

UNIVERSITY OF SOUTH CAROLINA

REPORT ON FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2009**

UNIVERSITY OF SOUTH CAROLINA

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of South Carolina (the University), a department of the State of South Carolina as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the University. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of South Carolina School of Medicine Educational Trust and Clinical Faculty Practice Plan (the Trust). These financial statements represent approximately 2 percent, 2 percent, and 6 percent, respectively, of assets, net assets, and revenues of the business-type activities. We also did not audit the financial statements of the University of South Carolina Research Foundation; the University of South Carolina Educational Foundation; the University of South Carolina Business Partnership Foundation; the Greater University of South Carolina Alumni Association; the Carolina Piedmont Foundation; and the Educational Foundation of the University of South Carolina - Lancaster (collectively referred to as "the Foundations"). These financial statements represent approximately 85 percent, 91 percent, and 98 percent, respectively, of the assets, net assets, and revenues of the University's aggregate discretely presented component units. The financial statements of the Trust and the Foundations were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Trust and the Foundations, are based on the reports of the other auditors.

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

As discussed in Note 1, the financial statements of the University are intended to present the financial position, and changes in financial position and cash flows, of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2009, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2009, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2009 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The supplementary information included in the accompanying schedules of non-capital appropriations, state capital appropriations and information for statement of activities on pages 37 and 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The individual campus supplemental statements and schedules on pages 39 through 74 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental statements and schedules. However, we did not audit the information and express no opinion on it.

Elliott Davis, LLC

Columbia, South Carolina
October 14, 2009

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

Overview of the Financial Statements and Financial Analysis

The University of South Carolina is pleased to present its financial statements for fiscal year 2009. While audited financial statements for fiscal year 2008 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on current year data. In addition, this discussion will focus on operations and financial position of the primary institution - the University of South Carolina - and will not include its blended component unit - the University of South Carolina School of Medicine Educational Trust and Clinical Faculty Practice Plan (the Trust). Neither will this discussion include the discretely presented component units - the University of South Carolina's Research Foundation, Development Foundation, Educational Foundation, Business Partnership Foundation, Alumni Association, the Carolina Piedmont Foundation, and the Educational Foundation of the University of South Carolina - Lancaster.

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

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

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

Statement of Net Assets

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

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

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

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

Summary of Net Assets				
	<u>2009</u>	<u>Reclassified 2008</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets				
Current Assets	\$ 409,861,131	\$ 413,197,669	\$ (3,336,538)	(0.81%)
Capital Assets, Net	1,006,456,428	910,730,242	95,726,186	10.51%
Other Noncurrent Assets	<u>82,954,328</u>	<u>66,675,990</u>	<u>16,278,338</u>	24.41%
Total Assets	<u>1,499,271,887</u>	<u>1,390,603,901</u>	<u>108,667,986</u>	7.81%
Liabilities				
Current Liabilities	124,308,892	104,654,382	19,654,510	18.78%
Noncurrent Liabilities	<u>417,673,191</u>	<u>397,612,557</u>	<u>20,060,634</u>	5.05%
Total Liabilities	<u>541,982,083</u>	<u>502,266,939</u>	<u>39,715,144</u>	7.91%
Net Assets				
Invested in capital assets, net of related debt	585,999,113	533,500,422	52,498,691	9.84%
Restricted - nonexpendable	41,080,407	24,470,320	16,610,087	67.88%
Restricted - expendable	70,677,816	91,807,264	(21,129,448)	(23.02%)
Unrestricted	<u>259,532,468</u>	<u>238,558,956</u>	<u>20,973,512</u>	8.79%
Total Net Assets	<u>\$ 957,289,804</u>	<u>\$ 888,336,962</u>	<u>\$ 68,952,842</u>	7.76%

Certain reclassifications of Net Assets were made for fiscal year 2008 in the amount of \$24,428,692 from unrestricted to restricted-expendable for capital projects. The reclassification had no effect on total net assets.

- Total Assets of the University increased by \$109 million. Capital assets increased \$96 million, primarily due to major building projects completed and in progress. Other assets increased \$16 million, driven by the increase in nonexpendable endowment funds.
- The increase in Current Liabilities of \$20 million is primarily attributable to an increase in the current portion of short term debt. Bond anticipation notes in the amount of \$19.6 million were issued to provide funding for the acquisition of property for event parking and the construction of the Athletics Academic Enrichment Center.
- The \$20 million increase in Noncurrent Liabilities is attributable to issuance of long term bonds.
- Net Assets of the University increased during the year by \$69 million. The increase is driven largely by the \$52 million increase in capital assets, net of related debt, and the \$17 million increase in restricted nonexpendable endowment funds. Restricted expendable net assets decreased by \$21 million primarily due to the expenditure of unexpended bond funds on hand from the prior year. Unrestricted net assets increased by \$21 million.

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

Unrestricted net assets result from accumulated excesses of revenue over expenses derived from University current fund operations. The University's unrestricted current funds are derived from state appropriations, student fees, institutional revenue and auxiliary operations that are not restricted for specific purposes. Unrestricted net assets include balances from operations of Education and General (E&G) activities, auxiliary enterprises, quasi-endowments and unexpended plant funds. Although unrestricted net assets are not subject to externally imposed stipulations, most of these resources have been committed for specific University activities including academic and research programs, capital projects, and significant upgrades to the campus technology network.

Unrestricted net assets increased by \$21 million, based on the following:

- Education and general - increase of \$14.9 million due to additional tuition collections from higher student enrollments, tuition increase, more indirect cost recoveries from grant activities, and collection of fees for OneCarolina, a planned replacement of administrative computing technology. Despite a reduction of state appropriations totaling more than \$50 million, academic funds remain available to support faculty hiring and associated start up costs.
- Auxiliaries - increase of \$10.9 million from FY2008. Housing revenues were up and planned fund transfers to maintenance reserves in the prior year were minimal due to a state moratorium on capital projects during the Summer of 2008. Also, a new dormitory will be opened in the Fall of 2009 which will increase revenues, expenditures and debt service. Other auxiliaries experienced an increase in revenues from higher student enrollment.
- Quasi-endowments - remained relatively unchanged.
- Unexpended plant funds - decreased by \$4.8 million due to projects undertaken with the source of funds as unrestricted funds on hand.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. A public University's dependency on state aid and gifts will result in operating deficits. The GASB requires state appropriations and gifts to be classified as non-operating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

Operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. State capital appropriations and capital grants and gifts are considered neither operating nor non-operating revenues and are reported after "Income before other revenues, expenses, gains or losses".

Certain reclassifications of operating revenues and expenses were made for fiscal year 2008. These classifications included scholarship allowances, compensation and benefits, and scholarships and fellowships. These reclassifications had no effect to the total increase in net assets.

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

Summary of Revenues, Expenses and Changes in Net Assets	2009	Reclassified 2008	Increase/ (Decrease)	Percent Change
Operating Revenues:				
Student tuition and fees	\$ 452,262,503	\$ 401,799,739	\$ 50,462,764	12.56%
Less scholarship allowance	(176,854,219)	(156,792,284)	(20,061,935)	12.80%
Federal grants and contracts	147,805,616	138,819,747	8,985,869	6.47%
State grants and contracts	75,997,300	73,803,285	2,194,015	2.97%
Local grants and contracts	1,061,032	959,597	101,435	10.57%
Nongovernmental grants and contracts	26,988,177	28,606,395	(1,618,218)	(5.66%)
Sales and services of educational and other activities	25,174,810	22,682,311	2,492,499	10.99%
Sales and services of auxiliary enterprises	107,574,717	102,715,745	4,858,972	4.73%
Less scholarship allowance	(5,287,048)	(5,497,908)	210,860	(3.84%)
Interest collected on student loans	252,996	224,271	28,725	12.81%
Other fees	7,034,695	6,439,112	595,583	9.25%
Other operating revenues	<u>4,440,017</u>	<u>4,213,095</u>	<u>226,922</u>	5.39%
Total operating revenues	<u>666,450,596</u>	<u>617,973,105</u>	<u>48,477,491</u>	7.84%
Operating Expenses:				
Compensation and employee benefits	574,629,952	562,185,776	12,444,176	2.21%
Services and supplies	202,300,071	187,875,929	14,424,142	7.68%
Utilities	26,805,313	26,600,555	204,758	0.77%
Scholarships and fellowships	17,128,876	16,107,879	1,020,997	6.34%
Depreciation expense	<u>45,750,749</u>	<u>40,888,598</u>	<u>4,862,151</u>	11.89%
Total operating expenses	<u>866,614,961</u>	<u>833,658,737</u>	<u>32,956,224</u>	3.95%
Operating loss	(200,164,365)	(215,685,632)	15,521,267	(7.20%)
Non-operating revenues and expenses , net	<u>227,046,113</u>	<u>265,035,965</u>	<u>(37,989,852)</u>	(14.33%)
Income before other revenues and transfers	26,881,748	49,350,333	(22,468,585)	(45.53%)
Other revenues and transfers	<u>42,071,094</u>	<u>19,652,909</u>	<u>22,418,185</u>	114.07%
Increase in net assets	68,952,842	69,003,242	(50,400)	(0.07%)
Net assets at beginning of year	<u>888,336,962</u>	<u>819,333,720</u>	<u>69,003,242</u>	8.42%
Net assets at end of year	<u>\$ 957,289,804</u>	<u>\$ 888,336,962</u>	<u>\$ 68,952,842</u>	7.76%

UNIVERSITY OF SOUTH CAROLINA
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(Unaudited)

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

- A net \$30.4 million increase in student tuition and fees, a net \$7.6 million increase in sales and service and a \$9.6 million increase in grants and contracts were largely responsible for the overall \$48.5 million increase in Operating Revenues. The increase in student tuition and fees is due both to enrollment increases across the system and the 5.9% tuition increase at the Columbia campus. The tuition increase is necessary for meeting the University's mission and strategic goals especially as state appropriations decline.
- Operating expenses increased \$33 million or 3.95%. This is the lowest annual increase in more than five years both in terms of dollars and as a percentage. This is due to the tremendous pressure placed on the operating budgets by a series of state appropriations reductions. Operating budgets were recalibrated throughout the fiscal year to account for losses in appropriations. The largest increases were not in compensation and benefits as in prior years due to the hiring freeze in effect for most of the year. Services and supplies increased by the largest dollar amount and percentage.
- The \$38 million decrease in non-operating revenues and expenses is attributable to reductions in state appropriations. The University experienced cuts of more than \$50 million in appropriations, a decrease of 25% of state funding for operations.
- The \$22 million increase in other revenues, expenses, and transfers was attributable to an increase in Federal capital grants for the addition of a library wing and the additions to permanent endowments.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section

reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital Asset and Debt Administration

During the year, various projects on the Columbia campus began construction including the 36,000 square foot Thomas Cooper Rare Book Facility at an estimated cost of \$18 million. The facility will provide specialized secure stack areas and climate control to preserve the University's valuable rare books, including research collections and modern political collections. In addition, the facility will provide specialized public space and work areas so that materials may be fully and responsibly utilized.

The Fall of 2009 saw the opening of a second residence hall on the USC Upstate campus. The 350 bed facility is made up of four bedroom suites with private and shared bathrooms. The addition of this new residency hall brings the total beds on the Upstate campus to approximately 700 beds.

In the Spring of 2009, the Athletics department started construction on the 40,000 square foot Academic Enrichment Center at an estimated cost of \$12.6 million. The Center will provide tutoring rooms, seminar rooms, computer labs, full service cafeteria and academic support staff offices. The state of the art facility will be a tremendous resource and will provide the student athletes the continued opportunity to build on academic accomplishments they have been able to achieve over the years.

The Athletics department acquired 53 acres of land for future development into event parking.

The University's indebtedness consists of bonds payable of \$363,072,334 and notes payable of \$37,784,981. During the current year, \$28,920,000 in revenue bonds, \$19,600,000 revenue bond anticipation notes and \$8,550,000 state institution bonds were issued to fund various capital projects.

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

Economic Outlook

The economic position of the University is loosely tied to that of the State of South Carolina as evidenced by the University's continued strong financial performance despite significant reductions in state appropriations. The state closed the fiscal year 2009 with a funds deficit for the second straight year. The University did not receive a state funding reduction to begin the 2010 year, but appropriations were reduced by another 4.04% in September 2009. Additional state reductions are possible by the end of the 2010 fiscal year. The University system will receive Federal State Stabilization stimulus funding totaling \$29.2 million for each of the next two fiscal years. These funds will be used for special non-recurring initiatives that address strategic priorities.

The University's overall financial position remains strong, despite reductions in state appropriations. The University relies on tuition and fees to support the general operating budget and is aware of state funding support when tuition and fees are set. Tuition increases for the 2010 year were generally held to the Higher Education Price Index (HEPI) of 3.6%. Demand for enrollment and interest in the University remains strong with record numbers of applications received. The University also experienced record numbers for research grants and private giving.

