compensation. This data provides information on assets available to continue the operations; amounts due to vendors, investors, lending institutions; and the net assets available for expenditure by the College. All capital assets are reported as well as depreciation expense – the cost of “using up” capital assets. The College does not report any infrastructure assets as a separate line item.

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

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

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

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

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

Non-operating revenues are monies received for which goods and services are not provided. State capital appropriations, capital grants and gifts, as well as any loss or gain on disposal of equipment are considered neither operating or non-operating revenues and are reported as “Income before other revenues, expenses, gains, or losses.”

Lastly, the *Statement of Cash Flows* presents detailed information about the cash activity of the College during the year and is divided into five sections. The operating section shows the net cash used by the operating activities of the College. The second section presents cash flows from non-capital financing activities and reflects the cash received and spent for non-capital financing purposes. Cash used for the acquisition and construction of capital and related items is detailed in the cash from capital and related financing activities section. The section on cash flows from investing activities shows the purchases, proceeds, and interest received from

investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. This reconciliation is detailed in the financial statements of the College and is not included in this analysis.

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

Statement of Net Assets

The Statement of Net Assets, which reports all assets and liabilities of the College, indicates the financial position of the College at the end of the fiscal year. Net assets illustrate the difference between total assets and total liabilities. The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. A synopsis of the College's assets, liabilities, and net assets as of June 30, 2004 and 2003 follows.

Condensed Statement of Net Assets

	2004	2003	Increase (Decrease)	Percent Change
Assets				
Current Assets	\$32,543,671	\$39,762,980	(\$7,219,309)	-18.16%
Capital Assets, Net of Depreciation	149,862,658	138,350,136	11,512,522	8.32%
Other Non-Current Assets	34,826,250	30,581,019	4,245,231	13.88%
Total Assets	217,232,579	208,694,135	8,538,444	4.09%
Liabilities				
Current Liabilities	27,851,094	25,676,511	2,174,583	8.47%
Non-Current Liabilities	71,559,098	73,951,732	(2,392,634)	-3.24%
Total Liabilities	99,410,192	99,628,243	(218,051)	-0.22%
Net Assets				
Investments in Capital Assets, Net of Debt	80,911,812	82,038,922	(1,127,110)	-1.37%
Restricted -- Nonexpendable	100,000	103,740	(3,740)	-3.61%
Restricted -- Expendable	26,391,860	17,163,396	9,228,464	53.77%
Unrestricted	10,418,715	9,759,834	658,881	6.75%
Total Net Assets	\$117,822,387	\$109,065,892	\$8,756,495	8.03%

A review of the summary reveals a relatively strong financial position as of June 30, 2004. This is the result of the College's increase in student tuition and fees along with prudent spending practices. Total assets have increased by \$8.5 million, the majority of the increase a result of an additional \$11.5 million in capital assets. Current assets are comprised mainly of cash and cash equivalents, grants and contract receivables, and student account receivables. The decrease in current assets in 2004 of \$7.2 million or 18.2% is due primarily to a reduction in private gifts receivable. During 2003 private gifts receivable were \$8.8 million in comparison to 2004 of \$0.7 million, a difference of \$8.1 million. Other non-current assets rose by \$4.2 million from 2003 to 2004. Restricted cash and cash equivalents at 15% and capital assets (construction in progress) at 62.5% account for the majority of the growth.

Current liabilities are comprised largely of accounts payable and accrued expenses, deferred and unearned student revenues and accrued payroll and related liabilities. Current liabilities grew from \$25.7 million in 2003 to \$27.9 million in 2004, an increase of 8.5% or \$2.2 million. Retainage (payments withheld from contractors until construction work is satisfactorily completed) payable and deposits held for others principally effected this change. In addition, the liability for student deposits declined by 28.5% (\$0.3 million).

Total net assets, which convey what remains after deducting the liabilities as of June 30, 2004, were \$117.8 million, \$8.8 million or 8% more than in 2003. Invested in capital assets, net of related debt of \$80.9 million shows the College's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction or improvement of those assets. The College's capital assets include land and property in an area of approximately 11 city blocks in the center of downtown Charleston. During 2004 investments in capital assets remained stable with a less than 1.4% change from 2003.

Restricted nonexpendable represents the College's permanent endowments. The \$100,000 of endowed professorship was provided by the South Carolina Commission on Higher Education. Restricted expendable refers to funds that are externally limited for specific purposes and consists of scholarships and fellowships, sponsored research, student loans, capital projects and debt service. As of June 30, 2004, capital projects comprised \$25.1 million, or 95.1% of the restricted expendable net assets. Furthermore, capital projects predominantly account for the total increase of 8% or \$8.8 million in net assets for fiscal year 2004.

Unrestricted net assets provide a source of discretionary funds for whatever lawful purposes the College determines appropriate. Although these funds are not subject to external restrictions, the College has designated these funds internally for various academic, research, student assistance and capital purposes. At June 30, 2004, unrestricted net assets total \$10.4 million, a growth rate of 6.8% when contrasted to 2003.

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

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets signify the results of the operations of the College. The College's aggregate revenue totals \$148.2 million which includes operating and non-operating sources. It reported operating expenses of \$136.5 million excluding interest charges. *(The charts following the end of this section depict the revenues by source and expenses by function.)* A synopsis of the College's revenues, expenses and changes in net assets for the years ended June 30, 2004 and 2003 follows.

Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2004

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues				
Tuition and Fees*	\$ 64,584,627	\$ 53,187,117	\$ 11,397,510	21.43%
Federal, State, and Local Grants and Contracts	24,502,496	23,116,038	1,386,458	6.00%
Auxiliary Services*	20,205,940	19,157,239	1,048,701	5.47%
Other	2,893,536	2,366,571	526,965	22.27%
Total Operating Revenues	<u>112,186,599</u>	<u>97,826,965</u>	<u>14,359,634</u>	14.68%
Less:				
Operating Expenses				
Personnel Cost	65,262,799	61,697,337	3,565,462	5.78%
Benefits	15,269,895	14,384,829	885,066	6.15%
Services, Supplies and Others	37,192,335	38,870,999	(1,678,664)	-4.32%
Utilities	4,105,113	3,471,188	633,925	18.26%
Scholarship and Fellowship	9,916,390	11,032,340	(1,115,950)	-10.12%
Depreciation and Amortization	4,727,162	4,752,080	(24,918)	-0.52%
Total Operating Expenses	<u>136,473,694</u>	<u>134,208,773</u>	<u>2,264,921</u>	1.69%
Operating Income (Loss)	(24,287,095)	(36,381,808)	12,094,713	-33.24%
Non-Operating Revenues (Expenses)				
State Appropriations	27,353,840	29,681,597	(2,327,757)	-7.84%
Net Non-Operating Revenues	55,993	2,132,312	(2,076,319)	-97.37%
Total Non-Operating Revenues (Expenses)	<u>27,409,833</u>	<u>31,813,909</u>	<u>(4,404,076)</u>	-13.84%
Income Before Capital Contributions and Expenses, Gain (Loss)	3,122,738	(4,567,899)	7,690,637	-168.36%
Total Capital Contributions	<u>5,633,757</u>	<u>5,923,427</u>	<u>(289,670)</u>	-4.89%
Change in Net Assets	8,756,495	1,355,528	7,400,967	545.98%
Net Assets, Beginning of Year	<u>109,065,892</u>	<u>107,710,364</u>	<u>1,355,528</u>	1.26%
Net Assets, End of Year	<u>\$ 117,822,387</u>	<u>\$ 109,065,892</u>	<u>\$ 8,756,495</u>	8.03%

*Net of scholarship discounts and allowances

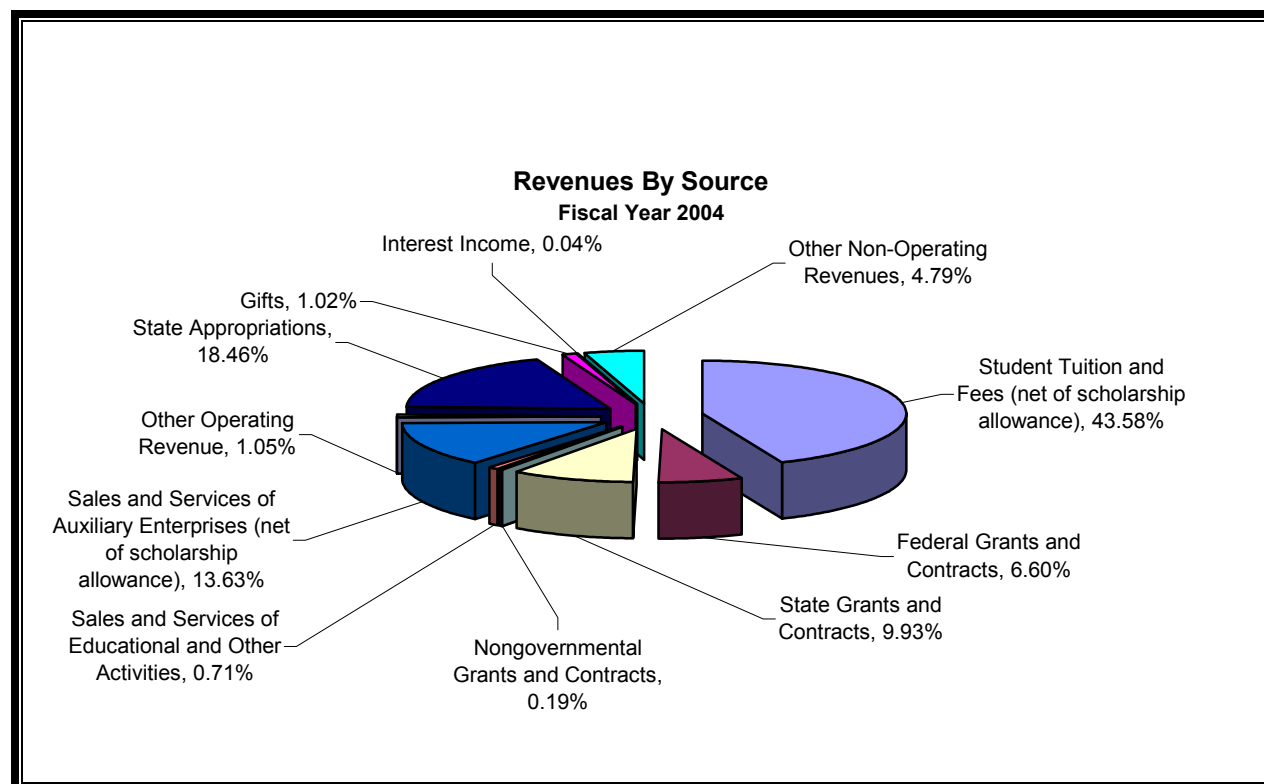
The Statement of Revenues, Expenses, and Changes in Net Assets reflect an increase in the net assets for the year of \$8.8 million or 8%. Tuition and related fees of \$64.6 million make up the largest part of total operating revenues of \$112.2 million and total revenues of \$148.2 million. The growth rate of 21.4% primarily resulted from the increase in fees during the academic year of 2003-2004. For academic years 2002-2003 and 2003-2004, the fee increases climbed by 28.5% and 18.75% respectively. These increases are larger than normal and were necessitated by the decrease in state support and the adoption of the Fourth Century Initiative. This comprehensive academic plan provides for the addition of faculty members to lower the student/faculty ratio and the purchase of additional assets required for institutional growth. Tuition and fees accounted for 38.5% of the total revenue in 2003 and 43.6% in 2004.

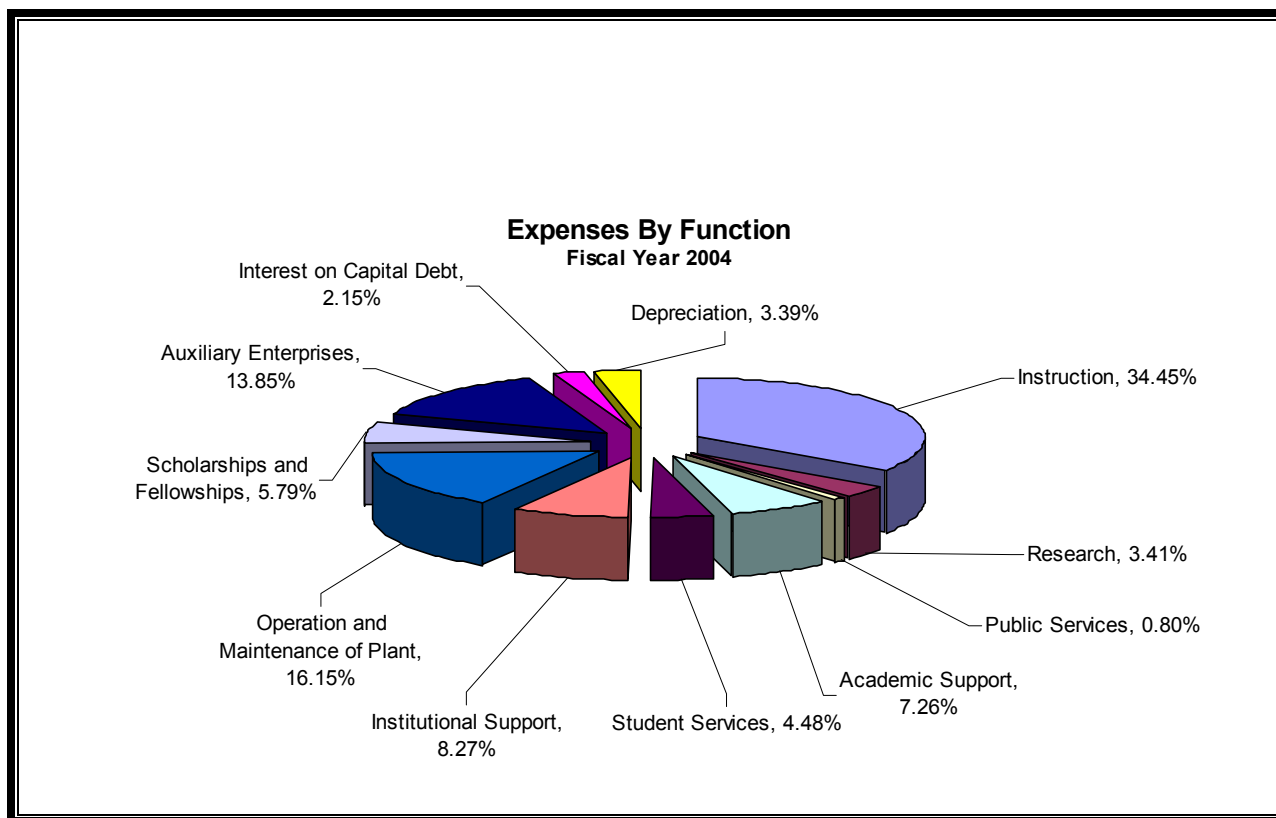
Federal, state, and non-governmental grant revenue increased in the aggregate during 2004 by \$1.8 million (7.5%). The most significant increase came from State grants and contracts which shows an additional \$1.7 million.

Sales and services of auxiliary enterprises are comprised of athletics, health services, rental, student housing, food services and parking. Revenues from these sources make up 13.6% of the total revenue of \$148.2 million and show an increase of \$1.05 million, up by 5.5% in contrast to 2003. Auxiliary services generated 14.1% of total revenue during 2003.

While net student tuition and fees accounted for the majority of the total revenue at 43.6%, 2004 state appropriations followed at 18.5%, a decrease of 3.0% from 2003. The state appropriation of \$27.3 million in 2004 reflects a reduction of \$2.3 million or 7.8% when weighed against 2003. During the past two years, the College has experienced a continued decline in state appropriations of 9.41% in 2003 and of 7.84% in 2004. Other non-operating revenue, largely interest income, decreased by \$2.1 million affecting a total decrease of 13.8% in non-operating revenue. Interest and investment income declined further by \$1.4 million in 2004.

Personnel costs and benefits comprise most of the operating expenses of the College. Approximately \$80.5 million or 59% of the total operating expenses covered employee compensation and benefits for the year ended 2004. The net increase in this category was 5.9% or \$4.5 million. Utilities reflect a substantial increase at 18.3%. Nonetheless, the net operating expenses increase shows only modest growth of 1.7%.





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, 2004. A synopsis of the Statement of Cash Flows follows.

Condensed Statement of Cash Flows

	2004	2003	Increase (Decrease)	Percent Charge
Cash Provided (Used) by Operating Activities	\$ (18,383,414)	\$ (26,790,806)	\$ 8,407,392	-31.38%
Cash Provided (Used) by Non-Capital Financing Activities	30,528,864	32,449,672	(1,920,808)	-5.92%
Cash Provided (Used) by Capital Debt and Related Financing Activities	(9,408,774)	959,884	(10,368,658)	-1080.20%
Cash Provided (Used) by Investing Activities	58,903	1,621,570	(1,562,667)	-96.37%
Net Increase (Decrease) in Cash	2,795,579	8,240,320	(5,444,741)	-66.07%
Cash, Beginning of Year	48,540,597	40,300,277	8,240,320	20.45%
Cash, End of Year	51,336,176	48,540,597	2,795,579	5.76%

Cash and cash equivalents showed modest growth of \$2.8 million or 5.8% during 2004 primarily as a result of increased tuition and fee revenue of \$11.3 million. Net cash provided by operations increased by \$8.4 million or 31.4%. Cash outflows for personnel costs and benefits and payments to suppliers and for utilities grew moderately in 2004 at 4.6% and 13.0% especially when balanced against the growth in the number of new faculty and the student population.

Cash provided by non-capital financing activities decreased by \$1.9 million from \$32.4 million to \$30.5 million. The reduction of the State appropriations in 2004 of \$2.3 million principally effected this change. State appropriations accounted for \$29.7 million cash inflow in 2003 and \$27.4 million in 2004. In addition, capital debt and related financing activities decreased by \$10.4 million or 1080.2% during this same year. Capital grants and gifts received dropped substantially while at the same time capital construction continued explaining this decrease in cash.

Cash provided by investing activities decreased by \$1.6 million in 2004 when contrasted to 2003. The College earned less interest on investments in comparison to 2003 due to the fact that the College issued bonds in 2003 and invested most of the proceeds. Furthermore, the construction projects started in 2004 and therefore, used the cash balance.

The net increase in cash for 2004 was \$2.8 million, down \$5.4 million from 2003. As of fiscal year end 2004, cash and cash equivalents remained roughly the same as 2003, which was 23.3% of the total asset base of the College.

Capital Asset and Debt Activity

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

The College had approximately \$149.9 million invested in capital assets, net of accumulated depreciation of \$63.8 million at the end of June 30, 2004. Total capital assets in 2004 increased by \$11.5 million or 8.3% in comparison to 2003. Accumulated depreciation for the year ended June 2004 was \$63.8 million compared to \$59.7 million in 2003. A synopsis of the net capital assets for the years ended 2004 and 2003 explains significant changes.

Capital Assets				
	2004	2003	Increase (Decrease)	Percent Change
Land	\$ 24,108,639	\$ 24,108,639	\$ -	
Land Improvements	3,930,238	3,930,238	-	
Buildings	110,080,715	109,016,958	1,063,757	0.98%
Building Improvements	29,330,207	29,330,207	-	
Equipment	7,029,969	7,484,504	(454,535)	-6.07%
Computer Software	343,732	343,732	-	
Accumulated Depreciation and Amortization	(63,761,297)	(59,746,354)	(4,014,943)	6.72%
Construction in Progress	38,800,455	23,882,215	14,918,240	62.47%
Total Capital Assets - Net	\$ 149,862,658	\$ 138,350,139	\$ 11,512,519	8.32%

The major capital projects involved a continuation in fiscal year 2004 of several that were begun in fiscal year 2003 including the renovation of Berry Residence Hall including the replacement of its roof and heating and air conditioning system, new construction of the School of Business, and the Addlestone Library. The budgets for the three construction projects were \$5.65 million, \$9 million and \$30.7 million respectively. The aggregate expenditures of these three projects for fiscal year 2004 were \$15.5 million which explains the 62.5% increase in the construction in progress.

Debt

The College issued no new debt during 2004. Outstanding long-term debt as of June 30, 2004 was \$67.2 million, \$2.5 million or 3.6% less than in 2003. This debt is comprised of several bond issues that financed the construction of McAlister Hall, the School of Business, and the Addlestone Library, as well as the purchase of Kelly House, and the Berry Residence Hall renovation.

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

Economic Factors That Will Affect the Future

Management believes that the College has a solid financial structure by which to continue achieving its mission of teaching, research, and service. However, the College, like other institutions in the public higher education sector, faces tight state funding as well as rising pressure to limit tuition increases following the third year of significant growth in tuition charges. Nonetheless, a sound student demand for public higher education prevails and regardless of the round of tuition increases, the College still retains some pricing flexibility that will enable it to moderately increase student charges while maintaining substantial tuition differentiation when contrasted to private colleges and universities. The College also has focused on identifying other alternative funding sources of revenues such as grants, private gifts and public/private initiatives to help support scholarship, faculty development, program support and facility improvement activities, only to name a few.