UNIVERSITY OF SOUTH CAROLINA

Statements of Net Assets

	Year Ended		Total
	June 30, 2009	December 31, 2008	
	University	Trust	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 282,089,018	\$ 3,462,552	\$ 285,551,570
Investments	-	5,191,324	5,191,324
Accounts receivable, net	39,541,919	5,781,832	45,323,751
Student loans receivable, current	1,520	-	1,520
Patients accounts receivable, net	-	3,250,000	3,250,000
Capital improvement bonds proceeds receivable	1,226,182	-	1,226,182
Inventories	3,145,981	-	3,145,981
Prepaid items	5,418,219	-	5,418,219
Restricted cash and cash equivalents	70,050,417	-	70,050,417
Funds due from others	8,387,875	-	8,387,875
Total current assets	409,861,131	17,685,708	427,546,839
Noncurrent assets:			
Investments	4,726,697	-	4,726,697
Notes receivable	19,943,910	-	19,943,910
Restricted - cash and cash equivalents	36,468,994	-	36,468,994
Restricted - federal student loans receivable	19,333,960	-	19,333,960
Capital assets, net of accumulated depreciation	1,006,456,428	13,026,072	1,019,482,500
Other assets	2,480,767	-	2,480,767
Total noncurrent assets	1,089,410,756	13,026,072	1,102,436,828
Total assets	1,499,271,887	30,711,780	1,529,983,667
LIABILITIES			
Current liabilities:			
Accounts payable	21,348,003	4,995,400	26,343,403
Retainage payable - current portion	3,005,061	-	3,005,061
Accrued interest payable	3,720,650	-	3,720,650
Accrued payroll and related liabilities	10,662,349	(3,440)	10,658,909
Accrued compensated absences - current portion	12,362,983	1,324,423	13,687,406
Short - term debt	19,600,000	-	19,600,000
Long-term liabilities - current portion	16,865,693	425,000	17,290,693
Deferred revenues	27,957,700	-	27,957,700
Deposits	2,230,881	-	2,230,881
Other liabilities	250,990	-	250,990
Funds held for others	6,304,582	-	6,304,582
Total current liabilities	124,308,892	6,741,383	131,050,275
Noncurrent liabilities:			
Retainage payable	1,134,715	-	1,134,715
Accrued compensated absences	12,362,983	-	12,362,983
Deferred revenues	1,366,666	-	1,366,666
Federal loan funds	18,372,205	-	18,372,205
Long-term liabilities	383,991,622	6,800,000	390,791,622
Other liabilities	445,000	549,388	994,388
Total noncurrent liabilities	417,673,191	7,349,388	425,022,579
Total liabilities	541,982,083	14,090,771	556,072,854
NET ASSETS			
Invested in capital assets, net of related debt	585,999,113	5,801,072	591,800,185
Restricted for:			
Nonexpendable	41,080,407	-	41,080,407
Expendable			
Scholarships, research, instruction, and other	9,553,087	-	9,553,087
Loans	2,966,172	-	2,966,172
Capital projects	49,303,382	-	49,303,382
Debt service	8,855,175	-	8,855,175
Unrestricted	259,532,468	10,819,937	270,352,405
Total net assets	\$ 957,289,804	\$ 16,621,009	\$ 973,910,813

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

UNIVERSITY OF SOUTH CAROLINA

Statements of Revenues, Expenses and Changes in Net Assets

	Year Ended		Total
	June 30, 2009	December 31, 2008	
	University	Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees (\$23,078,961 pledged as security for bonds)	\$ 452,262,503	\$ -	\$ 452,262,503
Less scholarship allowance	(176,854,219)	-	(176,854,219)
Patient services, net	-	32,418,516	32,418,516
Federal grants and contracts	147,805,616	-	147,805,616
State grants and contracts	75,997,300	-	75,997,300
Local grants and contracts	1,061,032	-	1,061,032
Nongovernmental grants and contracts	26,988,177	-	26,988,177
Sales and services of educational and other activities	25,174,810	-	25,174,810
Sales and services of auxiliary enterprises (\$12,139,980 pledged as security for bonds)	107,574,717	-	107,574,717
Less scholarship allowance	(5,287,048)	-	(5,287,048)
Interest collected on student loans	252,996	-	252,996
Other fees (\$2,060,479 pledged as security for bonds)	7,034,695	-	7,034,695
Other operating revenues	4,440,017	24,723,074	29,163,091
Total operating revenues	666,450,596	57,141,590	723,592,186
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	574,629,952	35,328,457	609,958,409
Services and supplies	202,300,071	18,675,044	220,975,115
Utilities	26,805,313	-	26,805,313
Scholarships and fellowships	17,128,876	-	17,128,876
Depreciation expense	45,750,749	1,021,126	46,771,875
Total operating expenses	866,614,961	55,024,627	921,639,588
Operating Income (loss)	(200,164,365)	2,116,963	(198,047,402)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	173,279,229	-	173,279,229
Gifts	53,779,597	-	53,779,597
Investment income (loss)	10,897,679	(2,202,064)	8,695,615
Endowment income	3,067,173	-	3,067,173
Gain on disposal of capital assets, net	936,844	-	936,844
Interest on capital asset related debt	(14,910,411)	(352,089)	(15,262,500)
Other nonoperating expenses, net	(3,998)	-	(3,998)
Net nonoperating revenues (expenses)	227,046,113	(2,554,153)	224,491,960
Income (loss) before other revenues and transfers	26,881,748	(437,190)	26,444,558
State capital appropriations	8,496,102	-	8,496,102
Capital grants and gifts	17,217,643	-	17,217,643
Additions to permanent endowments	17,594,036	-	17,594,036
Transfers to other state funds, net	(1,236,687)	-	(1,236,687)
Increase (decrease) in net assets	68,952,842	(437,190)	68,515,652
NET ASSETS			
Net assets - beginning of year	888,336,962	17,058,199	905,395,161
Net assets - end of year	\$ 957,289,804	\$ 16,621,009	\$ 973,910,813

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

UNIVERSITY OF SOUTH CAROLINA

Statements of Cash Flows

	Year Ended		
	June 30, 2009	December 31, 2008	Total
	University	Trust	
CASH FLOWS FROM OPERATING ACTIVITIES			
Student tuition and fees	\$ 277,022,657	\$ -	\$ 277,022,657
Patient services, net	-	32,140,516	32,140,516
Research grants and contracts	254,181,682	-	254,181,682
Sales and services of educational and other activities	25,368,076	-	25,368,076
Sales and services of auxiliary enterprises	98,144,018	-	98,144,018
Student loans disbursed	(2,655,981)	-	(2,655,981)
Student loans collected	2,222,829	-	2,222,829
Interest collected on student loans	252,996	-	252,996
Inflows from Federal Family Education loans	250,445,237	-	250,445,237
Outflows from Federal Family Education loans	(250,264,686)	-	(250,264,686)
Payments to employees for services	(575,176,265)	(35,004,080)	(610,180,345)
Payments to suppliers	(229,168,240)	(16,794,201)	(245,962,441)
Payments to students for scholarships and fellowships	(17,128,876)	-	(17,128,876)
Other receipts	11,362,361	21,698,681	33,061,042
Inflows from agency funds	60,679,746	-	60,679,746
Outflows from agency funds	(55,164,900)	-	(55,164,900)
Net cash provided (used) by operating activities	(149,879,346)	2,040,916	(147,838,430)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State appropriations	173,279,229	-	173,279,229
Gifts	53,832,217	-	53,832,217
Additions to permanent endowments	17,594,036	-	17,594,036
Other nonoperating revenues expenses	(3,998)	-	(3,998)
Transfers to other state funds, net	(1,236,687)	-	(1,236,687)
Federal loan liability	(32,975)	-	(32,975)
Net cash provided by noncapital financing activities	243,431,822	-	243,431,822
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	57,113,077	-	57,113,077
State capital appropriations	10,125,182	-	10,125,182
Capital grants and gifts	12,774,529	-	12,774,529
Proceeds from sale of capital assets	113,250	-	113,250
Purchase and construction of capital assets	(136,004,901)	(540,122)	(136,545,023)
Principal paid on capital asset related debt	(14,522,346)	(545,039)	(15,067,385)
Interest paid on capital asset related debt	(17,645,885)	(352,089)	(17,997,974)
Net cash used by capital and related financing activities	(88,047,094)	(1,437,250)	(89,484,344)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(4,450,932)	(4,450,932)
Proceeds from the sale of investments	28,335	4,405,045	4,433,380
Investment income	9,293,304	246,274	9,539,578
Endowment income	4,031,433	-	4,031,433
Net cash provided by investing activities	13,353,072	200,387	13,553,459
Net increase in cash and cash equivalents	18,858,454	804,053	19,662,507
Cash and cash equivalents, beginning of year	369,749,975	2,658,499	372,408,474
Cash and cash equivalents, end of year	\$ 388,608,429	\$ 3,462,552	\$ 392,070,981
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (200,164,365)	\$ 2,116,963	\$ (198,047,402)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	45,750,749	1,021,126	46,771,875
Change in current assets and liabilities			
Accounts receivable, net	2,879,383	(3,024,393)	(145,010)
Student loans receivable	(166,350)	(278,000)	(444,350)
Capital improvement bond receivable - non-capital	(3,371)	-	(3,371)
Inventories	(125,451)	-	(125,451)
Prepaid items	(61,552)	-	(61,552)
Accounts payable	(365,878)	1,205,977	840,099
Retainage payable - non-capital	223,223	-	223,223
Accrued payroll and related liabilities	(286,130)	(1,528)	(287,658)
Accrued annual leave and related liabilities	(260,183)	325,904	65,721
Deferred revenues	(3,089,246)	-	(3,089,246)
Deposits	213,171	-	213,171
Other liabilities	(118,744)	674,867	556,123
Funds held for others	5,695,398	-	5,695,398
Net cash provided (used) by operating activities	\$ (149,879,346)	\$ 2,040,916	\$ (147,838,430)
Non-cash transactions:			
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ 2,435,375	\$ -	\$ 2,435,375
Capital assets acquired through trade-ins	\$ 1,040,639	\$ -	\$ 1,040,639
Capitalized interest reducing interest paid on capital asset related debt	\$ 3,117,607	\$ -	\$ 3,117,607
Change in value of investments recognized in endowment income	\$ (996,217)	\$ -	\$ (996,217)
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ 31,956	\$ -	\$ 31,956
Student loans cancelled	\$ 266,802	\$ -	\$ 266,802
Change in value of investments recognized in investment income	\$ -	\$ (1,518,846)	\$ (1,518,846)

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

UNIVERSITY OF SOUTH CAROLINA

Governmental Discretely Presented Component Unit

Statement of Net Assets
June 30, 2009

	<u>University of South Carolina Research Foundation</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,013,722
Restricted cash and cash equivalents	30,257,569
Accounts receivable	27,642,097
Prepaid expenses and deposits	<u>142,228</u>
Total current assets	<u>59,055,616</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>179,793</u>
Total noncurrent assets	<u>179,793</u>
Total assets	<u>59,235,409</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	25,347,145
Deferred revenue	<u>32,852,063</u>
Total current liabilities	<u>58,199,208</u>
Total liabilities	<u>58,199,208</u>
NET ASSETS	
Invested in capital assets, net of related debt	22,479
Restricted - expendable for research	351,790
Unrestricted	<u>661,932</u>
Total net assets	<u>\$ 1,036,201</u>

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

UNIVERSITY OF SOUTH CAROLINA

Governmental Discretely Presented Component Unit

Statement of Revenues, Expenses and Changes in Net Assets
June 30, 2009

	<u>University of South Carolina Research Foundation</u>
REVENUES	
Operating revenues	
Federal grants and contracts	\$ 91,359,161
Nongovernmental grants and contracts	63,710,286
Management fees and recoveries	19,493,088
Royalty income	46,332
Rental income	108,292
Other operating revenues	<u>357,706</u>
Total operating revenues	<u>175,074,865</u>
EXPENSES	
Operating Expenses	
Salaries and benefits	348,623
Services and supplies	856,834
Research and development direct costs	<u>173,072,100</u>
Total operating expenses	<u>174,277,557</u>
Operating income	<u>797,308</u>
NONOPERATING REVENUES (EXPENSES)	
Private gifts and donations	(1,004,470)
Interest income	<u>58,049</u>
Net nonoperating expenses	<u>(946,421)</u>
Change in net assets	(149,113)
Net assets at beginning of year	<u>1,185,314</u>
Net assets at end of year	<u>\$ 1,036,201</u>

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

UNIVERSITY OF SOUTH CAROLINA

Non-Governmental Discretely Presented Component Units

Condensed Statements of Financial Position

	June 30, 2009					December 31, 2008	
	University of South Carolina Development Foundation	University of South Carolina Educational Foundation	University of South Carolina Business Partnership Foundation	Greater University of South Carolina Alumni Association	Carolina Piedmont Foundation	Educational Foundation of the University of South Carolina Lancaster	Total
ASSETS							
Cash and cash equivalents	\$ 4,095,002	\$ 7,501,184	\$ 6,817,990	\$ 3,568,843	\$ 5,614,961	\$ 11,192	\$ 27,609,172
Investments	13,794,037	172,016,890	26,701,650	3,108,647	19,889,076	3,450,932	238,961,232
Real estate held for investment	30,253,461	2,021,911	-	-	-	-	32,275,372
Assets held in trust	-	55,067,729	-	-	145,708	-	55,213,437
Accounts receivable	303,218	119,224	425,917	817,045	548	-	1,665,952
Contributions receivable, net	3,478,500	13,079,708	5,037,863	-	6,116,566	10,000	27,722,637
Prepaid expenses	18,798	-	30,593	579,261	559,168	95,250	1,283,070
Other assets	312,479	-	99,284	29,909	128,566	-	570,238
Fixed assets, net of depreciation	<u>17,498,014</u>	<u>42,997</u>	<u>-</u>	<u>92,114</u>	<u>16,143,652</u>	<u>2,028,363</u>	<u>35,805,140</u>
Total assets	<u>\$ 69,753,509</u>	<u>\$ 249,849,643</u>	<u>\$ 39,113,297</u>	<u>\$ 8,195,819</u>	<u>\$ 48,598,245</u>	<u>\$ 5,595,737</u>	<u>\$ 421,106,250</u>
LIABILITIES							
Accounts payable	\$ 2,052,010	\$ 6,677,307	\$ 431,032	\$ 215,484	\$ 950,411	\$ 900	\$ 10,327,144
Deferred revenues	-	-	28,315	786,164	-	59,882	874,361
Bonds and notes payable	39,914,287	19,981,533	-	-	32,481,593	-	92,377,413
Other liabilities	<u>17,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,588,263</u>	<u>-</u>	<u>1,606,129</u>
Total liabilities	<u>41,984,163</u>	<u>26,658,840</u>	<u>459,347</u>	<u>1,001,648</u>	<u>35,020,267</u>	<u>60,782</u>	<u>105,185,047</u>
NET ASSETS							
Unrestricted (deficit)	6,221,387	(3,705,093)	4,150,953	5,972,417	(1,878,616)	287,539	11,048,587
Temporarily restricted	18,182,031	80,342,850	12,121,646	1,221,754	12,301,199	86,743	124,256,223
Permanently restricted	<u>3,365,928</u>	<u>146,553,046</u>	<u>22,381,351</u>	<u>-</u>	<u>3,155,395</u>	<u>5,160,673</u>	<u>180,616,393</u>
Total net assets	<u>27,769,346</u>	<u>223,190,803</u>	<u>38,653,950</u>	<u>7,194,171</u>	<u>13,577,978</u>	<u>5,534,955</u>	<u>315,921,203</u>
Total liabilities and net assets	<u>\$ 69,753,509</u>	<u>\$ 249,849,643</u>	<u>\$ 39,113,297</u>	<u>\$ 8,195,819</u>	<u>\$ 48,598,245</u>	<u>\$ 5,595,737</u>	<u>\$ 421,106,250</u>