COLLEGE OF CHARLESTON
STATEMENT OF NET ASSETS
June 30, 2004

Assets

Current Assets

Cash and cash equivalents	\$ 20,170,722
Accounts receivable	3,178,104
Allowances for bad debts	(224,995)
Grants and contracts receivable	7,828,789
Private gifts receivable	665,035
Interest income receivable	217,268
Prepaid items	537,737
Inventories	171,011
Total Current Assets	\$ 32,543,671

Non-Current Assets

Restricted cash and cash equivalents	\$ 31,165,454
Student loans receivable	2,296,475
Prepaid items	436,541
Land	24,108,639
Land improvements	3,930,238
Buildings	110,080,715
Building improvements	29,330,207
Equipment	7,029,969
Computer software	343,732
Accumulated depreciation	(63,761,297)
Construction in progress	38,800,455
Bond issue costs (net)	927,780
Total Non-Current Assets	\$ 184,688,908

Total Assets	\$ 217,232,579
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Liabilities And Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 7,967,982
Accrued payroll and related liabilities	3,844,796
Retainage payable	1,136,412
Deferred and unearned student revenues	9,497,232
Student deposits	761,330
Compensated absences payable	1,014,006
Deposits held for others	307,606
Accrued interest payable	686,730
Bonds payable	2,635,000
Total Current Liabilities	\$ 27,851,094

Non-Current Liabilities

Compensated absences payable	\$ 1,909,951
Bonds payable	67,243,626
Federal capital contribution	2,405,521
Total Non-Current Liabilities	\$ 71,559,098

Total Liabilities	\$ 99,410,192
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Net Assets

Invested in capital assets, net of related debt	\$ 80,911,812
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Restricted for:

Nonexpendable	
Endowed professorship	100,000
Expendable	
Scholarships and fellowships	300,675
Research	294,517
Loans	115,144
Capital projects	25,106,600
Debt service	574,924

Unrestricted	10,418,715
Total Net Assets	\$ 117,822,387

See Accompanying Notes to Financial Statements

COLLEGE OF CHARLESTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

Operating Revenues

Tuition and related fees (\$525,000 pledged for debt service; net of scholarship allowance of \$13,983,939)	\$ 64,584,627
Federal grants and contracts	9,787,206
State grants and contracts	14,715,290
Non-governmental grants and contracts-restricted	283,028
Educational activities revenues	491,871
Student organizations generated revenues	558,060

Sales and Services of Auxiliary Enterprises

Revenues not pledged for debt service

Athletics (net of scholarship allowance of \$995,604)	4,343,367
Health services (net of scholarship allowance of \$183,269)	715,493
Bookstore	381,427
Rental, vending, and debit card	247,578

Revenues pledged for debt service

Housing (net of scholarship allowance of \$2,116,384)	9,080,141
Food service (net of scholarship allowance of \$700,886)	3,618,205
Parking	1,819,729
Other sources	1,560,577

Total Operating Revenues	\$ 112,186,599
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Operating Expenses

Personnel cost	\$ 65,262,799
Benefits	15,269,895
Services, supplies and others	37,192,335
Utilities	4,105,113
Scholarships and fellowships	9,916,390
Depreciation and amortization	4,727,162

Total Operating Expenses	\$ 136,473,694
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Operating Income (Loss)	\$ (24,287,095)
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Non-Operating Revenues (Expenses)

State appropriations	\$ 27,353,840
Gifts	1,516,633
Auxiliary enterprises interest income	146,675
Interest/investment income	(87,772)
Interest on capital assets and related debt	(2,992,504)
State grants and contracts	1,216,650
Non-governmental grants and contracts	224,566
Local grants and contracts	31,745

Total Net Non-Operating Revenues (Expenses)	27,409,833
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Income Before Capital Contributions and Expenses, Gain (Loss)	\$ 3,122,738
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Capital Contributions

Capital improvement bond proceeds	\$ 8,099,000
Uncollectible capital gifts	(2,465,243)

Total Capital Contributions	\$ 5,633,757
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Increase In Net Assets	\$ 8,756,495
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Net Assets, Beginning Of Year	109,065,892
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Net Assets, End Of Year	\$ 117,822,387
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See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

Cash Flow From Operating Activities

Tuition and fees	\$ 64,129,508
Grants and contracts	24,580,410
Sales and services of education and other activities	1,085,261
Sales and services of auxiliary and enterprises	20,503,525
Other operating revenues	3,966,100
Payments to employees for salaries and benefits	(79,715,110)
Payments to suppliers	(38,801,090)
Payments for utilities	(4,105,113)
Payments to students for scholarships and fellowships	(9,916,390)
Loans issued to students	(448,780)
Collection of loans to students	267,464
Funds held for others	70,801
Student direct lending receipts	36,014,803
Student direct lending disbursements	(36,014,803)
Net Cash Provided (Used) By Operating Activities	\$ (18,383,414)

Cash Flows From Non-Capital Financing Activities

State appropriations	\$ 27,353,840
Gifts and grants for other than capital purpose	3,175,024
Net Cash Provided (Used) by Non-Capital Financing Activities	\$ 30,528,864

Cash Flows From Capital Debt and Related Financing Activities

Proceeds from capital improvement bonds	\$ 8,099,000
Capital grants and gifts received	2,391,831
Purchases of capital assets	(14,668,268)
Principal paid on capital debt and leases	(2,270,000)
Interest paid on capital related debt	(2,961,337)
Net Cash Provided (Used) by Capital Debt and Related Financing Activities	\$ (9,408,774)

Cash Flows From Investing Activities

Interest on investments	58,903
Net Cash Provided (Used) by Investing Activities	\$ 58,903
Net change in cash	\$ 2,795,579
Cash and cash equivalents - Beginning of the Year	48,540,597
Cash and Cash Equivalents - End of the Year	\$ 51,336,176

Reconciliation of Net Operating Revenue (Expenses) to Net Cash Provided (Used) By Operating Activities

Operating income (loss)	\$ (24,287,095)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities	
Depreciation expense	4,727,162
Funds held for others	(8,734)
Changes in assets and liabilities:	
Accounts receivable, net	(666,993)
Inventories	9,664
Student loan receivable	(84,469)
Prepaid expenses	(41,760)
Accounts payable and accrued expenses	1,422,558
Accrued compensated absences and related liabilities	269,224
Deferred revenue	699,472
Student and other deposits	(422,443)
Net Cash Provided (Used) by Operating Activities	\$ (18,383,414)

Reconciliation of Cash and Cash Equivalent Balances:

Current Assets:	
Cash and cash equivalents	\$ 20,170,722
Non-current Assets:	
Restricted cash and equivalents	31,165,454
Total Cash and Cash Equivalents	\$ 51,336,176

See Accompanying Notes to Financial Statements

**COLLEGE OF CHARLESTON
COMPONENT UNITS
STATEMENT OF FINANCIAL POSITION**

	College of Charleston	
	Foundation	Cougar Club
	December 31, 2003	June 30, 2004
	(in thousands)	(in thousands)
Assets		
Cash and cash equivalents	\$ 4,458	\$ 604
Receivables	2,063	9
Investments	38,015	165
Prepaid	43	2
Inventories	17	-
Cash surrender value life insurance	58	-
Property and equipment, net	9,182	18
Total Assets	<u>\$ 53,836</u>	<u>\$ 798</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 186	\$ 85
Annuity payable	389	165
Deferred revenue	160	117
Total Liabilities	<u>\$ 735</u>	<u>\$ 367</u>
 Net Assets		
Unrestricted		
Undesignated	\$ 11,024	\$ (54)
Temporarily restricted	19,844	485
Permanently restricted	22,233	-
Total Net Assets	<u>\$ 53,101</u>	<u>\$ 431</u>
Total Liabilities and Net Assets	<u>\$ 53,836</u>	<u>\$ 798</u>

See Accompanying Notes to Financial Statement

**COLLEGE OF CHARLESTON
COMPONENT UNITS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED**

	College of Charleston	
	Foundation December 31, 2003 (in thousands)	Cougar Club June 30, 2004 (in thousands)
Revenue		
Season ticket sales	\$ -	\$ 215
Sponsorship sales	-	121
Contributions	2,997	1,153
Net interest and dividend income	749	16
Special events net of direct expenses of \$203,628	-	78
Rental income	769	-
Net unrealized gains on long-term investments	4,201	-
Other	483	3
Total Revenue	<u>\$ 9,199</u>	<u>\$ 1,586</u>
Expenses		
Program Expenses		
Scholarships	\$ 1,336	\$ 1,054
Membership activities	-	321
Awards	1,528	-
Incentive compensation contract	-	11
Fund raising	514	63
General and administrative	358	73
Total Expenses	<u>\$ 3,736</u>	<u>\$ 1,522</u>
Increase in Net Assets	\$ 5,463	\$ 64
Net Assets, Beginning of Year	<u>47,638</u>	<u>367</u>
Net Assets, End of Year	<u><u>\$ 53,101</u></u>	<u><u>\$ 431</u></u>

See Accompanying Notes to Financial Statements

THE COLLEGE OF CHARLESTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Reporting Entity

During the year ended June 30, 2004, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationships with the College.

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 the following entities as component units.

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

The Cougar Club is a separately chartered corporation organized exclusively to solicit and provide funds to the athletic department. The Cougar Club reports under Financial Accounting Standards Board (FASB).

The College is part of the primary government of the State of South Carolina.

Financial Statements

The financial statement presentation for the College has been changed to meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's net assets, revenues, expenses and changes in net assets and cash flows replacing the fund-group perspective previously required.

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 have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and fees and auxiliary enterprise fees are presented net of scholarship discounts and allowances applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

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

Inventories

Inventories are carried at cost on a moving weighted average basis.

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, and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

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

Deferred Revenues and Deposits

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

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

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences payable in the Statement of Net Assets, and as a component of compensation and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Perkins Loans Receivable and Related Liability

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

Net Assets

The College's net assets are classified as follows:

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

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

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

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

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

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

Income Taxes

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

Classification of Revenues

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: 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.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

Scholarship Discounts and Allowances

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

Sales and Services of Educational and Other Activities

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

Auxiliary Enterprises and Internal Service Activities

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

Use of Estimates in Accounting

The College has used estimates in certain situations to enable it to properly prepare the financial statements. Estimates are used to determine the useful life of long-lived assets such as buildings, improvements, and equipment. The College has used estimates 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. Actual results could vary from these estimates.

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

Statement of Net Assets

Cash and Cash Equivalents (current)	\$ 20,170,722
Cash for Capital Projects (non-current)	30,510,905
Cash Held for Others (non-current)	330,602
Cash and Cash Equivalents (non-current)	100,000
Perkins Loan Funds (non-current)	223,947
	<u>\$ 51,336,176</u>

Footnotes

Cash on hand	\$ 7,125
Deposits held by State Treasurer	43,330,701
Wachovia Operating Checking Account	7,951,073
Bank of America Payroll Checking Account	2,858
Wachovia Perkins Loan Accounts	44,419
	<u>\$ 51,336,176</u>

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2004, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the state's name.

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

Restricted cash deposits include a restricted endowment fund of \$100,000, \$223,947 for Perkins Loan Fund, \$330,602 held for others, and \$30,510,905 for capital projects.

Other Deposits

The College's other deposits at year-end are categorized as to credit risk as either (1) insured or collateralized with securities held by the entity or by its agent in the entity's name, (2)

collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name, or (3) uninsured or uncollateralized. The College owns approximately \$7,998,350 of the total other deposits which are held in checking accounts used to pay payroll and operating expenses and to handle Perkins Loans collections. Federal Depository Insurance Corporation (FDIC) covers the deposits of the College's checking and Perkins Loans accounts. A summary of year-end bank balances by risk category follows:

	Category of Risk			Bank Balance	Reported Amount
	1	2	3		
College of Charleston	\$ 10,107,857	\$ -	\$ -	\$ 10,107,857	\$ 7,998,350

Investments

The College of Charleston Foundation, a component unit of the College, has investments consisting of marketable debt and equity securities, which are carried at fair 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 gift. Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

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

The Foundation maintains its cash accounts in four different commercial banks and two investment firms located in South Carolina. Accounts held at each bank are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) as provided by law. The majority of investments other than bank accounts are held by one local investment firm. This investment firm provides up to \$500,000 protection, including \$100,000 for cash, through Securities Investor Protection Corporation (SIPC). In addition, the firm purchases excess SIPC protection to apply to losses above SIPC protection level, up to net equity value. Cash held at the other investment company has zero to minimum credit risk.

The Foundation is also subject to concentration of credit risk related to its unconditional promises to give—receivables. Contributions and unconditional promises to give consist of gift amounts from individuals and businesses predominantly located in the State of South Carolina. At December 31, 2003, pledges from four donors represented 60% of the total promises to give balance.

Investment – Non-Governmental Discretely Presented Component Units

The College of Charleston Foundation investments as of December 31, 2003 are as follows:

Investment Carried at Fair Value		
	Cost (in thousands)	Fair Value (in thousands)
Cash	\$ 26	\$ 26
Money Funds	790	790
Debt Securities	4,219	4,577
Equity Securities	6,150	8,856
Mutual Securities	11,293	12,331
US Government Securities	11,224	11,435
	<u>\$ 33,702</u>	<u>\$ 38,015</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2004, are summarized as follows:

Accounts Receivable As of June 30, 2004	
Perkins Loan Receivable	\$ 2,296,475
Student Accounts	2,317,075
Less Allowance for Doubtful Accounts	(224,995)
Federal Grants and Contracts	7,552,597
State Grants and Contracts	241,271
Non-governmental Grants and Contracts	34,921
Related Parties	665,035
Interest Income	217,268
Auxiliary Enterprise	<u>861,029</u>
Net Accounts Receivable	<u>\$ 13,960,676</u>

Allowances for losses on student accounts receivable are established based upon actual losses expended in prior years and/or evaluations of the current account portfolio. At June 30, 2004, the allowance for uncollectible student accounts is valued at \$224,995.

NOTE 4 – LOANS RECEIVABLE

Student loans made through the federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2004. The Perkins Loan Program provides various repayment options. Students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. These loans are classified as non-current receivables. As the College determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education.

NOTE 5 – CAPITAL ASSETS

	Beginning Balance 7/1/2003	Increases	Decreases	Ending Balance 6/30/2004
Capital assets not being depreciated:				
Land	\$ 24,108,639	\$ -	\$ -	\$ 24,108,639
Construction in progress	23,882,215	15,981,997	1,063,757	38,800,455
Total capital assets not being depreciated	\$ 47,990,854	\$ 15,981,997	\$ 1,063,757	\$ 62,909,094
Other capital assets:				
Land improvements	\$ 3,930,238	\$ -	\$ -	\$ 3,930,238
Buildings	109,016,958	1,063,757	-	110,080,715
Building improvements	29,330,207	-	-	29,330,207
Machinery, equipment, and other	6,383,481	457,188	671,524	6,169,145
Computer software	343,732	-	-	343,732
Motor vehicle	1,101,023	142,659	382,858	860,824
Total other capital assets at historical cost	\$ 150,105,639	\$ 1,663,604	\$ 1,054,382	\$ 150,714,861
Less accumulated depreciation for:				
Land improvements	\$ 2,887,588	\$ 65,166	\$ -	\$ 2,952,754
Buildings	37,635,817	2,812,214	-	40,448,031
Building improvements	14,762,353	1,081,189	-	15,843,542
Machinery, equipment, and other	3,382,792	543,721	263,945	3,662,568
Computer software	185,121	122,416	-	307,537
Motor vehicle	855,752	73,971	382,858	546,865
Total accumulated depreciation	\$ 59,709,423	\$ 4,698,677	\$ 646,803	\$ 63,761,297
Other capital assets, net	\$ 90,396,216	\$ (3,035,073)	\$ 407,579	\$ 86,953,564
Capital assets, net	\$ 138,387,070	\$ 12,946,924	\$ 1,471,336	\$ 149,862,658

NOTE 6 – PENSION PLAN (S)

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

Article X, Section 16, of the South Carolina Constitution requires that all state operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/ employer contributions for each pension plan. Employee and employer contribution

rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and average final compensation.

South Carolina Retirement System

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally, all state employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustments, death, and group life insurance benefits to eligible employees and retirees.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2003, the employer contribution rate became 10.85 percent, which includes a 3.30 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ended June 30, 2004, 2003, and 2002, were \$2,691,038, \$2,701,735, and \$2,739,539, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the College paid employer group life insurance contributions of \$53,464 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

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

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2003, the employer contribution rate became 13.60 percent, which, as for the SCRS, includes the 3.30 percent surcharge. The College's actual contributions to the PORS for the years ended June 30, 2004, 2003, and 2002, were \$179,147, \$167,950, and \$152,352 respectively, and equaled the required contribution of 10.3 percent (excluding the surcharge) for each year. Also, the College paid employer group life insurance contributions of \$3,479 and accidental death insurance contributions of \$3,479 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

Certain state employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts, which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the state's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under state law, contributions to the ORP are required at the same rate as for the SCRS, 7.55 percent plus the retiree surcharge of 3.30 percent from the employer in fiscal year 2004.

Certain College employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$1,361,966 (excluding the surcharge) from the College as employer and \$1,082,359 from its employees as plan members. In addition, the College paid \$27,059 for group life insurance coverage for these employees. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Deferred Compensation Plans

Several optional deferred compensation plans are available to state employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple employer plans, created under Internal Revenue Code Sections 457, and 401 (k), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The state has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate state employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit and are ineligible to receive group life benefits or disability retirement benefits.

NOTE 7 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired state employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from state service or who terminate with at least 20 years of state service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally, those who retire must have at least 10 years of retirement service credit to qualify for these state funded benefits. Benefits are effective at the date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating state retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Currently, approximately 21,400 state retirees meet these eligibility requirements. The College recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$4,275,599 for the year ended June 30, 2004. As discussed in Note 6, the College paid \$1,771,511 applicable to the 3.30 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

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

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

NOTE 8 – CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

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

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

The College had outstanding commitments under construction contracts of approximately \$17,187,107 at June 30, 2004. Of this total, \$11,533,894 is attributable to capital projects and the balance of \$5,653,213 is for non-capital repairs and maintenance. The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds. The state has issued capital improvement bonds to fund improvements and expansion of state facilities. The College is not obligated to repay these funds to the state. Authorized funds can be requested as needed once state authorities have given approval to begin specific projects and project expenditures have been incurred. The College has \$4,030,000 of authorized state capital improvement bond proceeds available to draw at June 30, 2004.

NOTE 9 – LEASE OBLIGATIONS

Future commitments for operating leases having remaining non-cancelable terms in excess of one year as of June 30, 2004, are as follows:

Year Ending June 30,	Operating Leases		
	Equipment	Real Property	
		External Parties	Other State Agencies
2005	\$ 66,586	\$ 2,570,441	\$ 124,849
2006	14,432	1,560,379	124,849
2007	21,537	1,560,067	124,849
2008	12,372	1,079,748	124,849
2009		1,000,000	124,849
2010-14		4,000,000	624,245
2015-19			624,245
2020-24			624,245
2025-29			624,245
2030-34			624,245
2035-39			624,245
2040-44			624,245
2045-49			624,245
2050-54			624,245
2055-59			624,245
2060-63			343,335
Total minimum lease payments	\$ 114,927	\$ 11,770,635	\$ 7,210,030

Operating Leases

The College's non-cancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2003 through 2062. Certain operating leases provide for renewal options for periods of one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. In addition, the College has copier leases on a per copy basis.

In 2004, the College renewed real property operating leases with the College of Charleston Foundation, a component unit, for twenty different locations for offices, dormitories, and parking, with annual rentals of \$713,330. The agreements contain renewal options. Under these agreements, the College paid the Foundation \$724,597 in the current year. These leases provide that the College assume responsibility for the maintenance of the property. There are no escalation clauses in the leases nor is the College liable for property taxes. During the subsequent fiscal year, the College renewed all existing leases with the Foundation. The terms of the lease agreements are subject to annual changes. In the case of operating leases for real property from commercial vendors, there exist several leases with escalation clauses limited to the cost of living. The leased properties consist of classrooms, parking lots, and a warehouse. Additionally, the College pays the commercial vendor property taxes. The College performs routine maintenance on these properties. These costs are not included in the schedule of lease

commitments. In August 2004, the College entered into a nine-year lease for Warren Place, residential apartments and parking spaces, with Brumley, Meyer and Kapp.

Additionally, the College leases a sports complex field from Patriots Point Development Authority, a state agency, with annual rents of \$10,000 per month, April 1, 2002 through March 31, 2062, with annual increases equal to the Consumer Price Index beginning April 1, 2003. A one-time payment of \$500,000 was paid in fiscal year 1998 with a corresponding charge to prepaid expenditures. It is being amortized ratably over the 65-year lease term utilizing the straight-line method of calculation. The lease agreements make no provisions beyond the 65 year period. The unamortized balance at June 30, 2004 is \$444,233. Amortization of the prepaid rent balance for fiscal year 2004 was \$7,692 and is reported in operating expenses. The College provides maintenance to the tax-exempt property. The College paid the Patriots Point Development Authority \$121,806 in rent in fiscal year 2004. Total operating lease expenditures for fiscal year 2004 were \$1,760,594, of which \$454,529 is for per copy charge on copy machines. The College reports all of these operating lease costs in operating expenses.