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

UNIVERSITY OF SOUTH CAROLINA

Non-Governmental Discretely Presented Component Units

Condensed Statements of Activities

	June 30, 2009					December 31, 2008	
	University of South Carolina Development Foundation	University of South Carolina Educational Foundation	University of South Carolina Business Partnership Foundation	Greater University of South Carolina Alumni Association	Carolina Piedmont Foundation	Educational Foundation of the University of South Carolina Lancaster	Total
CHANGES IN UNRESTRICTED NET ASSETS:							
Revenues, gains (losses) and other support							
Contributions	\$ 39,506	\$ 9,124,653	\$ 425,543	\$ 1,541,931	\$ 560,668	\$ 9,360	\$ 11,701,661
Investment income (loss)	312,948	5,011,741	182,057	178,867	102,446	(62,172)	5,725,887
Net realized and unrealized gains (losses)	(8,897,837)	(48,658,534)	(1,571,912)	(911,521)	(813,762)	-	(60,853,566)
Earned income	2,760,151	-	1,545,388	1,896,782	1,258,297	6,000	7,466,618
Miscellaneous income	1,080,329	740,762	-	-	-	-	1,821,091
Gain on disposal of assets	-	-	-	-	2,992	-	2,992
Net assets released from restrictions:							
Restrictions satisfied by payments	162,687	-	-	(108,874)	-	757,742	811,555
Satisfaction of program restrictions	-	2,050,354	2,274,111	-	2,412,670	-	6,737,135
Expiration of time restrictions	-	(942,997)	-	-	-	-	(942,997)
Total revenues, gain (losses) and other support	(4,542,216)	(32,674,021)	2,855,187	2,597,185	3,523,311	710,930	(27,529,624)
Expenses							
Scholarships and student assistance	-	10,149,704	741,452	616,000	72,655	124,488	11,704,299
Program services	-	13,902,980	3,729,441	2,071,809	960,603	526,453	21,191,286
Supporting services	6,605,208	3,804,941	326,640	782,988	2,266,628	125,688	13,912,093
Total expenses	6,605,208	27,857,625	4,797,533	3,470,797	3,299,886	776,629	46,807,678
Excess revenues over (under) expenses	(11,147,424)	(60,531,646)	(1,942,346)	(873,612)	223,425	(65,699)	(74,337,302)
Interest rate swap fair value adjustment	-	-	-	-	(1,211,877)	-	(1,211,877)
Change in unrestricted net assets	(11,147,424)	(60,531,646)	(1,942,346)	(873,612)	(988,452)	(65,699)	(75,549,179)

(Continued)

UNIVERSITY OF SOUTH CAROLINA

Non-Governmental Discretely Presented Component Units

Condensed Statements of Activities

	June 30, 2009					December 31, 2008	
	University of South Carolina Development Foundation	University of South Carolina Educational Foundation	University of South Carolina Business Partnership Foundation	Greater University of South Carolina Alumni Association	Carolina Piedmont Foundation	Educational Foundation of the University of South Carolina Lancaster	Total
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS							
Contributions	853,117	1,781,108	2,084,492	65,963	1,400,789	-	6,185,469
Investment Income	5,987	90,243	563,465	-	189,868	-	849,563
Net realized and unrealized gains(losses)	(128,284)	(230,895)	(6,312,760)	-	(16,738)	-	(6,688,677)
Other	-	12,557	-	244,582	115,410	196,958	569,507
Net assets released from restrictions:							
Restrictions satisfied by payments	(162,687)	-	-	108,874	-	(281,586)	(335,399)
Satisfaction of program restrictions	-	(2,055,347)	(2,274,111)	-	(2,412,670)	-	(6,742,128)
Expiration of time restrictions	-	(520,591)	-	-	-	-	(520,591)
Change in temporarily restricted net assets	568,133	(922,925)	(5,938,914)	419,419	(723,341)	(84,628)	(6,682,256)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS							
Contributions	-	3,414,735	992,710	-	251,195	345,747	5,004,387
Other	-	33,557	-	-	-	(1,053,226)	(1,019,669)
Net assets released from restrictions:							
Satisfaction of program restrictions	-	4,993	-	-	-	(476,156)	(471,163)
Expiration of time restrictions	-	1,463,588	-	-	-	-	1,463,588
Change in permanently restricted net assets	-	4,916,873	992,710	-	251,195	(1,183,635)	4,977,143
Change in net assets	(10,579,291)	(56,537,698)	(6,888,550)	(454,193)	(1,460,598)	(1,333,962)	(77,254,292)
NET ASSETS AT BEGINNING OF YEAR	38,348,637	279,728,501	45,542,500	7,648,364	15,038,576	6,868,917	393,175,495
NET ASSETS AT END OF YEAR	\$ 27,769,346	\$ 223,190,803	\$ 38,653,950	\$ 7,194,171	\$ 13,577,978	\$ 5,534,955	\$ 315,921,203

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

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

Note 1 Summary Of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

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

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

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

Financial Statements

The financial statement presentation for the University meets the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis- for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates used include separation of accrued compensated absences between current and non-current and depreciation expense. Actual results could differ from those estimates.

Basis of Accounting

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

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

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

Cash and Cash Equivalents

For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office cash management pool are considered cash equivalents. Restricted cash and cash equivalents are comprised of bond proceeds, debt service funds and externally restricted funds.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

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

Noncurrent Cash and Investments

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

Prepaid Items

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

Capital Assets

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

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

The University capitalizes as a component of construction in progress interest cost in excess of earnings on invested debt proceeds associated with the capital projects. Therefore asset values in capital assets include such interest costs. Capitalized interest for fiscal year 2009 was \$3,117,607.

Deferred Revenues and Deposits

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

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

Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net assets.

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

Noncurrent Liabilities

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

Net Assets

The University's net assets are classified as follows:

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

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

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

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose.

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

Donor- Restricted Assets

The University policy for the treatment of net appreciation (depreciation) on investments of donor-restricted endowments increases or decreases endowment principal. These amounts are not authorized for expenditure. The University applies the total-return policy for the expenditure of investment or endowment income.

Income Taxes

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

Classification of Revenues

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

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

These revenues include:

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

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

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Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements.

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

Rebatable Arbitrage

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

Governmental units that issue no more than \$5 million in total of all such debt in a calendar year are exempt from the rebate requirements. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Rebates are payable every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. The University's rebate arbitrage liability at June 30, 2009 is \$ 445,000.

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

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

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

Statement of Net Assets		Notes	
Cash and cash equivalents (current)	\$ 285,551,570	Cash on hand	\$ 381,424
Restricted cash and cash equivalents for (current):		Deposits held by State Treasurer	388,209,978
Debt service	11,264,962	Other deposits	17,027
Capital projects	58,785,455	Blended component unit deposits	3,462,552
Restricted cash and cash equivalents (non-current):		Investments held by State Treasurer	1,704,385
Endowments	32,473,617	Other investments	3,022,312
Federal student loans	1,997,389	Blended component unit investments	5,191,324
Debt Service Reserve	1,997,988		
Investments (current)	5,191,324		
Investments (non-current)	4,726,697		
	<u>\$ 401,989,002</u>		<u>\$ 401,989,002</u>

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Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits and investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

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

Other Deposits

The University's other deposits at year-end were entirely covered by federal depository insurance or were fully collateralized by securities held by the pledging bank's trust department.

Investments Held by State Treasurer and Other Investments

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

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

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

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

Other investments totaling \$2,852,812 were collateralized by securities held by the pledging bank's trust department but not in the University's name.

The net change in unrealized appreciation of investments for the current fiscal year decreased in the amount of \$996,217.

Blended Component Unit Deposits

The Trust's general ledger cash and cash equivalents balance includes cash on deposit with financial institutions of \$2,462,552. At December 31, 2008, the Trust's bank balances had demand deposits and sweep accounts totaling \$6,691,082. Of these amounts, approximately \$3,195,000 exceeded the limits of federal depository insurance (FDIC).

Of the amount exceeding federal depository insurance limits, \$2,946,000 was on deposit with a bank which has agreed to support balances to their full extent. The bank's management reviews the total of the Trust's balances on a daily basis and pledges marketable debt securities held in the bank's own portfolio in amounts approximating the uninsured excess. All other balances exceeding federal depository insurance limits are not subject to such an agreement. Management does not believe that significant credit risk is associated with its banking relationships.

Blended Component Unit Investments

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

The Trust has the following investments:

	<u>Cost</u>	<u>Fair Value</u>
Marketable equity securities		
Common stock	\$ 3,103,447	\$ 2,663,200
Mutual funds	1,228,262	867,964
Money market funds	62,531	62,531
Certificates of deposits		
maturing after three months	917,231	934,488
Other debt instruments	<u>660,459</u>	<u>663,141</u>
	<u>\$ 5,971,930</u>	<u>\$ 5,191,324</u>

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The net change in unrealized appreciation of investments for the current year decreased in the amount of \$1,518,846.

Of the total cash and cash equivalents for the Trust, \$145,082 was held in escrow by the Series 2000 Bond trustee for the purpose of making required annual principal payments on September 1, 2009.

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

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

Note 3 - Receivables

Accounts Receivable

Accounts receivable consisted of the following:

Students and sponsors	\$ 9,896,365
Auxiliary enterprises	3,533,727
Federal grants and contracts	18,335,427
State grants and contracts	224,459
Local grants and contracts	49,592
Non-governmental grants and contracts	4,228,208
Accrued interest	4,224,843
Blended component unit	<u>5,781,832</u>
	46,274,453
Less allowance for doubtful accounts	<u>(950,702)</u>
Accounts receivable, net	<u>\$ 45,323,751</u>

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

Patients Accounts Receivable

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

Management adjusts patient charges to their estimated net realizable value through a valuation allowance. Adjustments related to indigent care and third-party payers are recorded as reductions of

patient service revenue. Adjustments related to bad debts of privately paying patients are recorded as a provision for uncollectible accounts expense.

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

Adjusted patient charges	\$ 4,343,000
Less estimated uncollectible charges	<u>(1,093,000)</u>
Patient accounts receivable, net	<u>\$ 3,250,000</u>

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

Student Loans Receivable

Student loans made through the Federal Perkins and the Federal Nursing and Health Professions loan programs comprise substantially all of the student loans receivable, and are restricted for such loans. The loan programs provide various repayment options: students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise.

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

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

Capital Improvement, Infrastructure Bonds and Capital Reserve Fund Appropriation Receivable

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

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

UNIVERSITY OF SOUTH CAROLINA
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The University has \$14,720,863 of outstanding state capital improvement bond authorization, \$10,427,672 of outstanding research infrastructure bond authorization, \$586,384 of outstanding state university infrastructure bond authorization and \$172,491 of capital reserve fund appropriation not yet received from the State.

Educational Foundation, a related party. Under the terms of the agreement, the University will earn interest on the principal and cumulative interest balance at a monthly rate as determined by the State Treasurer.

The principal balance of \$19,943,910 and the related cumulative accrued interest receivable of \$2,143,445 respectively are included in the Notes Receivable, and Accounts Receivable, net.

Notes Receivable

As authorized by South Carolina Code of Laws, the University may lend certain of its endowment and auxiliary funds to the University of South Carolina

Note 4 - Capital Assets

	<u>June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>
Capital assets not being depreciated:				
Land and improvements	\$ 65,219,021	\$ 10,514,254	\$ 103,678	\$ 75,629,597
Construction in-progress	131,276,125	111,399,813	157,029,912	85,646,026
Works of art and historical treasures	<u>16,030,029</u>	<u>2,539,338</u>	<u>-</u>	<u>18,569,367</u>
Total capital assets not being depreciated	<u>212,525,175</u>	<u>124,453,405</u>	<u>157,133,590</u>	<u>179,844,990</u>
Other capital assets:				
Land improvements	84,790,004	728,897	-	85,518,901
Buildings and improvements	967,753,662	162,282,536	-	1,130,036,198
Machinery, equipment, and other	134,122,171	10,551,960	3,583,058	141,091,073
Vehicles	11,711,791	538,569	912,121	11,338,239
Intangibles	5,835,846	168,525	29,064	5,975,307
Blended Component Unit buildings and improvements	16,915,874	436,337	-	17,352,211
Blended Component Unit medical and office equipment	<u>6,496,116</u>	<u>103,787</u>	<u>235,566</u>	<u>6,364,337</u>
Total capital assets at historical cost	<u>1,227,625,464</u>	<u>174,810,611</u>	<u>4,759,809</u>	<u>1,397,676,266</u>
Less accumulated depreciation for:				
Land improvements	10,249,333	3,277,162	-	13,526,495
Buildings and improvements	387,466,148	30,476,443	-	417,942,591
Machinery, equipment, and other	95,317,942	10,706,599	3,483,841	102,540,700
Vehicles	8,194,469	1,020,947	905,237	8,310,179
Intangibles	4,780,515	269,598	21,798	5,028,315
Blended Component Unit buildings and improvements	4,874,017	561,083	-	5,435,100
Blended Component Unit medical and office equipment	<u>5,030,899</u>	<u>460,043</u>	<u>235,566</u>	<u>5,255,376</u>
Total accumulated depreciation	<u>515,913,323</u>	<u>46,771,875</u>	<u>4,646,442</u>	<u>558,038,756</u>
Other capital assets, net	<u>711,712,141</u>	<u>128,038,736</u>	<u>113,367</u>	<u>839,637,510</u>
Capital Assets, Net	<u>\$ 924,237,316</u>	<u>\$ 252,492,141</u>	<u>\$ 157,246,957</u>	<u>\$ 1,019,482,500</u>

The gain on disposal of assets consisted of the following:

Gains on disposals	\$ 1,109,572
Losses on disposals	<u>(172,728)</u>
Net gain on disposals	<u>\$ 936,844</u>

UNIVERSITY OF SOUTH CAROLINA
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Note 5 - Pension Plans

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

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

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

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2008, the employer contribution rate became 12.74 percent which included a 3.5 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2009, 2008, and 2007, were \$22,400,000, \$22,235,000, and \$17,682,000, respectively, and equaled the required contributions of

9.24 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$364,000 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

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

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2008, the employer contribution rate became 14.15 percent which, as for the SCRS, includes the 3.50 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2009, 2008, and 2007 were \$476,600, \$445,600, and \$379,500, respectively, and equaled the required contributions of 10.65 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$8,900 and accidental death insurance contributions of \$8,900 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

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

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.50 percent from the employer in fiscal year 2009.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$14,718,000 (excluding the surcharge) from the University as employer and \$10,353,000 from its employees as plan members. In fiscal year 2009, the University paid \$239,000 for group-life insurance coverage for these employees. All amounts were remitted directly to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Participants who entered the TERI program prior to July 1, 2005 do not make SCRS contributions, do not earn service credit, and are

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

Blended Component Unit

The Trust provides a defined contribution plan covering all faculty participants in the Trust. The contribution rate is determined by the Trust and is 10 percent of eligible compensation up to statutory limits. After completion of three years of service, benefits are fully vested. Contributions for the year ended December 31, 2008 amounted to \$1,445,000 and is included as a component of personal services and related expenses.