NOTE 10 – BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2004:

Interest Maturity June 30, 2004				
	Interest Rates	Maturity Dates	Balance	Debt Retired FY 2004
Revenue Bonds				
Higher Education Facilities Revenue Bond, Series 2002 C-McAlister	3.0-5.0%	2032	\$ 21,120,000	\$ 410,000
Higher Education Facilities Revenue Bond, Series 2002 A-Kelly House	3.0-5.25%	2032	10,255,000	185,000
Higher Education Facilities Revenue Bond, Series 2003 D				
Parking Garage	2.0-4.5%	2033	12,350,000	200,000
Dorm Renovation	2.0-4.5%	2033	7,250,000	200,000
Higher Education Facilities Revenue Refunding Bond, Series 2002 B	4.0-5.0%	2012	11,785,000	1,055,000
Total Revenue Bonds			\$ 62,760,000	\$ 2,050,000
State Institution Bonds				
Series 2003 A – School of Business	3.0-5.0%	2023	\$ 6,980,000	\$ 220,000
Total Bonds Payable			\$ 69,740,000	\$ 2,270,000

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

State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State of South Carolina. Tuition revenue is pledged up to the annual debt requirements for the payment of principal and interest on state institution bonds. S.C. Code of Laws Section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees for the preceding fiscal year. Tuition fees for the year ended June 30, 2003 were \$4,194,516 which results in a legal debt margin at June 30, 2004, of \$3,775,064. Bond discounts/premiums and other bond issuance costs are capitalized and amortized throughout the life of the bonds. The amount amortized was \$28,485 in fiscal year 2004 and \$28,487 in fiscal year 2003.

The College purchased a bond insurance policy payable to the bond trustee for the individual revenue bonds outstanding. The insurance guarantees payment of principal and interest until all debt has been retired. All of the bonds are payable in semi-annual installments plus interest. Amounts including interest required to complete payment of the auxiliary revenue bonds as of June 30, 2004 are as follows:

Revenue Bonds			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2005	\$ 2,410,000	\$ 2,682,653	\$ 5,092,653
2006	2,485,000	2,603,553	5,088,553
2007	2,570,000	2,521,803	5,091,803
2008	2,655,000	2,435,453	5,090,453
2009	2,740,000	2,339,652	5,079,652
2010-14	13,845,000	9,944,850	23,789,850
2015-19	9,025,000	7,690,687	16,715,687
2020-24	7,425,000	5,789,407	13,214,407
2025-29	10,235,000	3,607,132	13,842,132
2030-34	<u>9,370,000</u>	<u>886,725</u>	<u>10,256,725</u>
Total Revenue Bonds	<u>\$ 62,760,000</u>	<u>\$ 40,501,915</u>	<u>\$ 103,261,915</u>

Amounts including interest required to complete payment of the State Institution Bonds as of June 30, 2004 are as follows:

State Institution Bonds			
Year Ending June 30,	Principal	Interest	Total
2005	\$ 225,000	\$ 253,600	\$ 478,600
2006	240,000	242,350	482,350
2007	255,000	230,350	485,350
2008	265,000	222,700	487,700
2009	275,000	214,750	489,750
2010-14	1,615,000	940,250	2,555,250
2015-19	2,055,000	643,987	2,698,987
2020-24	<u>2,050,000</u>	<u>212,751</u>	<u>2,262,751</u>
Total State Institutional Bonds	\$ <u>6,980,000</u>	\$ <u>2,960,738</u>	\$ <u>9,940,738</u>

In prior years the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the College's financial statements. At June 30, 2004, \$2,428,000 of bonds outstanding is considered defeased. The College was in compliance with all applicable bond covenants as of June 30, 2004.

On April 22, 2004, the College's Board of Trustees authorized the issuance of up to \$35,000,000 in Higher Education and Academic and Administrative Facilities Revenue Bonds to fund various campus projects. The Series 2004 Bonds were finalized July 15, 2004, in two Series: Series A in the amount of \$27,265,000, with a 15-year amortization term, and Series B in the amount of \$5,190,000, with a 30-year amortization term, with interest rates between 3 percent and 5 percent, and bond issuance costs of \$91,832 amortized over the life of the bonds. Proceeds from Series 2004 A Bonds will provide for major renovation of all interior spaces and the replacement/enhancement of fire and life safety systems for McConnell Residence Hall, and the Craig Residence Hall, and address other deferred maintenance needs, such as roofs, HVAC systems, and exterior repairs on other residence hall facilities. Proceeds from Series 2004 B Bonds will be used to expand and renovate the School of the Arts Building, an existing building, and to add approximately 25,000 square feet of new construction for the School of Education, to renovate portions of the Stern Student Center, and to construct a new School of Business.

NOTE 11 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2004 was as follows:

Long-Term Liabilities					
	<u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2004</u>	<u>Due Within One Year</u>
Bonds Payable					
State Institution Bonds	\$ 7,200,000	\$ -	\$ 220,000	\$ 6,980,000	\$ 225,000
Unamortized Premium	2,734	-	48	2,686	-
Total State Institution Bonds	<u>\$ 7,202,734</u>	<u>\$ -</u>	<u>\$ 220,048</u>	<u>\$ 6,982,686</u>	<u>\$ 225,000</u>
Revenue Bonds	\$ 64,810,000	\$ -	\$ 2,050,000	\$ 62,760,000	\$ 2,410,000
Unamortized Premiums/ Discounts	140,672	-	4,732	135,940	-
Total Revenue Bonds	<u>\$ 64,950,672</u>	<u>\$ -</u>	<u>\$ 2,054,732</u>	<u>\$ 62,895,940</u>	<u>\$ 2,410,000</u>
Total Bonds Payable	<u>\$ 72,153,406</u>	<u>\$ -</u>	<u>\$ 2,274,780</u>	<u>\$ 69,878,626</u>	<u>\$ 2,635,000</u>
Other Liabilities					
Accrued Compensated Absences	\$ 2,759,389	\$ 1,277,391	\$ 1,112,823	\$ 2,923,957	\$ 1,014,006
Total Other Liabilities	<u>\$ 2,759,389</u>	<u>\$ 1,277,391</u>	<u>\$ 1,112,823</u>	<u>\$ 2,923,957</u>	<u>\$ 1,014,006</u>
Total Long-Term Liabilities	<u>\$ 74,912,795</u>	<u>\$ 1,277,391</u>	<u>\$ 3,387,603</u>	<u>\$ 72,802,583</u>	<u>\$ 3,649,006</u>

NOTE 12 – DONOR RESTRICTED ENDOWMENTS

The College received a restricted endowment from the Commission of Higher Education in the amount of \$100,000 with a stipulation that only earnings could be used to fund endowed chairs at the College. At June 30, 2004, net appreciation of \$3,070 was available to be spent, of which \$3,070 is restricted to specific purposes.

NOTE 13 – COMPONENT UNITS

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

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

The College of Charleston Foundation is a separately chartered entity, which exists exclusively to benefit the College. Transactions between the College and the Foundation during the year ended June 30, 2004 were as follows:

Foundation for the rental of certain real property (excludes approximately \$2,000 for premiums for insurance coverage on leased properties owned by the Foundation).	
The amount is reported as part of operating expense	\$ 713,330

Scholarships awarded by the College and reimbursed by the Foundation. The amount is reported as part of gifts under non-operating revenue.	\$ 1,071,786
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See Note 9 regarding lease transactions with the Foundation. Also, the Foundation reimbursed the College \$1,042,307 for certain expenditures that were paid by the College for the benefit of the Foundation

Related party receivables as of June 30, 2004, are as follows:

Due from Foundation	\$ 665,035
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Independent auditors examined the financial statements of the Foundation as of December 31, 2003 and for the year then ended.

The Cougar Club is a separately chartered corporation organized exclusively to solicit and provide funds to the athletic department in the form of scholarships and general revenues from season ticket sales and fund raising activities. Season basketball tickets are only available through Cougar Club membership. The College received \$317,496 from the Cougar Club in fiscal year 2004, primarily for athletic scholarships, which are reported as part of private gifts for auxiliaries in the operating fund, and \$165,852 for basketball ticket sales, which is reported as sales and services of Auxiliary Enterprises in operating funds. The financial statements of the Cougar Club as of June 30, 2004 and for the fiscal year then ended, were examined by independent auditors.

NOTE 14 – RISK MANAGEMENT

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

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

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

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

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

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

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

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 15 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2004 are summarized as follows:

	Compensation and Benefits	Supplies and Services	Utilities	Scholarships And Fellowships	Depreciation	Total
Instruction	\$ 43,962,339	\$ 4,089,013	\$ -	\$ -	\$ -	\$ 48,051,352
Research	2,423,882	2,326,529	-	-	-	4,750,411
Public Service	540,599	579,589	-	-	-	1,120,188
Academic Support	6,998,751	3,124,745	-	-	-	10,123,496
Student Services	4,685,174	1,568,709	-	-	-	6,253,883
Operation and				-	-	-
Maintenance of Plant	7,402,927	12,539,856	2,583,148	-	-	22,525,931
Institutional Support	8,750,653	2,778,046	-	-	-	11,528,699
Scholarships and						-
Fellowships (net of						-
discounts and allowances)	216,383	-	-	7,855,506	-	8,071,889
Auxiliary Enterprises	5,551,986	10,185,848	1,521,965	2,060,884	-	19,320,683
Depreciation and						
Amortization	-	-	-	-	4,727,162	4,727,162
Total Operating Expenses	\$ 80,532,694	\$ 37,192,335	\$ 4,105,113	\$ 9,916,390	\$ 4,727,162	\$ 136,473,694

NOTE 16 – STATE APPROPRIATIONS AND TRANSACTIONS WITH STATE ENTITIES

The College is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available.