Note 6 - Postemployment And Other Employee Benefits

Plan Description

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

Funding Policies

Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund

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appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.50% and 3.42% of annual covered payroll for 2009 and 2008, respectively. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$14,216,000 and \$13,504,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2009 and 2008, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.23 for the fiscal years ended June 30, 2009 and 2008.

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

One may obtain complete financial statements for the benefit plans and the trust funds from Employee

Insurance Program, 1201 Main Street, Suite 360, Columbia, SC 29201.

Note 7 - Contingencies, Litigation, And Project Commitments

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

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

The University had outstanding commitments under construction contracts of \$32,297,271 for capital and \$40,766,422 for noncapital projects. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

Note 8 - Lease Obligations

Real Property Operating Leases

	<u>External Parties</u>	<u>Other State Agencies</u>	<u>Total</u>
2010	\$ 897,090	\$ 26,314	\$ 923,404
2011	379,474	26,314	405,788
2012	85,835	-	85,835
2013	<u>59,671</u>	<u>-</u>	<u>59,671</u>
Total minimum lease payments	<u>\$ 1,422,070</u>	<u>\$ 52,628</u>	<u>\$ 1,474,698</u>

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

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

operating leases provide for renewal options for periods from 2009 to 2038 at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Total real property operating lease payments were \$1,418,504 for fiscal year 2009. Of this amount, \$257,645 was paid to other State agencies. In the current fiscal year, the University incurred expenses of \$1,282,355 for office copier contingent rentals on a cost per copy basis.

Note 9 - Short-Term Debt

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

During fiscal year 2009, \$19,600,000 athletic facilities revenue BANS Series 2008A was issued to fund the purchase of land and the construction of an academic enrichment center. Short-term debt activity was as follows:

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>
Revenue BANS	\$ <u>-</u>	\$ <u>19,600,000</u>	\$ <u>-</u>	\$ <u>19,600,000</u>
Total Short-Term Debt	\$ <u>-</u>	\$ <u>19,600,000</u>	\$ <u>-</u>	\$ <u>19,600,000</u>

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Note 10 - Bonds and Notes Payable

Bonds Payable

Bonds payable consisted of the following:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
State Institution Bonds			
Series 1996B	5.0%	04/01/16	\$ 14,540,000
Series 2001B	4.5% to 5.0%	07/01/21	25,415,000
Series 2002E	3.0% to 5.0%	09/01/22	13,570,000
Series 2003I	3.0% to 4.625%	10/01/23	5,830,000
Series 2006B	3.25% to 5.25%	04/01/26	50,895,000
Series 2009B	3.0% to 5.0%	04/01/29	<u>8,550,000</u>
Total State Institution Bonds			<u>118,800,000</u>
Revenue Bonds			
Series 1999A	4.50% to 5.0%	06/01/19	3,045,000
Series 2000A	5.0%	06/01/10	460,000
Series 2002 Athletic	4.375% to 5.5%	05/01/32	18,680,000
Series 2003B	3.0% to 4.25%	05/01/23	4,165,000
Series 2004A	3.375% to 5.375%	05/01/34	28,025,000
Series 2005A	3.0% to 5.0%	05/01/35	11,510,000
Series 2005A Refunding	3.5% to 5.0%	06/01/30	42,580,000
Series 2006A	3.75% to 4.375%	06/01/26	12,520,000
Series 2008A	3.25% to 5.25%	06/01/38	64,075,000
Series 2008A Athletic	4.0% to 5.5%	05/01/38	27,395,000
Series 2008B Athletic	5.4%	05/01/13	2,055,000
Series 2009A	2.5% to 5.0%	06/01/39	<u>28,920,000</u>
Total Revenue Bonds			<u>243,430,000</u>
Blended Component Unit Revenue Bonds			
Series 2000	Variable	09/01/25	<u>7,225,000</u>
 Total Bonds Payable			 \$ <u>369,455,000</u>

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

Tuition bond fees for the preceding year were \$19,121,331, which results in a legal annual debt service at June 30, 2009 of \$17,209,198. The annual debt service payments for the fiscal year were \$11,100,379. Tuition revenue pledged in fiscal year 2009 was \$21,687,512 for state institution bonds.

General revenue bonds are payable from and secured by a pledge of net revenues derived by the University from the operation of the facilities constructed with the bond proceeds. General revenue bonds are additionally secured by a pledge of additional funds. Additional funds are all available funds and academic fees of the University which are not (i) otherwise designated or restricted; (ii) funds derived from appropriations; and (iii) tuition funds pledged to the repayment of state institution bonds. Pledged net revenues for general revenue bonds in fiscal year 2009 were \$12,139,980.

Athletic facilities revenue bonds are payable and secured by a pledge of net revenues of the athletic department, gross receipts of a special admission fee to facilities and a special student fee as authorized by the governing board. Pledged revenues for athletic facilities revenue bonds in fiscal year 2009 were \$1,391,449 special student fees and \$2,060,479 special admission fee.

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

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

During the current fiscal year, the University issued revenue bonds in the amount of \$28,920,000 for the construction and renovations of student housing facilities and state institution bonds in the amount of \$8,550,000 for various capital projects.

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

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

The terms of the indenture of Trust (the "Indenture") relating to the issuance of the bonds provide that they bear interest at a variable rate, not to exceed 12%. Interest is paid each September 1 and quarterly thereafter. The interest rate was initially computed weekly. The Indenture provides the Trust with options that include monthly or longer interest computational periods as well as a conversion privilege to fixed interest rate obligations. Administrative procedures associated with the selection of any option include approval by the bondholders. Management expects that in the normal course of business, interest will be computed on a weekly basis. At December 31, 2008, the average interest rate on the bonds was 2.52%.

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

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

2009	\$ 425,000
2010	425,000
2011	425,000
2012	425,000
2013	425,000
2014-2018	2,125,000
2019-2023	2,125,000
2024-2025	<u>850,000</u>
	<u>\$ 7,225,000</u>

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

	Principal	Interest	Total
State Institution Bonds			
2010	\$ 6,670,000	\$ 5,242,102	\$ 11,912,102
2011	6,920,000	4,989,580	11,909,580
2012	7,230,000	4,664,380	11,894,380
2013	7,570,000	4,345,574	11,915,574
2014	7,925,000	3,987,782	11,912,782
2015-2019	37,515,000	14,161,658	51,676,658
2020-2024	34,165,000	5,419,092	39,584,092
2025-2029	<u>10,805,000</u>	<u>775,706</u>	<u>11,580,706</u>
Total	<u>\$ 118,800,000</u>	<u>\$ 43,585,874</u>	<u>\$ 162,385,874</u>
Revenue Bonds			
2010	\$ 6,445,000	\$ 11,476,807	\$ 17,921,807
2011	6,720,000	11,216,046	17,936,046
2012	7,030,000	10,918,874	17,948,874
2013	7,340,000	10,624,516	17,964,516
2014	7,645,000	10,320,342	17,965,342
2015-2019	40,230,000	46,424,673	86,654,673
2020-2024	45,550,000	37,088,378	82,638,378
2025-2029	47,110,000	26,009,938	73,119,938
2030-2034	44,820,000	14,710,744	59,530,744
2035-2039	<u>30,540,000</u>	<u>4,252,350</u>	<u>34,792,350</u>
Total	<u>\$ 243,430,000</u>	<u>\$ 183,042,668</u>	<u>\$ 426,472,668</u>

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

Notes Payable

Notes payable consisted of the following:

University note payable to acquire rare literary collection, dated January, 2001, payable in annual installments of \$36,667, matures July 2009, imputed fixed interest rate of 4.38%.	\$ 35,128
University note payable secured by energy management equipment, dated July, 2004, payable in varying semi-annual principal and interest payments, matures July, 2011, fixed interest rate of 3.9695%.	22,330,000
University note payable to acquire energy savings lighting retrofit, dated December, 2004, payable in annual installments of \$130,719, matures December, 2012, fixed interest rate of 1.00%.	509,999
University note payable secured by bio mass energy management equipment, dated June 10, 2005, payable in semi-annual principal and interest payments, matures June 30, 2013, fixed interest rate of 4.0%.	13,378,811
University note payable secured by athletic ticketing system, dated February, 2008, payable in annual installments of \$90,727, matures February, 2011, fixed interest rate of 5.908%.	166,551
University note payable secured by printing press equipment, dated September, 2007, payable in semi-annual installments of \$43,008, matures September, 2014, fixed interest rate of 3.6%.	425,695
University note payable to acquire rare literary collection, dated July, 2006, payable in annual installments of \$200,000, matures January, 2010, imputed fixed interest rate of 5.05%.	190,386
University note payable to acquire rare literary collection, dated January, 2008, payable in annual installments of \$25,000, matures January, 2012, imputed fixed interest rate of 3.58%.	69,934
University note payable secured by stadium lighting, dated July, 2008, payable in annual installments of \$117,743, matures July, 2012, fixed interest rate of 3.61%.	431,351
University note payable to acquire rare indian pottery collection, dated December, 2008, payable in annual installments of \$31,458, matures December, 2012, imputed fixed interest rate of 2.15%.	204,049

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

University note payable to acquire energy savings equipment and lighting retrofit, dated December, 2008, payable in annual installments of \$51,581 subject to amount drawn at any given time, matures July, 2019, fixed interest rate of 3.00%.

43,077

\$37,784,981

The scheduled maturities of the notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,748,563	\$ 1,441,685	\$ 5,190,248
2011	3,673,392	1,295,313	4,968,705
2012	19,514,523	837,103	20,351,626
2013	10,633,452	425,894	11,059,346
2014	111,804	5,699	117,503
2015 - 2016	103,247	2,735	105,982
Total	\$ 37,784,981	\$ 4,008,429	\$ 41,793,410

Note 11 - Long-Term Liabilities

Long-term liability activity was as follows:

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>	<u>Due Within One Year</u>
Bonds and Notes Payable and Capital Lease Obligations					
State Institution Bonds	\$ 116,270,000	\$ 8,550,000	\$ 6,020,000	\$ 118,800,000	\$ 6,670,000
Revenue Bonds	219,335,000	28,920,000	4,825,000	243,430,000	6,445,000
Blended Component Unit Revenue Bonds	7,650,000	—	425,000	7,225,000	425,000
Subtotal Bonds Payable	<u>343,255,000</u>	<u>37,470,000</u>	<u>11,270,000</u>	<u>369,455,000</u>	<u>13,540,000</u>
Add: Unamortized Bond Premiums	3,874,758	—	167,074	3,707,684	167,010
Less: Unamortized Bond Discounts	44,968	475,353	12,530	507,791	28,378
Less: Unamortized Loss on Bond Refunding	<u>2,494,061</u>	<u>—</u>	<u>136,502</u>	<u>2,357,559</u>	<u>136,502</u>
Total Bonds Payable	<u>344,590,729</u>	<u>36,994,647</u>	<u>11,288,042</u>	<u>370,297,334</u>	<u>13,542,130</u>
Notes Payable	40,289,091	1,173,236	3,677,346	37,784,981	3,748,563
Capital Lease Obligations	<u>208,240</u>	<u>—</u>	<u>208,240</u>	<u>—</u>	<u>—</u>
Total Bonds, Notes and Capital Leases	<u>385,088,060</u>	<u>38,167,883</u>	<u>15,173,628</u>	<u>408,082,315</u>	<u>17,290,693</u>
Other Liabilities					
Accrued Compensated Absences	25,984,668	11,381,021	11,315,300	26,050,389	13,687,406
Retainage Payable	3,460,386	3,977,241	3,297,851	4,139,776	3,005,061
Deferred Revenues	32,220,823	27,957,700	30,854,157	29,324,366	27,957,700
Federal Loan Funds	<u>18,405,180</u>	<u>—</u>	<u>32,975</u>	<u>18,372,205</u>	<u>—</u>
Total Other Liabilities	<u>80,071,057</u>	<u>43,315,962</u>	<u>45,500,283</u>	<u>77,886,736</u>	<u>44,650,167</u>
Total Long-Term Liabilities	\$ <u>465,159,117</u>	\$ <u>81,483,845</u>	\$ <u>60,673,911</u>	\$ <u>485,969,051</u>	\$ <u>61,940,860</u>

Additional information regarding bonds and notes payable is included at Note 10.

UNIVERSITY OF SOUTH CAROLINA Notes to the Financial Statements

Note 12 - Component Units

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

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

The University of South Carolina Educational Foundation operates for the benefit and support of the University of South Carolina. Its objectives include the establishment and implementation of long-range fund-raising programs to assist in the expansion and improvement of the educational functions of the University. The University receives from the Foundation funds for scholarships, awards and stipends to students, faculty and administrative staff; library collections; reimbursement for computer and personnel services provided by the University; and interest earnings on notes receivable from the Foundation (See Note 3). The Foundation's net assets consist of permanently restricted net assets or permanent endowments of \$146,553,046 or 66 % of total net assets. Complete financial statements for the Foundation can be obtained at USC Foundations, 208 Osborne Building, USC, Columbia, SC 29208, Attention Russell Meekins.

The University of South Carolina Business Partnership Foundation was formed to bring together representatives of business and government to assist them in conducting conferences, seminars, and management programs to further the education, development and effectiveness of management personnel in the State and region. The University receives funds for scholarships, reimbursement of

personal service and fringe benefit and other administrative costs from the Foundation. The Foundation's net assets consist of permanently restricted net assets or permanent endowments of \$22,381,351 or 58% of total net assets. Complete financial statements for the Foundation can be obtained at USC Foundations, 208 Osborne Building, USC, Columbia, SC 29208, Attention: Russell Meekins.

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

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

The Carolina Piedmont Foundation was established to accept gifts for charitable, benevolent, cultural, and education purposes and to provide student housing and other real property for the exclusive use and benefit of the University of South Carolina Upstate. The University receives funds from the Foundation for scholarships and reimbursement for personnel and student housing services provided by the University. The Foundation's capital debt liability is \$32,481,593 which exists to provide capital assets for the University. Complete financial statements for the Foundation can be obtained at Carolina Piedmont Foundation, 800 University Way, Spartanburg, SC 29303.

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

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

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

The University of South Carolina Research Campus Foundation was established to facilitate the University of South Carolina's education and scientific research mission. It will support research activities by establishing a research campus to foster basic and applied research and an advanced public/private collaboration. Complete financial statements for the Foundation can be obtained from the Office of Finance and Budgeting, 208 Osborne Building, USC, Columbia, SC 29208.

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

Funds Received from Component Units

Carolina Piedmont Foundation	\$ 392,040
USC Development Foundation	204,140
USC Business Partnership Foundation	674,606
USC Educational Foundation	18,957,080
Greater USC Alumni Association	1,313,511
Educational Foundation of USC Lancaster	116,401
USC Research Foundation	<u>103,959,475</u>
	<u>\$ 125,617,253</u>

The majority of the University of South Carolina Research Foundation revenues are recorded by the University as federal grants and contracts revenues and the majority of revenues from the other related parties are recorded as private gifts revenue. Federal grants and contracts receivables include \$17,223,693 due from the University of South Carolina Research Foundation at June 30, 2009.

Funds Paid to Component Units

USC Development Foundation	\$ 440,242
USC Educational Foundation	53,947
USC Business Partnership Foundation	4,246
USC Alumni Association	5,776
Educational Foundation of Lancaster	12,385
Carolina Piedmont Foundation	<u>17,274</u>
	<u>\$ 533,870</u>

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

Note 13 - Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The various types of property insurance policies maintained by the University include: Building and Personal Property, Inland Marine, Data Processing Equipment, Business Interruption and Builders' Risk. Additionally, Risk management maintains a variety of casualty insurance policies including Automobile and Aircraft Property Damage and Liability, Directors and Officers Liability, General Tort Liability, Medical Professional Liability, an Employee Fidelity Bond, and Student Workers' Compensation.

UNIVERSITY OF SOUTH CAROLINA
Notes to the Financial Statements

Note 14 - Operating Expenses By Function

Operating expenses by functional classification are summarized as follows:

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 265,103,187	\$ 39,872,615	\$ 23,822	\$ 2,708,206	\$ -	\$ 307,707,830
Research	73,847,211	33,070,893	1,047	1,536,586	-	108,455,737
Public service	41,185,429	15,084,298	6,321	848,810	-	57,124,858
Academic support	39,113,264	26,687,845	-	84,138	-	65,885,247
Student services	32,516,163	15,864,571	652,647	810,490	-	49,843,871
Institutional support	53,949,887	449,771	5,813	24,684	-	54,430,155
Operation and maintenance of plant	30,753,068	14,849,962	19,840,408	9,385	-	65,452,823
Auxiliary Enterprises	36,958,310	56,214,441	6,275,255	2,896,301	-	102,344,307
Scholarships and fellowships	1,203,433	205,675	-	8,210,276	-	9,619,384
Blended Component Unit	35,328,457	18,675,044	-	-	1,021,126	55,024,627
Depreciation	-	-	-	-	45,750,749	45,750,749
Total Operating Expenses	<u>\$ 609,958,409</u>	<u>\$ 220,975,115</u>	<u>\$ 26,805,313</u>	<u>\$ 17,128,876</u>	<u>\$ 46,771,875</u>	<u>\$ 921,639,588</u>

Note 15 - Endowments and Similar Funds

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

<u>Net Asset Classification</u>	True Endowment	Quasi Endowment	Annuity & Life Endowment	Total
Restricted - Nonexpendable	\$41,080,407	\$ -	\$ -	\$41,080,407
Restricted - Expendable				
Scholarships, research, and other	-	1,918,049	-	1,918,049
Capital Projects	-	-	1,066,371	1,066,371
Unrestricted	-	27,589,399	-	27,589,399
Total	<u>\$41,080,407</u>	<u>\$29,507,448</u>	<u>\$1,066,371</u>	<u>\$71,654,226</u>

UNIVERSITY OF SOUTH CAROLINA
Supplemental Schedules - June 30, 2009

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

Non-Capital Appropriations

Current year's appropriations:

Original appropriations per Annual Appropriations Act	\$ 216,695,406
Less mid-year reductions	(49,005,104)
Budget and Control Board Allocations	2,073,594
Supplemental Appropriations (Proviso 90.13)	800,000
From Commission on Higher Education	
Technology Initiative	1,884,572
Academic Endowment Incentive	88,557
Critical Needs Nursing Initiative	179,784
Transfer from Department of Revenue - EIA	577,251
Return of FY08 EIA Funds	<u>(14,831)</u>
Total non-capital appropriations recorded as current year revenue	<u>\$ 173,279,229</u>

State Capital Appropriations

Capital Improvement Bond Proceeds:

Proceeds drawn during the current fiscal year	\$ 185,735
Plus: Expenses incurred but not drawn during current fiscal year	52,054
Less: Proceeds drawn but not expended during current fiscal year	<u>(9,614)</u>
Total capital improvement bond proceeds recorded as current year revenue	<u>228,175</u>

Research Infrastructure Bond Proceeds:

Proceeds drawn during the current fiscal year	9,193,893
Plus: Expenses incurred but not drawn during current fiscal year	1,166,583
Less: Proceeds drawn but not expended during current fiscal year	<u>(2,542,323)</u>
Total research infrastructure bond proceeds recorded as current year revenue	<u>7,818,153</u>

University Infrastructure Bond Proceeds:

Proceeds drawn during the current fiscal year	264,899
Less: Proceeds drawn but not expended during current fiscal year	<u>(142,007)</u>
Total university infrastructure bond proceeds recorded as current year revenue	<u>122,892</u>

Capital Reserve Fund Appropriations:

Proceeds drawn during the current fiscal year	477,284
Plus: Expenses incurred but not drawn during current fiscal year	7,545
Less: Proceeds drawn but not expended during current fiscal year	<u>(157,947)</u>
Total capital reserve fund appropriations recorded as current year revenue	<u>326,882</u>

Total state capital appropriations recorded as current year revenue \$ 8,496,102

UNIVERSITY OF SOUTH CAROLINA
Supplemental Schedules - June 30, 2009

Information for Statement of Activities

	<u>2009</u>	<u>Comparative Amounts for 2008</u>	<u>Increase/ (Decrease)</u>
University			
Charges for services	\$ 662,010,579	\$ 685,930,502	\$ (23,919,923)
Operating grants and contributions	73,117,312	52,427,705	20,689,607
Capital grants and contributions	17,217,643	2,501,276	14,716,367
Less expenses	<u>(881,525,372)</u>	<u>(919,515,852)</u>	<u>37,990,480</u>
Net program expense	<u>(129,179,838)</u>	<u>(178,656,369)</u>	<u>49,476,531</u>
Additions to permanent endowments	17,594,036	100,576	17,493,460
Transfers:			
State appropriations	173,279,229	230,507,978	(57,228,749)
Capital improvement bond proceeds	8,496,102	18,380,146	(9,884,044)
Transfers to/from other state agencies	<u>(1,236,687)</u>	<u>(1,329,089)</u>	<u>92,402</u>
Total contributions and transfers	<u>198,132,680</u>	<u>247,659,611</u>	<u>(49,526,931)</u>
Changes in net assets	68,952,842	69,003,242	(50,400)
Net assets - beginning of year	<u>888,336,962</u>	<u>819,333,720</u>	<u>69,003,242</u>
Net assets - ending	<u>\$ 957,289,804</u>	<u>\$ 888,336,962</u>	<u>\$ 68,952,842</u>
	<u>2009</u>	<u>Comparative Amounts for 2008</u>	<u>Increase/ (Decrease)</u>
Trust			
Charges for services	\$ 32,418,516	\$ 29,770,943	\$ 2,647,573
Operating grants and contributions	22,521,010	24,691,090	(2,170,080)
Less expenses	<u>(55,376,716)</u>	<u>(49,097,310)</u>	<u>(6,279,406)</u>
Net program revenue (expense)	<u>(437,190)</u>	<u>5,364,723</u>	<u>(5,801,913)</u>
Changes in net assets	(437,190)	5,364,723	(5,801,913)
Net assets - beginning of year	<u>17,058,199</u>	<u>11,693,476</u>	<u>5,364,723</u>
Net assets - ending	<u>\$ 16,621,009</u>	<u>\$ 17,058,199</u>	<u>\$ (437,190)</u>

INDIVIDUAL CAMPUS
SUPPLEMENTAL STATEMENTS AND SCHEDULES
(Unaudited)

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

Aiken

Beaufort

Columbia

Lancaster

Medical School

Salkehatchie

Sumter

Union

Upstate

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

June 30, 2009
Aiken Campus

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,161,219.84
Accounts receivable, net	754,232.64
Student loans receivable, current	509.80
Inventories	415,981.04
Prepaid items	118,754.39
Restricted cash and cash equivalents	<u>2,111,992.51</u>
Total current assets	<u>10,562,690.22</u>
Noncurrent assets:	
Notes receivable	200,000.00
Restricted - cash and cash equivalents	154,158.18
Restricted - federal student loans receivable	888,982.64
Capital assets, net of accumulated depreciation	<u>83,454,132.14</u>
Total noncurrent assets	<u>84,697,272.96</u>
Total assets	<u>95,259,963.18</u>
LIABILITIES	
Current liabilities:	
Accounts payable	544,080.11
Retainage payable - current portion	30,199.12
Accrued interest payable	242,459.28
Accrued payroll and related liabilities	140,651.95
Accrued compensated absences - current portion	536,835.18
Long-term liabilities - current portion	1,595,055.00
Deferred revenues	650,072.81
Deposits	108,936.00
Other liabilities	10,101.73
Funds held for others	<u>364,889.12</u>
Total current liabilities	<u>4,223,280.30</u>
Noncurrent liabilities:	
Accrued compensated absences	536,835.18
Federal loan funds	845,678.33
Long-term liabilities	<u>41,686,645.03</u>
Total noncurrent liabilities	<u>43,069,158.54</u>
Total liabilities	<u>47,292,438.84</u>
NET ASSETS	
Invested in capital assets, net of related debt	40,172,432.11
Restricted for:	
Nonexpendable	267,871.00
Expendable	
Scholarships, research, instruction, and other	408,903.71
Loans	128,365.73
Capital projects	1,142,070.75
Debt service	334,681.07
Unrestricted	<u>5,513,199.97</u>
Total net assets	<u>\$ 47,967,524.34</u>

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

	<u>June 30, 2009</u> <u>Aiken Campus</u>
REVENUES	
Operating Revenues:	
Student tuition and fees (\$1,247,925.96 pledged as security for bonds)	\$ 22,969,085.05
Less scholarship allowance	(10,996,400.28)
Federal grants and contracts	4,314,955.94
State grants and contracts	6,304,535.11
Local grants and contracts	186,546.54
Nongovernmental grants and contracts	344,720.46
Sales and services of educational and other activities	1,631,800.25
Sales and services of auxiliary enterprises (\$1,501,030.47 pledged as security for bonds)	5,788,760.52
Less scholarship allowance	(587,929.30)
Interest collected on student loans	7,461.19
Other fees	150,435.00
Other operating revenues	<u>281,856.19</u>
Total operating revenues	<u>30,395,826.67</u>
EXPENSES	
Operating Expenses:	
Compensation and employee benefits	25,962,165.40
Services and supplies	9,161,090.49
Utilities	1,631,910.18
Scholarships and fellowships	1,027,629.50
Depreciation expense	<u>3,118,580.10</u>
Total operating expenses	<u>40,901,375.67</u>
Operating loss	<u>(10,505,549.00)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	8,992,543.00
Gifts	1,035,275.44
Investment income	311,098.45
Endowment income	38,905.73
Loss on disposal of capital assets, net	(13,376.78)
Interest on capital asset related debt	<u>(1,830,314.58)</u>
Net nonoperating revenues	<u>8,534,131.26</u>
Loss before other revenues and transfers	<u>(1,971,417.74)</u>
Capital grants and gifts	32,210.89
Transfers to other state funds, net	(3,643.42)
Transfers from other campuses, net	<u>149,907.96</u>
Decrease in net assets	<u>(1,792,942.31)</u>
NET ASSETS	
Net assets - beginning of year	<u>49,760,466.65</u>
Net assets - end of year	<u><u>\$ 47,967,524.34</u></u>

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

	June 30, 2009 Aiken Campus
Cash flows from operating activities	
Student tuition and fees	\$ 12,015,562.05
Research grants and contracts	10,994,203.02
Sales and services of educational and other activities	1,637,791.38
Sales and services of auxiliary enterprises	5,183,798.35
Student loans disbursed	(71,176.00)
Student loans collected	88,782.69
Interest Collected on Student Loans	7,461.19
Inflows from Federal Family Education loans	15,536,987.31
Outflows from Federal Family Education loans	(15,477,654.52)
Payments to employees for services	(25,950,522.80)
Payments to suppliers	(10,706,349.28)
Payments to students for scholarships and fellowships	(1,027,629.50)
Other receipts	433,341.56
Inflows from agency funds	49,804.32
Outflows from agency funds	(44,902.20)
Net cash used by operating activities	(7,330,502.43)
Cash flows from non-capital financing activities	
State appropriations	8,992,543.00
Gifts	1,041,525.44
Transfers from other state funds/campuses, net	146,264.54
Federal Loan Liability	8,795.58
Net cash provided by noncapital financing activities	10,189,128.56
Cash flows from capital and related financing activities	
Proceeds from capital debt	2,558,077.03
Capital grants and gifts	225,000.00
Purchase and construction of capital assets	(2,621,363.59)
Principal paid on capital asset related debt	(1,420,000.00)
Interest paid on capital asset related debt	(1,845,881.36)
Net cash used by capital and related financing activities	(3,104,167.92)
Cash flows from investing activities	
Investment income	311,515.23
Endowment income	38,905.73
Net cash provided by investing activities	350,420.96
Net increase in cash and cash equivalents	104,879.17
Cash and cash equivalents, beginning of year	9,322,491.36
Cash and cash equivalents, end of year	\$ 9,427,370.53
Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	\$ (10,505,549.00)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	3,118,580.10
Change in current assets and liabilities	
Accounts receivable, net	(190,944.88)
Student loans receivable	20,888.00
Capital improvement bond receivable - non-capital	-
Inventories	19,147.23
Prepaid items	(19,401.43)
Other assets	
Accounts payable	65,486.98
Retainage payable - non-capital	18,137.30
Accrued payroll and related liabilities	26,093.21
Accrued annual leave and related liabilities	(14,450.61)
Deferred revenues	45,040.67
Deposits	12,175.00
Other liabilities	10,060.09
Funds held for others	64,234.91
Net cash used by operating activities	\$ (7,330,502.43)
Non-cash transactions:	
Student loans cancelled	\$ 3,281.31