The original appropriation is the College's base budget amount presented in the General Funds column of Section 5E of the 2003-2004 Appropriation Act. The following 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, 2004:

Non-Capital State Appropriations

Current year's appropriations:

Original appropriations per Annual Appropriations Act	\$ 26,398,432
Mid-year appropriation reductions	(263,984)

From Commission of Higher Education:

Academic Endowment	34,441
Mission Resource Requirements (MRR) Appropriation	<u>1,184,951</u>

Total non-capital appropriations recorded as current year revenue	<u>\$ 27,353,840</u>
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The College received substantial funding from the Commission on Higher Education (CHE) for scholarships on behalf of students that are accounted for as operating state grants and contracts. Additional amounts received from CHE are accounted for as both operating and non-operating revenues, depending upon the requirement of deliverables with a current or potential future economic value. The College also receives state funds from various other public service projects. Following is a summary of amounts received from state agencies for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2004:

Other Amounts

Received from CHE:

Hope Scholarships	\$ 275,600
Mission Resource Requirements (MRR) Funding Model	576,053
LIFE Scholarships	10,713,644
Palmetto Scholarships	2,210,136
Need-based Grants	862,861
Access and Equity	27,361
Various other CHE amounts	42,585
Received from Department of Education	407,380
Winthrop University	587,499
Received from Various State Agencies	<u>228,821</u>
	<u>\$ 15,931,940</u>

NOTE 17 – STATEMENT OF ACTIVITIES

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

	<u>2004</u>	<u>2003</u>	<u>Increase/(Decrease)</u>
Charges for services	\$ 112,186,599	\$ 97,826,965	\$ 14,359,634
Operating grants and contributions	3,048,497	4,633,582	(1,585,085)
Capital grants and contributions	-	1,092,210	(1,092,210)
Less: Expenses	<u>141,931,441</u>	<u>136,710,043</u>	<u>5,221,398</u>
Net program revenue (expense)	<u>\$ (26,696,345)</u>	<u>\$ (33,157,286)</u>	<u>\$ 6,460,941</u>
Transfers:			
State appropriations	\$ 27,353,840	\$ 29,681,597	\$ (2,327,757)
Capital improvement bond proceeds	<u>8,099,000</u>	<u>4,831,217</u>	<u>3,267,783</u>
Total transfers	<u>\$ 35,452,840</u>	<u>\$ 34,512,814</u>	<u>\$ 940,026</u>
Change in net assets	8,756,495	1,355,528	7,400,967
Net assets – beginning	<u>109,065,892</u>	<u>107,710,364</u>	<u>1,355,528</u>
Net assets – ending	<u><u>\$ 117,822,387</u></u>	<u><u>\$ 109,065,892</u></u>	<u><u>\$ 8,756,495</u></u>

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



STATISTICAL SECTION

Schedule Of Revenues By Source

	For the Year Ended June 30,							
	(amounts expressed in thousands)				(percent of total revenue)			
	2004	2003	2002	2001	2004	2003	2002	2001
Revenues								
Operating Revenues:								
Student Tuition and Fees (net of scholarship allowance)	\$ 64,585	\$ 53,187	\$ 47,825	\$43,771	43.58%	38.50%	38.40%	37.4%
Federal Grants and Contracts	9,787	9,597	8,530	7,183	6.60%	7.00%	6.80%	6.1%
State Grants and Contracts	14,715	13,311	7,210	8,623	9.93%	9.60%	5.80%	7.4%
Local Grants and Contracts	-	-	15	4	0.00%	0.00%	0.00%	0.0%
Non-Governmental Grants and Contracts	283	208	217	418	0.19%	0.20%	0.20%	0.4%
Sales and Services of Educational and Other Activities	1,050	1,025	1,544	1,167	0.71%	0.70%	1.20%	1.0%
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	20,206	19,157	20,216	19,424	13.63%	13.90%	16.20%	16.6%
Other Operating Revenue	1,561	1,342	1,111	1,325	1.05%	1.00%	0.90%	1.1%
Total Operating Revenues	\$ 112,187	\$ 97,827	\$ 86,668	\$ 81,915	75.69%	70.90%	69.50%	70.0%
Non-Operating Revenues:								
State Appropriations	27,354	29,682	33,027	33,339	18.46%	21.50%	26.50%	28.5%
Gifts	1,517	1,739	2,208	1,483	1.02%	1.30%	1.80%	1.3%
Interest Income	59	1,579	1,327	353	0.04%	1.10%	1.10%	0.3%
Other Non-Operating Revenues	7,106	7,239	1,425	-22	4.79%	5.20%	1.10%	0.0%
Total Non-Operating Revenues	\$ 36,036	\$ 40,239	\$ 37,987	\$ 35,153	24.31%	29.10%	30.50%	30.0%
Total Revenues	\$ 148,223	\$ 138,066	\$ 124,655	\$ 117,068	100.0%	100.0%	100.0%	100.0%

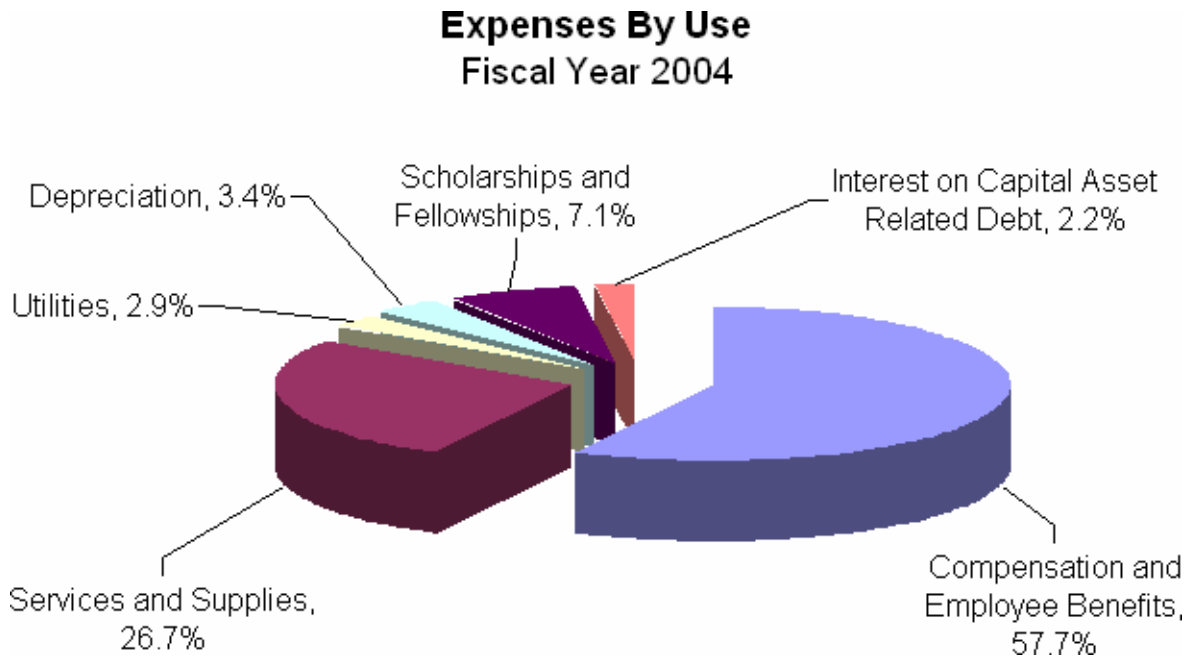
Schedule Of Expenses By Function

	For the Year Ended June 30,							
	(amounts expressed in thousands)				(percent of total expenses)			
	2004	2003	2002	2001	2004	2003	2002	2001
Expenses:								
Instruction	\$ 48,051	\$ 45,435	\$ 43,997	42,413	34.45%	33.2%	36.3%	36.4%
Research	4,750	4,357	3,867	3,569	3.41%	3.2%	3.2%	3.1%
Public Services	1,120	1,299	1,180	1,192	0.80%	1.0%	1.0%	1.0%
Academic Support	10,123	9,682	9,535	9,226	7.26%	7.1%	7.9%	7.9%
Student Services	6,254	6,058	5,752	5,239	4.48%	4.4%	4.8%	4.5%
Institutional Support	11,529	11,194	9,506	8,615	8.27%	8.2%	7.9%	7.4%
Operation and Maintenance of Plant	22,526	21,001	12,517	12,309	16.15%	15.4%	10.3%	10.6%
Scholarships and Fellowships	8,072	9,452	8,456	7,916	5.79%	6.9%	7.0%	6.8%
Auxiliary Enterprises	19,321	20,979	21,395	21,723	13.85%	15.3%	17.7%	18.7%
Interest on Capital Debt	2,993	2,501	1,144	1,076	2.15%	1.8%	0.9%	0.9%
Depreciation	4,727	4,752	3,758	3,188	3.39%	3.5%	3.1%	2.7%
Total Expenses	\$ 139,466	\$ 136,710	\$ 121,107	116,465	100.0%	100.0%	100.0%	100.0%

Source: The Audited Financial Statements of the College of Charleston for the years ended June 30, 2004, 2003, 2002, and 2001

Schedule Of Expenses By Use

	For the Year Ended June 30,					
	(amounts expressed in thousands)			(percent of total expenses)		
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses:						
Operating Expenses:						
Compensation and Employee Benefits	\$ 80,533	\$ 76,082	\$ 71,754	57.7%	55.7%	59.3%
Services and Supplies	37,192	38,871	32,995	26.7%	28.4%	27.2%
Utilities	4,105	3,471	2,999	2.9%	2.5%	2.5%
Depreciation	4,727	4,752	3,758	3.4%	3.5%	3.1%
Scholarships and Fellowships	9,916	11,032	8,457	7.1%	8.1%	7.0%
Total Operating Expenses	\$ 136,473	\$ 134,208	\$ 119,963	97.8%	98.2%	99.1%
Non-Operating Expenses:						
Interest on Capital Asset Related Debt	\$2,993	\$ 2,501	\$ 1,144	2.2%	1.8%	0.9%
Total Non-Operating Expenses	\$2,993	\$ 2,501	\$ 1,144	2.2%	1.8%	0.9%
Total Expenses	\$139,466	\$ 136,709	\$ 121,107	100.0%	100.0%	100.0%



Source: The Audited Financial Statements of the College of Charleston for the years ended June 30, 2004, 2003, and 2002.

SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years
(amounts in thousands)

Revenue Bonds

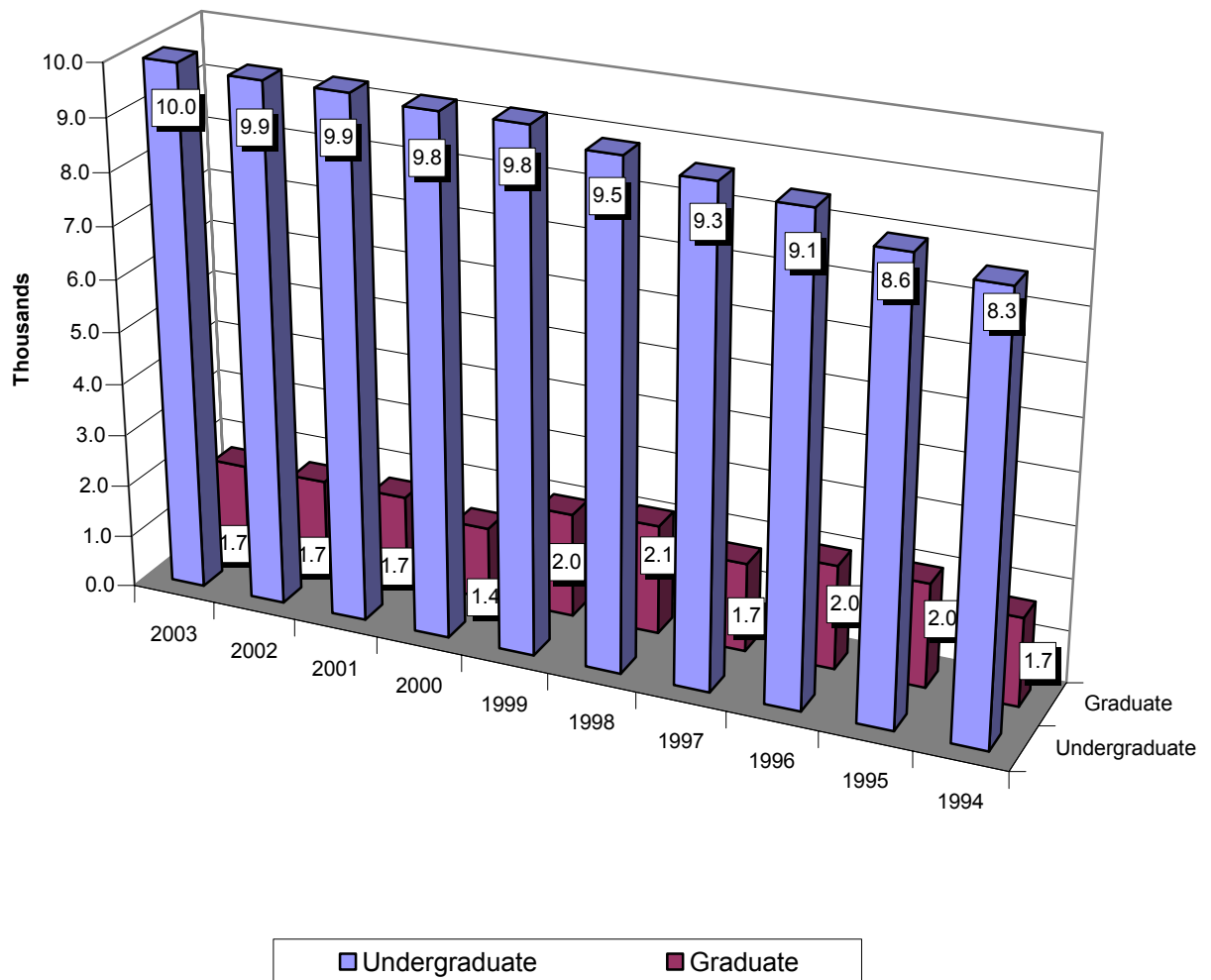
Fiscal Year Ended June 30,	Defined Net Revenue Available for Debt Service	Total Revenue Available for Debt Service	Debt Service Principal	Payment Interest	Requirements Total	Coverage Ratio
2004	\$ 5,798	\$ 5,798	\$ 2,050	\$ 2,692	\$ 4,742	1.22
2003	2,996	2,996	580	1,976	2,556	1.17
2002	1,830	1,830	865	822	1,687	1.08
2001	2,425	2,425	825	865	1,690	1.44
2000	2,363	2,363	785	907	1,692	1.40
1999	2,814	2,814	750	954	1,704	1.65
1998	2,211	2,211	715	982	1,697	1.30
1997	2,414	2,414	685	1,015	1,700	1.42
1996	2,081	2,081	655	1,048	1,703	1.22
1995	2,302	2,302	625	1,076	1,701	1.35

State Institutional Bonds

2004	\$ 3,553	\$ 3,553	\$ 220	\$ 265	\$ 485	7.33
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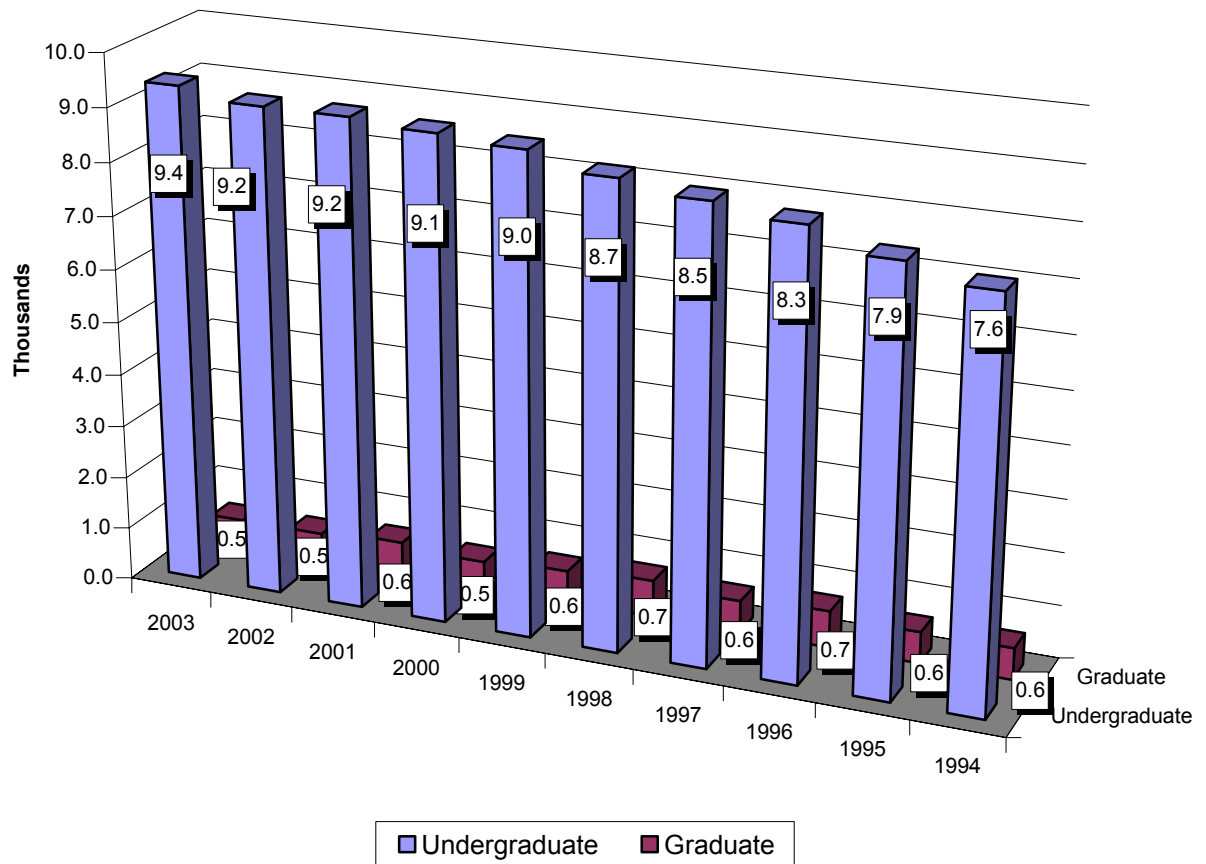
Source: College of Charleston Controller's Office

College of Charleston Student Head Count For The Last 10 Years



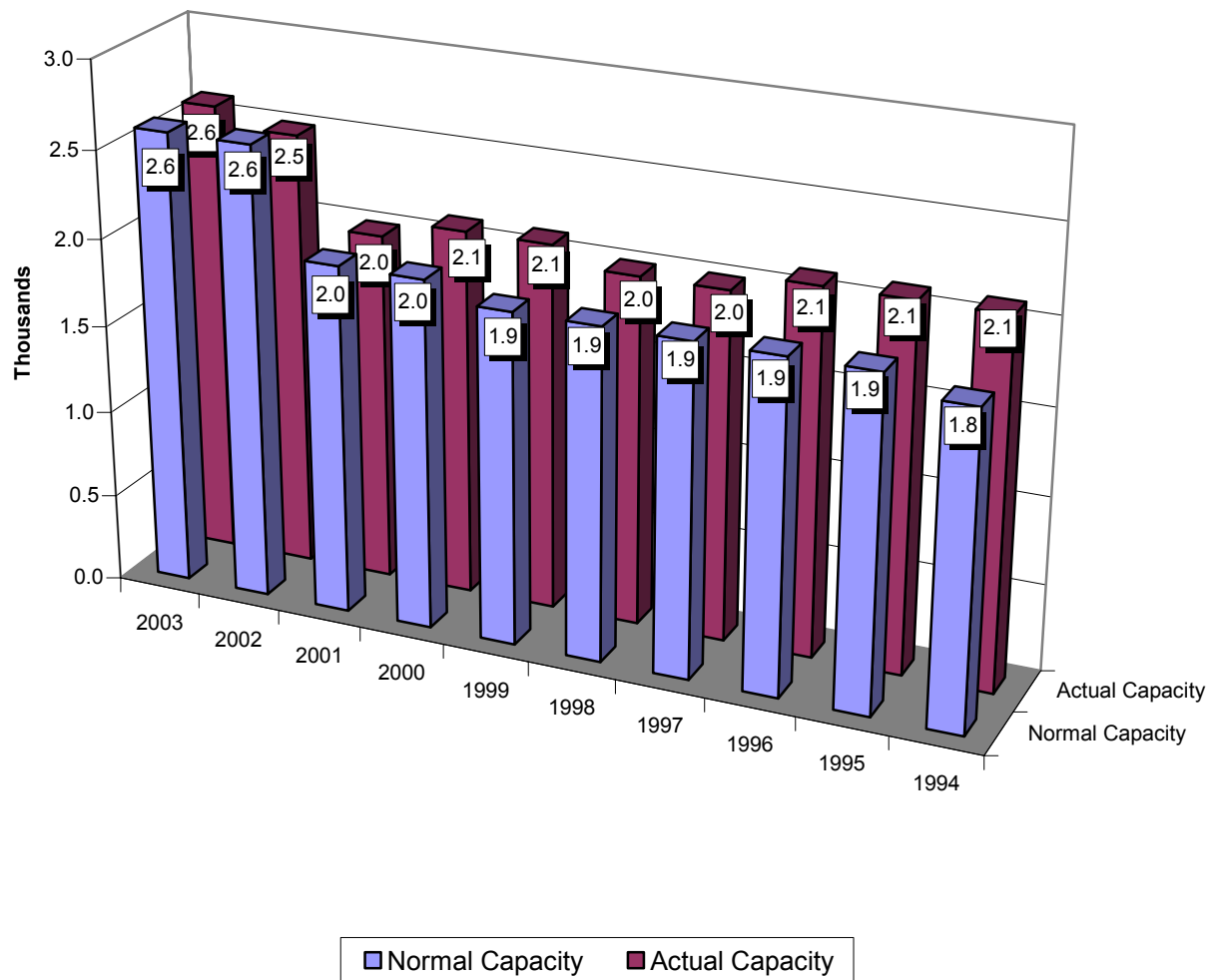
Source: College of Charleston Office of Institutional Research and Planning