Aiken Campus
Schedule of Operating Expenses by Function
Year ended June 30, 2009
(Unaudited)

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 13,721,032.51	\$ 946,368.02	\$ -	\$ 285.51	\$ -	\$ 14,667,686.04
Research	168,810.67	151,216.02	-	1,989.37	-	322,016.06
Public service	1,630,134.88	479,941.12	-	7,049.08	-	2,117,125.08
Academic support	1,971,063.80	859,187.86	-	-	-	2,830,251.66
Student services	3,537,944.24	1,457,139.20	-	211.27	-	4,995,294.71
Institutional support	2,345,992.18	1,183,038.56	-	263.90	-	3,529,294.64
Operation and maintenance of plant	1,645,540.49	1,199,273.34	1,211,492.27	646.02	-	4,056,952.12
Auxiliary enterprises	804,802.33	2,879,786.79	420,417.91	162.08	-	4,105,169.11
Scholarships and fellowships	136,844.30	5,139.58	-	1,017,022.27	-	1,159,006.15
Depreciation	-	-	-	-	3,118,580.10	3,118,580.10
Total Operating Expenses	\$ 25,962,165.40	\$ 9,161,090.49	\$ 1,631,910.18	\$ 1,027,629.50	\$ 3,118,580.10	\$ 40,901,375.67

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

	<u>June 30, 2009</u> <u>Beaufort Campus</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,498,328.70
Accounts receivable, net	413,799.39
Prepaid items	38,471.91
Restricted cash and cash equivalents	824,930.98
Funds due from others	<u>517.84</u>
Total current assets	<u>3,776,048.82</u>
Noncurrent assets:	
Restricted - cash and cash equivalents	39,000.00
Capital assets, net of accumulated depreciation	<u>39,969,175.66</u>
Total noncurrent assets	<u>40,008,175.66</u>
Total assets	<u>43,784,224.48</u>
LIABILITIES	
Current liabilities:	
Accounts payable	295,917.16
Accrued interest payable	1,062.50
Accrued payroll and related liabilities	59,373.37
Accrued compensated absences - current portion	204,685.83
Long-term liabilities - current portion	10,000.00
Deferred revenues	259,538.36
Funds held for others	<u>396,599.67</u>
Total current liabilities	<u>1,227,176.89</u>
Noncurrent liabilities:	
Accrued compensated absences	204,685.83
Long-term liabilities	<u>75,000.00</u>
Total noncurrent liabilities	<u>279,685.83</u>
Total liabilities	<u>1,506,862.72</u>
NET ASSETS	
Invested in capital assets, net of related debt	39,884,175.66
Restricted for:	
Nonexpendable	39,000.00
Expendable	
Scholarships, research, instruction, and other	56,225.59
Loans	314.00
Capital projects	831,154.48
Debt service	(134.66)
Unrestricted	<u>1,466,626.69</u>
Total net assets	<u>\$ 42,277,361.76</u>

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

	<u>June 30, 2009</u>
	<u>Beaufort Campus</u>
REVENUES	
Operating Revenues:	
Student tuition and fees	\$ 10,428,323.99
(\$111,668.91 pledged as security for bonds)	
Less scholarship allowance	(2,751,015.86)
Federal grants and contracts	1,856,408.21
State grants and contracts	1,383,358.37
Local grants and contracts	117,028.48
Nongovernmental grants and contracts	131,113.03
Sales and services of educational and other activities	463,657.42
Sales and services of auxiliary enterprises	919,006.24
Other fees	80,242.85
Other operating revenues	<u>58,992.48</u>
Total operating revenues	<u>12,687,115.21</u>
EXPENSES	
Operating Expenses:	
Compensation and employee benefits	11,912,215.09
Services and supplies	4,406,587.92
Utilities	635,111.73
Scholarships and fellowships	300,592.31
Depreciation expense	<u>1,269,957.81</u>
Total operating expenses	<u>18,524,464.86</u>
Operating loss	<u>(5,837,349.65)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	2,325,402.00
Gifts	2,226,193.32
Investment income	173,175.57
Endowment income	2,811.65
Interest on capital asset related debt	<u>(4,625.00)</u>
Net nonoperating revenues	<u>4,722,957.54</u>
Loss before other revenues and transfers	<u>(1,114,392.11)</u>
Capital grants and gifts	131,229.00
Transfers to other campuses, net	<u>(148,864.28)</u>
Decrease in net assets	(1,132,027.39)
NET ASSETS	
Net assets - beginning of year	<u>43,409,389.15</u>
Net assets - end of year	<u>\$ 42,277,361.76</u>

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

	June 30, 2009 Beaufort Campus
Cash flows from operating activities	
Student tuition and fees	\$ 7,850,613.37
Research grants and contracts	3,583,288.56
Sales and services of educational and other activities	464,548.42
Sales and services of auxiliary enterprises	929,091.06
Inflows from Federal Family Education loans	7,246,717.98
Outflows from Federal Family Education loans	(7,268,741.71)
Payments to employees for services	(11,900,303.95)
Payments to suppliers	(4,883,009.80)
Payments to students for scholarships and fellowships	(300,592.31)
Other receipts	139,235.33
Inflows from agency funds	1,507,940.26
Outflows from agency funds	<u>(1,294,262.15)</u>
Net cash used by operating activities	<u>(3,925,474.94)</u>
Cash flows from non-capital financing activities	
State appropriations	2,325,402.00
Gifts	2,229,386.84
Transfers to other campuses, net	<u>(148,864.28)</u>
Net cash provided by noncapital financing activities	<u>4,405,924.56</u>
Cash flows from capital and related financing activities	
Capital grants and gifts	131,229.00
Purchase and construction of capital assets	(2,368,451.74)
Principal paid on capital asset related debt	(10,000.00)
Interest paid on capital asset related debt	<u>(4,750.00)</u>
Net cash used by capital and related financing activities	<u>(2,251,972.74)</u>
Cash flows from investing activities	
Investment income	190,548.14
Endowment income	<u>2,811.65</u>
Net cash provided by investing activities	<u>193,359.79</u>
Net decrease in cash and cash equivalents	<u>(1,578,163.33)</u>
Cash and cash equivalents, beginning of year	<u>4,940,423.01</u>
Cash and cash equivalents, end of year	<u>\$ 3,362,259.68</u>
Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	\$ (5,837,349.65)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	1,269,957.81
Change in current assets and liabilities	
Accounts receivable, net - non-capital	286,059.66
Inventories	192,751.05
Prepaid items	(20,754.43)
Accounts payable - non-capital	(13,306.77)
Accrued payroll and related liabilities	(14,403.50)
Accrued compensated absences	26,314.64
Deferred revenues - non-capital	(6,398.13)
Funds held for others	<u>191,654.38</u>
Net cash used by operating activities	<u>\$ (3,925,474.94)</u>

Beaufort Campus
Schedule of Operating Expenses by Function
Year ended June 30, 2009
(Unaudited)

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 5,766,920.49	\$ 982,435.26	\$ 2,828.78	\$ 226.56	\$ -	\$ 6,752,411.09
Research	191,776.59	177,843.35	-	-	-	369,619.94
Public service	172,589.67	166,538.03	-	-	-	339,127.70
Academic support	1,807,097.95	580,134.18	-	33.10	-	2,387,265.23
Student services	1,681,337.27	838,667.58	-	10,421.84	-	2,530,426.69
Institutional support	1,080,481.90	312,523.52	-	-	-	1,393,005.42
Operation and maintenance of plant	1,066,855.61	355,926.40	632,282.95	-	-	2,055,064.96
Auxiliary enterprises	145,155.61	987,304.64	-	-	-	1,132,460.25
Scholarships and fellowships	-	5,214.96	-	289,910.82	-	295,125.78
Depreciation	-	-	-	-	1,269,957.81	1,269,957.81
Total Operating Expenses	\$ 11,912,215.09	\$ 4,406,587.92	\$ 635,111.73	\$ 300,592.32	\$ 1,269,957.81	\$ 18,524,464.87

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

	June 30, 2009 Columbia Campus
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 258,582,497.76
Accounts receivable, net	32,431,433.07
Student loans receivable, current	1,009.75
Capital improvement bonds proceeds receivable	1,179,829.48
Inventories	1,552,928.14
Prepaid items	4,814,993.29
Restricted cash and cash equivalents	50,351,918.53
Funds due from others	1,776,855.16
Funds due from other campuses	4,510,259.86
Total current assets	355,201,725.04
Noncurrent assets:	
Investments	4,601,453.23
Notes receivable	19,638,909.76
Restricted - cash and cash equivalents	36,183,761.59
Restricted - federal student loans receivable	17,509,811.91
Capital assets, net of accumulated depreciation	777,783,822.31
Other assets	2,480,667.21
Total noncurrent assets	858,198,426.01
Total assets	1,213,400,151.05
LIABILITIES	
Current liabilities:	
Accounts payable	17,638,258.57
Retainage payable - current portion	2,069,518.56
Accrued interest payable	3,145,549.88
Accrued payroll and related liabilities	9,955,308.37
Accrued compensated absences - current portion	8,636,790.72
Short - term debt	19,600,000.00
Long-term liabilities - current portion	13,432,866.57
Deferred revenues	25,803,979.76
Deposits	2,095,313.47
Other liabilities	239,532.54
Funds held for others	4,228,522.62
Total current liabilities	106,845,641.06
Noncurrent liabilities:	
Retainage payable	1,129,374.27
Accrued compensated absences	8,636,790.72
Deferred revenues	1,366,666.66
Federal loan funds	16,634,271.51
Long-term liabilities	290,298,596.52
Other liabilities	445,000.00
Total noncurrent liabilities	318,510,699.68
Total liabilities	425,356,340.74
NET ASSETS	
Invested in capital assets, net of related debt	454,452,359.22
Restricted for:	
Nonexpendable	40,543,291.79
Expendable	
Scholarships, research, instruction, and other	8,211,896.95
Loans	2,698,805.57
Capital projects	35,315,870.61
Debt service	7,250,767.09
Unrestricted	239,570,819.08
Total net assets	\$ 788,043,810.31

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

June 30, 2009
Columbia Campus

REVENUES

Operating Revenues:

Student tuition and fees	\$ 350,259,084.21
(\$18,417,089.79 pledged as security for bonds)	
Less scholarship allowance	(134,912,278.40)
Federal grants and contracts	104,881,210.49
State grants and contracts	52,103,214.65
Local grants and contracts	686,496.78
Nongovernmental grants and contracts	13,562,894.08
Sales and services of educational and other activities	20,659,521.26
Sales and services of auxiliary enterprises	
(\$9,503,031.74 pledged as security for bonds)	95,236,682.09
Less scholarship allowance	(4,489,193.26)
Interest collected on student loans	236,684.68
Other fees (\$2,024,474.00 pledged as security for bonds)	6,380,683.98
Other operating revenues	<u>3,003,569.47</u>
Total operating revenues	<u>507,608,570.03</u>

EXPENSES

Operating Expenses:

Compensation and employee benefits	427,232,544.07
Services and supplies	150,851,697.08
Utilities	20,436,220.71
Scholarships and fellowships	11,727,036.09
Depreciation expense	<u>36,572,953.78</u>
Total operating expenses	<u>646,820,451.73</u>
Operating loss	<u>(139,211,881.70)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	124,021,312.43
Gifts	47,757,215.30
Investment income	9,483,326.24
Endowment income	3,040,354.87
Gain on disposal of capital assets, net	595,190.26
Interest on capital asset related debt	(12,133,345.54)
Other nonoperating expenses, net	<u>(3,997.76)</u>
Net nonoperating revenues	<u>172,760,055.80</u>
Income before other revenues and transfers	<u>33,548,174.10</u>

State capital appropriations	8,260,014.58
Capital grants and gifts	16,767,862.63
Additions to permanent endowments	17,594,035.75
Transfers to other state funds, net	(666,333.21)
Transfers to other campuses, net	<u>(1,553,530.86)</u>
Increase in net assets	73,950,222.99

NET ASSETS

Net assets - beginning of year	<u>714,093,587.82</u>
Net assets - end of year	<u>\$ 788,043,810.31</u>

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

	June 30, 2009 Columbia Campus
Cash flows from operating activities	
Student tuition and fees	\$ 216,184,320.81
Research grants and contracts	172,400,352.26
Sales and services of educational and other activities	20,844,819.05
Sales and services of auxiliary enterprises	86,603,570.64
Student loans disbursed	(2,523,105.14)
Student loans collected	2,009,722.81
Interest Collected on Student Loans	236,684.68
Inflows from Federal Family Education loans	185,684,427.46
Outflows from Federal Family Education loans	(185,712,509.64)
Payments to employees for services	(427,585,301.68)
Payments to suppliers	(170,234,975.55)
Payments to students for scholarships and fellowships	(11,727,036.09)
Other receipts	9,270,472.73
Inflows from agency funds	32,335,063.60
Outflows from agency funds	(25,060,207.57)
Net cash used by operating activities	<u>(97,273,701.63)</u>
Cash flows from non-capital financing activities	
State appropriations	124,021,312.43
Gifts	47,832,262.34
Additions to permanent endowments	17,594,035.75
Other nonoperating revenues expenses	(3,997.76)
Transfers to other state funds/campuses, net	(6,730,123.93)
Federal Loan Liability	(41,402.38)
Net cash provided by noncapital financing activities	<u>182,672,086.45</u>
Cash flows from capital and related financing activities	
Proceeds from capital debt	19,600,000.00
State capital appropriations	9,793,441.09
Capital grants and gifts	12,240,212.05
Proceeds from sale of capital assets	113,250.00
Purchase and construction of capital assets	(106,702,671.12)
Principal paid on capital asset related debt	(11,940,006.78)
Interest paid on capital asset related debt	(14,294,862.31)
Net cash used by capital and related financing activities	<u>(91,190,637.07)</u>
Cash flows from investing activities	
Proceeds from the sale of investments	28,335.00
Investment income	7,966,484.61
Endowment income	3,977,767.58
Net cash provided by investing activities	<u>11,972,587.19</u>
Net increase in cash and cash equivalents	<u>6,180,334.94</u>
Cash and cash equivalents, beginning of year	338,937,842.94
Cash and cash equivalents, end of year	<u>\$ 345,118,177.88</u>
Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	\$ (139,211,881.70)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	36,572,953.78
Change in current assets and liabilities	
Accounts receivable, net	1,318,926.67
Student loans receivable	(264,700.35)
Capital improvement bond receivable - non-capital	(3,371.53)
Inventories	(252,762.88)
Prepaid items	30,864.77
Accounts payable	803,193.57
Retainage payable - non-capital	222,964.80
Accrued payroll and related liabilities	(345,781.08)
Accrued annual leave and related liabilities	(6,976.53)
Deferred revenues	(3,466,020.32)
Deposits	211,498.43
Other liabilities	(129,383.11)
Funds held for others	7,246,773.85
Net cash used by operating activities	<u>\$ (97,273,701.63)</u>
Non-cash transactions:	
Gifts of capital assets reducing proceeds of capital grants and gifts	\$ 2,320,911.31
Capital assets acquired through trade-ins	\$ 1,040,639.00
Capitalized interest reducing interest paid on capital asset related debt	\$ 2,918,012.00
Change in value of investments recognized in endowment income	\$ (969,368.71)
Change in value of other assets for cash surrender value of life insurance recognized in endowment income	\$ 31,956.00
Student loans cancelled	\$ 248,681.98