College of Charleston Student Full Time Equivalent For The Last 10 Years



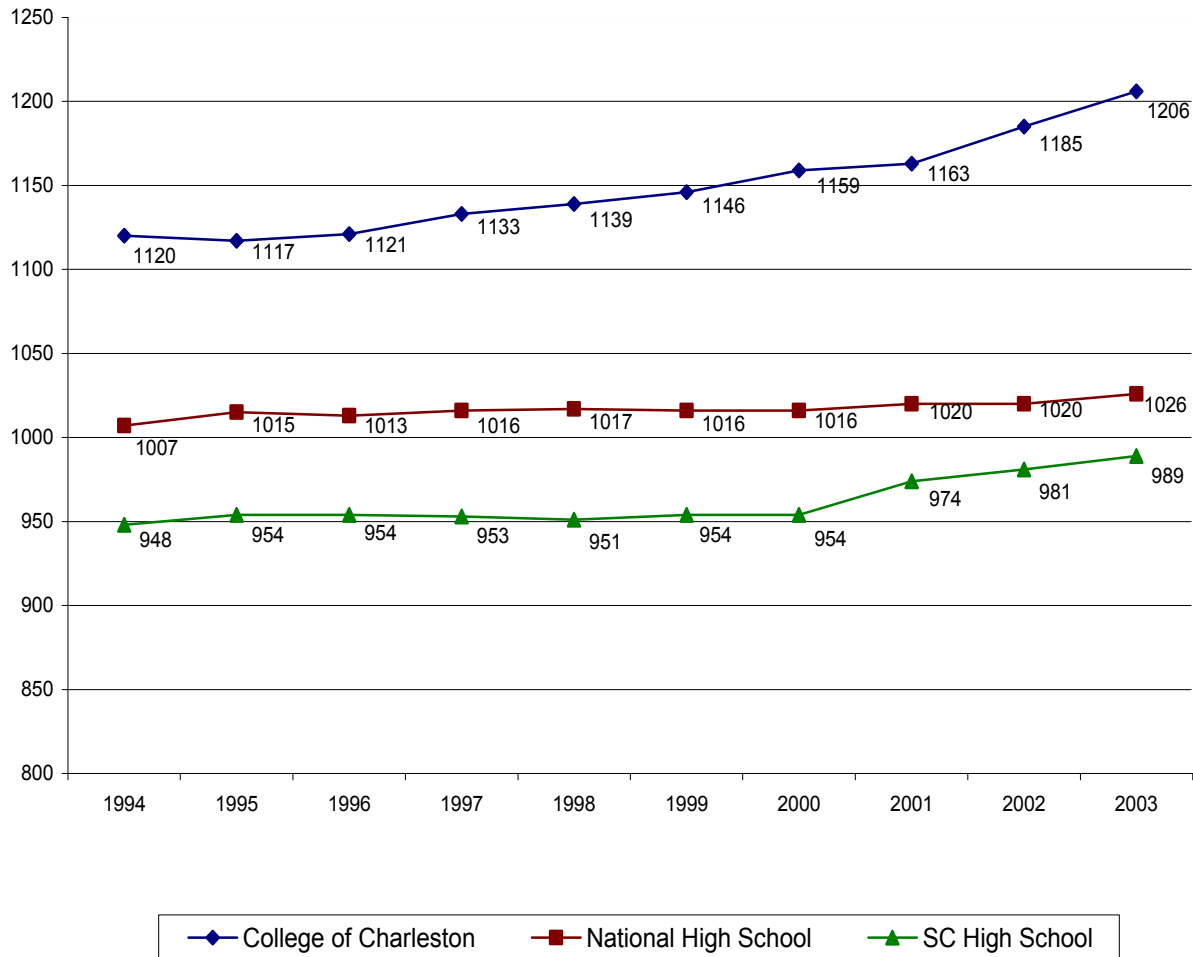
Source: College of Charleston Office of Institutional Research and Planning

College of Charleston Fall Residence Hall Occupancy For The Last 10 Years



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

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



Source: College of Charleston Office of Admissions

COLLEGE OF CHARLESTON
FALL ROSTER FACULTY
RANK, TENURE, AND TERMINAL DEGREES
 LAST TEN YEARS

<u>Year Ended June 30,</u>	<u>Professors</u>	<u>Associate Professors</u>	<u>Assistant Professors</u>	<u>Instructors</u>	<u>Total</u>	<u>Percent with</u>	
						<u>Terminal Degrees (1)</u>	<u>Tenure (2)</u>
2003	116	148	166	61	491	86%	59%
2002	111	143	154	59	467	85%	58%
2001	105	136	157	64	462	82%	60%
2000	107	137	151	61	456	85%	61%
1999	108	126	149	56	439	83%	63%
1998	100	111	143	66	420	82%	64%
1997	101	101	143	54	399	82%	65%
1996	96	93	147	52	388	82%	61%
1995	89	91	144	38	362	85%	64%
1994	80	94	146	35	355	86%	63%

(1) Includes visiting faculty occupying a state position and roster faculty on sabbatical or leave.
 Excludes Administrators and Deans holding faculty rank.

(2) Includes roster faculty on sabbatical or leave. Excludes both visiting faculty occupying a state position and Administrators holding faculty rank.

Source: College of Charleston Office of Institutional Research and Planning

COLLEGE OF CHARLESTON
STUDENT AND FACULTY FULL TIME EQUIVALENTS
FALL 2003

AREA	UNDERGRADUATE			GRADUATE		
	FTE Students	IFTE Faculty	Student/ Faculty Ratio	FTE Students	IFTE Faculty	Student/ Faculty Ratio
Biological Science	595.47	38.8	15.35	22.83	4.28	5.33
Business and Management	1,068.47	44.64	23.94	28.5	1.25	22.80
Computer Science	140.73	11.05	12.74	11.25	0.62	18.15
Education	666.74	38.5	17.32	394.25	26.29	15.00
Engineering	3.27	0.58	5.64			
Student Teaching	44	3.03	14.52	17.25	1.27	13.58
Fine Arts	933.33	63.57	14.68			
Foreign Languages	1,101.19	73.98	14.88	7.83	1.31	5.98
English	986.07	63.93	15.42	15.25	1	15.25
Environmental Studies	5	0.5	10.00	61.5	6.22	9.89
Philosophy and Religion	299.13	11.78	25.39			
Library	5.67	0.51	11.12			
Mathematics	698	26.96	25.89	11	0.88	12.50
Physical Science	679.67	49.98	13.60			
Psychology	452.67	20.96	21.60			
Public Administration				21.33	1.79	11.92
Science and Math for Teachers				11.67	1.5	7.78
Social Sciences	1,200.73	54.55	22.01	13.67	1.44	9.49
Interdisciplinary	368.33	25.52	14.43			
Totals	9,248.47	528.84	17.49	616.33	47.85	12.88
College Totals	9,864.80	576.69	17.11			

NOTE: Student Full Time Equivalents (FTE) is the calculation based on student credit hours where an undergraduate FTE is the total number of student credit hours generated by undergraduate courses divided by 15, and the graduate FTE is the number of student credit hours generated by Graduate Courses divided by 12.

Instructional Full Time Equivalents (FTE) is an external reporting standard measuring the amount of faculty time used for instructional activity. Contact hours are the basis for calculation; in general, 12 contact courses = 1 FTE.

Source: College of Charleston Office of Institutional Research and Planning

COLLEGE OF CHARLESTON

ACADEMIC SUBJECT AREAS AND DEGREES OFFERED

UNDERGRADUATE

Accounting	A.B., B.S.	History	A.B., B.A.
Anthropology	A.B., B.S.	International Business	A.B., B.S.
Art History	A.B., B.A.	Marine Biology	A.B., B.S.
Art Management	A.B., B.A.	Mathematics	A.B., B.S.
Athletic Training	A.B., B.S.	Middle Level Education	A.B., B.S.
Biochemistry	A.B., B.S.	Music	
Biology	A.B., B.A., B.S.	Philosophy	A.B., B.A.
Business Administration	A.B., B.S.	Physical Education and Health	A.B., B.A.
Chemistry	A.B., B.A., B.S.	Physics	A.B., B.S.
Classical Studies	A.B., B.A.	Political Science	A.B., B.A., B.S.
Communications	A.B., B.A.	Psychology	A.B., B.A.
Computer Science	A.B., B.A., B.S.	Religious Studies	A.B., B.S.
Computer Information Systems	A.B., B.S.	Sociology	A.B., B.A.
Early Childhood Education	A.B., B.S.	Spanish	A.B., B.S.
Economics	A.B., B.S.	Special Education	A.B., B.A.
Elementary Education	A.B., B.S.	Studio Arts	A.B., B.S.
English	A.B., B.A.	Theatre	A.B., B.A.
French	A.B., B.A.	Urban Studies	A.B., B.A.
Geology	A.B., B.A., B.S.	Bachelor of Science - Denistry Emphasis	A.B., B.A.
German	A.B., B.A.	Bachelor of Science - Medicine Emphasis	B.S.D.
Historic Preservation			B.S.M.
Community Planning	A.B., B.A.		

GRADUATE

Accounting	M.S.	Environmental Studies	M.S.
Bilingual Legal Interpreting	M.A.	History	M.A.
Computer and Information Sciences	M.S.	Languages	M.E.D.
Early Childhood Education	M.ED., M.A.T.	Marine Biology	M.S.
Elementary Education	M.ED., M.A.T.	Mathematics	M.S.
English	M.A.	Public Administration	M.P.A.
		Science and Math for Teachers	M.ED.
		Special Education	M.ED., M.A.T.

A.B. - Artium Baccalaureatus (Classical Studies)
 B.A. - Bachelor of Arts
 B.S. - Bachelor of Science
 M.A. - Master of Arts

M.A.T. - Master of Arts in Teaching
 M.Ed. - Master of Education
 M.P.A. - Master of Public Administration
 M.S. - Master of Science

Source: College of Charleston Office of Institutional Research and Planning