Columbia Campus
Schedule of Operating Expenses by Function
Year ended June 30, 2009
(Unaudited)

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 195,663,394.14	\$ 32,842,924.45	\$ 20,993.26	\$ 2,691,101.14	\$ -	\$ 231,218,412.99
Research	65,604,054.76	29,257,060.92	-	1,518,921.02	-	96,380,036.70
Public service	20,278,545.76	7,809,486.73	6,233.95	673,357.38	-	28,767,623.82
Academic support	28,604,494.16	20,628,613.23	-	83,230.93	-	49,316,338.32
Student services	16,993,145.20	9,011,179.78	652,647.00	593,329.49	-	27,250,301.47
Institutional support	41,186,415.24	(4,951,511.06)	1,898.92	17,045.07	-	36,253,848.17
Operation and maintenance of plant	22,811,319.74	7,403,705.20	14,035,080.43	8,107.20	-	44,258,212.57
Auxiliary enterprises	35,059,006.53	48,667,817.63	5,719,367.15	2,896,139.33	-	92,342,330.64
Scholarships and fellowships	1,032,168.54	182,420.20	-	3,245,804.52	-	4,460,392.93
Depreciation	-	-	-	-	36,572,953.78	36,572,953.78
Total Operating Expenses	\$ 427,232,544.07	\$ 150,851,697.08	\$ 20,436,220.71	\$ 11,727,036.08	\$ 36,572,953.78	\$ 646,820,451.72

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

	<u>June 30, 2009</u> <u>Lancaster Campus</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 801,963.09
Accounts receivable, net	286,621.91
Prepaid items	2,899.50
Restricted cash and cash equivalents	<u>629,288.33</u>
Total current assets	<u>1,720,772.83</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>13,609,967.43</u>
Total noncurrent assets	<u>13,609,967.43</u>
Total assets	<u>15,330,740.26</u>
LIABILITIES	
Current liabilities:	
Accounts payable	97,609.85
Accrued payroll and related liabilities	62,020.65
Accrued compensated absences - current portion	135,118.53
Long-term liabilities - current portion	28,562.81
Deferred revenues	42,798.31
Funds held for others	<u>31,758.62</u>
Total current liabilities	<u>397,868.77</u>
Noncurrent liabilities:	
Accrued compensated absences	135,118.53
Long-term liabilities	<u>175,485.68</u>
Total noncurrent liabilities	<u>310,604.21</u>
Total liabilities	<u>708,472.98</u>
NET ASSETS	
Invested in capital assets, net of related debt	13,405,918.94
Restricted for:	
Expendable	
Scholarships, research, instruction, and other	17,171.10
Capital projects	630,770.47
Debt service	435.35
Unrestricted	<u>567,971.42</u>
Total net assets	<u>\$ 14,622,267.28</u>

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

	<u>June 30, 2009</u> <u>Lancaster Campus</u>
REVENUES	
Operating Revenues:	
Student tuition and fees	
(\$45,259.52 pledged as security for bonds)	\$ 5,730,122.25
Less scholarship allowance	(3,687,528.25)
Federal grants and contracts	2,387,770.76
State grants and contracts	2,278,637.07
Local grants and contracts	33,350.00
Nongovernmental grants and contracts	323,572.78
Sales and services of educational and other activities	658,464.78
Sales and services of auxiliary enterprises	38,229.39
Other fees	34,747.10
Other operating revenues	<u>355,796.92</u>
Total operating revenues	<u>8,153,162.80</u>
EXPENSES	
Operating Expenses:	
Compensation and employee benefits	8,796,859.94
Services and supplies	2,357,489.54
Utilities	496,909.34
Scholarships and fellowships	676,353.82
Depreciation expense	<u>558,051.55</u>
Total operating expenses	<u>12,885,664.19</u>
Operating loss	<u>(4,732,501.39)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	2,354,112.00
Gifts	1,358,308.18
Investment income	45,413.04
Gain on disposal of capital assets, net	<u>22,850.56</u>
Net nonoperating revenues	3,780,683.78
Loss before other revenues and transfers	<u>(951,817.61)</u>
State capital appropriations	23,272.36
Capital grants and gifts	114,464.01
Transfers from other campuses, net	<u>83,978.14</u>
Decrease in net assets	(730,103.10)
NET ASSETS	
Net assets - beginning of year	<u>15,352,370.38</u>
Net assets - end of year	<u>\$ 14,622,267.28</u>

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

	<u>June 30, 2009</u> <u>Lancaster Campus</u>
Cash flows from operating activities	
Student tuition and fees	\$ 2,018,867.87
Research grants and contracts	4,976,652.34
Sales and services of educational and other activities	658,929.78
Sales and services of auxiliary enterprises	38,155.39
Inflows from Federal Family Education loans	3,216,472.31
Outflows from Federal Family Education loans	(3,239,678.62)
Payments to employees for services	(8,781,392.65)
Payments to suppliers	(3,249,693.05)
Payments to students for scholarships and fellowships	(676,353.82)
Other receipts	390,544.02
Outflows from agency funds	<u>(2,385.07)</u>
Net cash used by operating activities	<u>(4,649,881.50)</u>
Cash flows from non-capital financing activities	
State appropriations	2,354,112.00
Gifts	1,368,862.18
Transfers from other campuses, net	<u>83,978.14</u>
Net cash provided by noncapital financing activities	<u>3,806,952.32</u>
Cash flows from capital and related financing activities	
State capital appropriations	165,279.11
Purchase and construction of capital assets	(164,721.84)
Principal paid on capital asset related debt	<u>(31,487.50)</u>
Net cash used by capital and related financing activities	<u>(30,930.23)</u>
Cash flows from investing activities	
Investment income	<u>43,185.26</u>
Net cash provided by investing activities	<u>43,185.26</u>
Net decrease in cash and cash equivalents	<u>(830,674.15)</u>
Cash and cash equivalents, beginning of year	<u>2,261,925.57</u>
Cash and cash equivalents, end of year	<u>\$ 1,431,251.42</u>
Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	\$ (4,732,501.39)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	558,051.55
Change in current assets and liabilities	
Accounts receivable, net	(75,871.84)
Prepaid items	7,020.98
Accounts payable	(367,959.15)
Retainage payable - non-capital	(34,356.00)
Accrued payroll and related liabilities	(774.53)
Accrued annual leave and related liabilities	16,241.82
Deferred revenues	5,858.44
Funds held for others	<u>(25,591.38)</u>
Net cash used by operating activities	<u>\$ (4,649,881.50)</u>
Non-cash transactions:	
Gifts of capital assets reducing proceeds of capital grants and gifts	<u>\$ 114,464.01</u>

Lancaster Campus
Schedule of Operating Expenses by Function
Year ended June 30, 2009
(Unaudited)

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 5,024,636.40	\$ 760,377.51	\$ -	\$ 7,480.16	\$ -	\$ 5,792,494.07
Research	19,708.82	170,047.21	-	-	-	189,756.03
Public service	987,755.84	152,705.85	-	387.47	-	1,140,849.16
Academic support	317,593.83	213,094.40	-	77.49	-	530,765.72
Student services	1,165,437.11	349,158.65	-	6,629.76	-	1,521,225.52
Institutional support	758,645.17	509,061.52	1,946.10	6,823.78	-	1,276,476.57
Operation and maintenance of plant	523,082.77	200,684.66	494,963.24	-	-	1,218,730.67
Auxiliary enterprises	-	2,359.74	-	-	-	2,359.74
Scholarships and fellowships	-	-	-	654,955.16	-	654,955.16
Depreciation	-	-	-	-	558,051.55	558,051.55
Total Operating Expenses	\$ 8,796,859.94	\$ 2,357,489.54	\$ 496,909.34	\$ 676,353.82	\$ 558,051.55	\$ 12,885,664.19

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

	Year Ended		Total
	June 30, 2009 Medical School	December 31, 2008 Trust	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 3,462,552.00	\$ 3,462,552.00
Investments	-	5,191,324.00	5,191,324.00
Accounts receivable, net	3,361,704.92	5,781,832.00	9,143,536.92
Patients accounts receivable, net	-	3,250,000.00	3,250,000.00
Prepaid items	240,564.38	-	240,564.38
Restricted cash and cash equivalents	639,739.90	-	639,739.90
Funds due from others	6,242,167.98	-	6,242,167.98
Total current assets	10,484,177.18	17,685,708.00	28,169,885.18
Noncurrent assets:			
Capital assets, net of accumulated depreciation	8,026,894.58	13,026,072.00	21,052,966.58
Other assets	100.00	-	100.00
Total noncurrent assets	8,026,994.58	13,026,072.00	21,053,066.58
Total assets	18,511,171.76	30,711,780.00	49,222,951.76
LIABILITIES			
Current liabilities:			
Accounts payable	908,704.13	4,995,400.00	5,904,104.13
Retainage payable - current portion	61,322.85	-	61,322.85
Accrued interest payable	60,016.57	-	60,016.57
Accrued payroll and related liabilities	101,931.45	(3,440.00)	98,491.45
Accrued compensated absences - current portion	1,723,287.20	1,324,423.00	3,047,710.20
Long-term liabilities - current portion	270,000.00	425,000.00	695,000.00
Deferred revenues	421,218.85	-	421,218.85
Deposits	8,700.00	-	8,700.00
Funds due to other campuses	4,510,259.86	-	4,510,259.86
Total current liabilities	8,065,440.91	6,741,383.00	14,806,823.91
Noncurrent liabilities:			
Accrued compensated absences	1,723,287.19	-	1,723,287.19
Long-term liabilities	5,560,000.00	6,800,000.00	12,360,000.00
Other liabilities	-	549,388.00	549,388.00
Total noncurrent liabilities	7,283,287.19	7,349,388.00	14,632,675.19
Total liabilities	15,348,728.10	14,090,771.00	29,439,499.10
NET ASSETS			
Invested in capital assets, net of related debt	2,196,894.58	5,801,072.00	7,997,966.58
Restricted for:			
Expendable			
Scholarships, research, instruction, and other	(519,807.16)	-	(519,807.16)
Capital projects	510,532.18	-	510,532.18
Debt service	14,532.50	-	14,532.50
Unrestricted	960,291.56	10,819,937.00	11,780,228.56
Total net assets	\$ 3,162,443.66	\$ 16,621,009.00	\$ 19,783,452.66

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

	Year Ended		Total
	June 30, 2009 Medical School	December 31, 2008 Trust	
REVENUES			
Operating Revenues:			
Student tuition and fees			
(\$662,651.64 pledged as security for bonds)	\$ 10,021,825.43	\$ -	\$ 10,021,825.43
Less scholarship allowance	(482,956.50)	-	(482,956.50)
Patient services, net	-	32,418,516.00	32,418,516.00
Federal grants and contracts	20,349,335.31	-	20,349,335.31
State grants and contracts	1,627,915.76	-	1,627,915.76
Local grants and contracts	7,228.17	-	7,228.17
Nongovernmental grants and contracts	11,775,267.87	-	11,775,267.87
Sales and services of educational and other activities	66,793.24	-	66,793.24
Other fees	62,025.00	-	62,025.00
Other operating revenues	12,973.66	24,723,074.00	24,736,047.66
Total operating revenues	43,440,407.94	57,141,590.00	100,581,997.94
EXPENSES			
Operating Expenses:			
Compensation and employee benefits	46,496,160.34	35,328,457.00	81,824,617.34
Services and supplies	13,519,762.76	18,675,044.00	32,194,806.76
Utilities	1,227,209.23	-	1,227,209.23
Scholarships and fellowships	452,763.39	-	452,763.39
Depreciation expense	1,026,861.41	1,021,126.00	2,047,987.41
Total operating expenses	62,722,757.13	55,024,627.00	117,747,384.13
Operating income (loss)	(19,282,349.19)	2,116,963.00	(17,165,386.19)
NONOPERATING REVENUES (EXPENSES)			
State appropriations	17,487,509.00	-	17,487,509.00
Gifts	502,655.78	-	502,655.78
Investment income (loss)	60,366.98	(2,202,064.00)	(2,141,697.02)
Gain on disposal of capital assets, net	353,595.64	-	353,595.64
Interest on capital asset related debt	(242,016.26)	(352,089.00)	(594,105.26)
Net nonoperating revenues (expenses)	18,162,111.14	(2,554,153.00)	15,607,958.14
Loss before other revenues and transfers	(1,120,238.05)	(437,190.00)	(1,557,428.05)
Capital grants and gifts	71,876.91	-	71,876.91
Transfers to other state funds, net	(368,789.88)	-	(368,789.88)
Transfers from other campuses, net	1,640,416.15	-	1,640,416.15
Increase (decrease) in net assets	223,265.13	(437,190.00)	(213,924.87)
NET ASSETS			
Net assets - beginning of year	2,939,178.53	17,058,199.00	19,997,377.53
Net assets - end of year	\$ 3,162,443.66	\$ 16,621,009.00	\$ 19,783,452.66

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

	Year Ended		Total
	June 30, 2009 Medical School	December 31, 2008 Trust	
Cash flows from operating activities			
Student tuition and fees	\$ 10,310,259.97	\$ -	\$ 10,310,259.97
Patient services, net	-	32,140,516.00	32,140,516.00
Research grants and contracts	35,334,526.96	-	35,334,526.96
Sales and services of educational and other activities	65,576.88	-	65,576.88
Payments to employees for services	(46,793,297.10)	(35,004,080.00)	(81,797,377.10)
Payments to suppliers	(14,976,362.88)	(16,794,201.00)	(31,770,563.88)
Payments to students for scholarships and fellowships	(452,763.39)	-	(452,763.39)
Other receipts	74,798.66	21,698,681.00	21,773,479.66
Inflows from agency funds	25,116,089.54	-	25,116,089.54
Outflows from agency funds	(27,312,612.34)	-	(27,312,612.34)
Net cash provided (used) by operating activities	(18,633,783.70)	2,040,916.00	(16,592,867.70)
Cash flows from noncapital financing activities			
State appropriations	17,487,509.00	-	17,487,509.00
Gifts	510,305.78	-	510,305.78
Transfers from other state funds/campuses, net	5,781,886.13	-	5,781,886.13
Net cash provided by noncapital financing activities	23,779,700.91	-	23,779,700.91
Cash flows from capital and related financing activities			
Capital grants and gifts	78,087.66	-	78,087.66
Purchase and construction of capital assets	(954,966.37)	(540,122.00)	(1,495,088.37)
Principal paid on capital asset related debt	(260,000.00)	(545,039.00)	(805,039.00)
Interest paid on capital asset related debt	(243,966.26)	(352,089.00)	(596,055.26)
Net cash used by capital and related financing activities	(1,380,844.97)	(1,437,250.00)	(2,818,094.97)
Cash flows from investing activities			
Purchase of investments	-	(4,450,932.00)	(4,450,932.00)
Proceeds from the sale of investments	-	4,405,045.00	4,405,045.00
Investment income	58,287.08	246,274.00	304,561.08
Net cash provided by investing activities	58,287.08	200,387.00	258,674.08
Net increase in cash and cash equivalents	3,823,359.32	804,053.00	4,627,412.32
Cash and cash equivalents, beginning of year	(3,183,619.42)	2,658,499.00	(525,120.42)
Cash and cash equivalents, end of year	\$ 639,739.90	\$ 3,462,552.00	\$ 4,102,291.90
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (19,282,349.19)	\$ 2,116,963.00	\$ (17,165,386.19)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation expense	1,026,861.41	1,021,126.00	2,047,987.41
Change in current assets and liabilities			
Accounts receivable, net	2,160,771.31	(3,024,393.00)	(863,621.69)
Patient accounts receivables, net	-	(278,000.00)	(278,000.00)
Prepaid items	(7,621.34)	-	(7,621.34)
Accounts payable	(232,905.15)	1,205,977.00	973,071.85
Retainage payable - non-capital	11,135.60	-	11,135.60
Accrued payroll and related liabilities	(33,770.86)	(1,528.00)	(35,298.86)
Accrued annual leave and related liabilities	(263,365.90)	325,904.00	62,538.10
Deferred revenues	184,183.22	-	184,183.22
Deposits	(200.00)	-	(200.00)
Other liabilities	-	674,867.00	674,867.00
Funds held for others	(2,196,522.80)	-	(2,196,522.80)
Net cash provided (used) by operating activities	\$ (18,633,783.70)	\$ 2,040,916.00	\$ (16,592,867.70)
Non-cash transactions:			
Change in value of investments recognized in investment income	\$ -	\$ (1,518,846.00)	\$ (1,518,846.00)

Medical School
Schedule of Operating Expenses by Function
Year ended June 30, 2009
(Unaudited)

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 15,319,380.56	\$ 1,704,454.21	\$ -	\$ 2,938.52	\$ -	\$ 17,026,773.29
Research	7,732,947.82	3,258,350.17	1,046.53	15,675.57	-	11,008,020.09
Public service	16,231,145.28	5,371,546.14	87.12	136,715.67	-	21,739,494.21
Academic support	2,724,616.22	993,747.23	-	182.42	-	3,718,545.87
Student services	1,280,434.72	67,657.93	-	184,590.67	-	1,532,683.32
Institutional support	2,457,799.45	1,493,395.30	1,967.94	193.55	-	3,953,356.24
Operation and maintenance of plant	749,836.29	630,611.78	1,224,107.64	258.38	-	2,604,814.09
Scholarships and fellowships	-	-	-	112,208.61	-	112,208.61
Blended Component Unit	35,328,457.00	18,675,044.00	-	-	1,021,126.00	55,024,627.00
Depreciation	-	-	-	-	1,026,861.41	1,026,861.41
Total Operating Expenses	\$ 81,824,617.34	\$ 32,194,806.76	\$ 1,227,209.23	\$ 452,763.39	\$ 2,047,987.41	\$ 117,747,384.13

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

	<u>June 30, 2009</u> <u>Salkehatchie Campus</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,385,033.17
Accounts receivable, net	526,881.78
Inventories	150,608.41
Prepaid items	10,002.83
Restricted cash and cash equivalents	<u>260,915.99</u>
Total current assets	<u>3,333,442.18</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>2,021,598.38</u>
Total noncurrent assets	<u>2,021,598.38</u>
Total assets	<u>5,355,040.56</u>
LIABILITIES	
Current liabilities:	
Accounts payable	71,574.14
Accrued payroll and related liabilities	26,159.41
Accrued compensated absences - current portion	105,451.57
Deferred revenues	110,033.29
Funds held for others	<u>83,397.96</u>
Total current liabilities	<u>396,616.37</u>
Noncurrent liabilities:	
Accrued compensated absences	<u>105,451.57</u>
Total noncurrent liabilities	<u>105,451.57</u>
Total liabilities	<u>502,067.94</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,021,598.38
Restricted for:	
Expendable	
Scholarships, research, instruction, and other	116,185.83
Capital projects	263,024.51
Debt service	223.72
Unrestricted	<u>2,451,940.18</u>
Total net assets	<u>\$ 4,852,972.62</u>

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

	<u>June 30, 2009</u> <u>Salkehatchie Campus</u>
REVENUES	
Operating Revenues:	
Student tuition and fees (\$23,619.09 pledged as security for bonds)	\$ 3,946,541.02
Less scholarship allowance	(2,827,235.66)
Federal grants and contracts	2,362,587.46
State grants and contracts	1,084,277.54
Nongovernmental grants and contracts	543,562.85
Sales and services of educational and other activities	138,005.07
Sales and services of auxiliary enterprises	403,723.15
Other fees	2,659.75
Other operating revenues	<u>44,986.66</u>
Total operating revenues	<u>5,699,107.84</u>
EXPENSES	
Operating Expenses:	
Compensation and employee benefits	4,633,928.00
Services and supplies	1,850,473.00
Utilities	278,107.16
Scholarships and fellowships	466,032.88
Depreciation expense	<u>157,345.83</u>
Total operating expenses	<u>7,385,886.87</u>
Operating loss	<u>(1,686,779.03)</u>
NONOPERATING REVENUES	
State appropriations	1,934,540.00
Gifts	90,084.70
Investment income	<u>36,931.05</u>
Total nonoperating revenues	<u>2,061,555.75</u>
Income before other revenues and transfers	<u>374,776.72</u>
State capital appropriations	17,913.84
Transfers from other campuses, net	<u>94,253.00</u>
Increase in net assets	486,943.56
NET ASSETS	
Net assets - beginning of year	<u>4,366,029.06</u>
Net assets - end of year	<u>\$ 4,852,972.62</u>

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

	June 30, 2009 Salkehatchie Campus
Cash flows from operating activities	
Student tuition and fees	\$ 1,002,418.81
Research grants and contracts	3,958,421.63
Sales and services of educational and other activities	137,885.07
Sales and services of auxiliary enterprises	409,029.30
Inflows from Federal Family Education loans	3,917,895.25
Outflows from Federal Family Education loans	(3,862,396.72)
Payments to employees for services	(4,656,876.30)
Payments to suppliers	(2,131,436.35)
Payments to students for scholarships and fellowships	(466,032.88)
Other receipts	47,646.41
Outflows from agency funds	(400.00)
Net cash used by operating activities	<u>(1,643,845.78)</u>
Cash flows from non-capital financing activities	
State appropriations	1,934,540.00
Gifts	91,426.70
Transfers from other campuses, net	94,253.00
Net cash provided by noncapital financing activities	<u>2,120,219.70</u>
Cash flows from capital and related financing activities	
State capital appropriations	17,913.84
Purchase and construction of capital assets	(226,164.90)
Net cash used by capital and related financing activities	<u>(208,251.06)</u>
Cash flows from investing activities	
Investment income	35,602.63
Net cash provided by investing activities	<u>35,602.63</u>
Net increase in cash and cash equivalents	<u>303,725.49</u>
Cash and cash equivalents, beginning of year	<u>2,342,223.67</u>
Cash and cash equivalents, end of year	<u>\$ 2,645,949.16</u>
Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	\$ (1,686,779.03)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	157,345.83
Change in current assets and liabilities	
Accounts receivable, net	(246,304.55)
Student loans receivable	
Inventories	(15,149.55)
Prepaid items	(1,000.89)
Accounts payable	13,294.25
Accrued payroll and related liabilities	(8,347.42)
Accrued annual leave and related liabilities	(14,600.88)
Deferred revenues	102,597.93
Funds held for others	55,098.53
Net cash used by operating activities	<u>\$ (1,643,845.78)</u>

Salkehatchie Campus
Schedule of Operating Expenses by Function
Year ended June 30, 2009
(Unaudited)

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 2,021,285.81	\$ 252,675.42	\$ -	\$ -	\$ -	\$ 2,273,961.23
Research	34,235.36	10,329.85	-	-	-	44,565.21
Public service	668,905.13	157,362.91	-	23.47	-	826,291.51
Academic support	251,866.07	181,932.97	-	-	-	433,799.04
Student services	758,099.44	286,569.82	-	1,504.49	-	1,046,173.75
Institutional support	464,190.00	285,422.62	-	-	-	749,612.62
Operation and maintenance of plant	393,700.46	375,375.64	278,107.16	-	-	1,047,183.26
Auxiliary enterprises	30,298.23	300,803.77	-	-	-	331,102.00
Scholarships and fellowships	11,347.50	-	-	464,504.92	-	475,852.42
Depreciation	-	-	-	-	157,345.83	157,345.83
Total Operating Expenses	\$ 4,633,928.00	\$ 1,850,473.00	\$ 278,107.16	\$ 466,032.88	\$ 157,345.83	\$ 7,385,886.87

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

	June 30, 2009 Sumter Campus
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,961,241.83
Accounts receivable, net	225,874.52
Inventories	229,872.92
Prepaid items	14,477.89
Restricted cash and cash equivalents	321,034.48
Total current assets	2,752,501.64
Noncurrent assets:	
Investments	71,639.53
Capital assets, net of accumulated depreciation	9,144,871.26
Total noncurrent assets	9,216,510.79
Total assets	11,969,012.43
LIABILITIES	
Current liabilities:	
Accounts payable	82,261.70
Retainage payable - current portion	11,203.98
Accrued interest payable	3,750.00
Accrued payroll and related liabilities	11,138.81
Accrued compensated absences - current portion	170,321.89
Long-term liabilities - current portion	35,000.00
Deferred revenues	22,808.67
Funds held for others	46,114.99
Total current liabilities	382,600.04
Noncurrent liabilities:	
Accrued compensated absences	170,321.89
Long-term liabilities	265,000.00
Total noncurrent liabilities	435,321.89
Total liabilities	817,921.93
NET ASSETS	
Invested in capital assets, net of related debt	8,844,871.26
Restricted for:	
Nonexpendable	71,639.53
Expendable	
Scholarships, research, instruction, and other	176,164.55
Capital projects	209,354.40
Debt service	3,750.74
Unrestricted	1,845,310.02
Total net assets	\$ 11,151,090.50

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

	<u>June 30, 2009</u> <u>Sumter Campus</u>
REVENUES	
Student tuition and fees	\$ 4,840,962.96
(\$71,400.38 pledged as security for bonds)	
Less scholarship allowance	(2,894,453.82)
Federal grants and contracts	1,681,895.60
State grants and contracts	1,879,673.70
Local grants and contracts	1,155.00
Nongovernmental grants and contracts	4,014.87
Sales and services of educational and other activities	134,078.06
Sales and services of auxiliary enterprises	683,233.14
Other fees	28,417.90
Other operating revenues	<u>3,756.25</u>
Total operating revenues	<u>6,362,733.66</u>
EXPENSES	
Operating Expenses:	
Compensation and employee benefits	7,397,457.25
Services and supplies	2,118,668.03
Utilities	358,864.45
Scholarships and fellowships	608,509.56
Depreciation expense	<u>453,059.07</u>
Total operating expenses	<u>10,936,558.36</u>
Operating loss	<u>(4,573,824.70)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	3,484,137.00
Gifts	451,929.51
Investment income	46,902.73
Endowment income	(22,569.30)
Loss on disposal of capital assets, net	(20,060.50)
Interest on capital asset related debt	<u>(16,312.50)</u>
Net nonoperating revenues	<u>3,924,026.94</u>
Loss before other revenues and transfers	<u>(649,797.76)</u>
State capital appropriations	7,775.90
Transfers from other campuses, net	<u>99,377.26</u>
Decrease in net assets	(542,644.60)
NET ASSETS	
Net assets - beginning of year	<u>11,693,735.10</u>
Net assets - end of year	<u>\$ 11,151,090.50</u>

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

	<u>June 30, 2009</u> <u>Sumter Campus</u>
Cash flows from operating activities	
Student tuition and fees	\$ 1,896,242.54
Research grants and contracts	3,558,216.27
Sales and services of educational and other activities	134,300.06
Sales and services of auxiliary enterprises	688,267.93
Inflows from Federal Family Education loans	3,671,823.87
Outflows from Federal Family Education loans	(3,635,475.75)
Payments to employees for services	(7,411,759.34)
Payments to suppliers	(2,619,241.46)
Payments to students for scholarships and fellowships	(608,509.56)
Other receipts	32,174.15
Outflows from agency funds	<u>1,000.00</u>
Net cash used by operating activities	<u>(4,292,961.29)</u>
Cash flows from non-capital financing activities	
State appropriations	3,484,137.00
Gifts	401,321.75
Transfers from other campuses, net	<u>99,377.26</u>
Net cash provided by noncapital financing activities	<u>3,984,836.01</u>
Cash flows from capital and related financing activities	
State capital appropriations	7,775.90
Purchase and construction of capital assets	(303,040.69)
Principal paid on capital asset related debt	(35,000.00)
Interest paid on capital asset related debt	<u>(16,750.00)</u>
Net cash used by capital and related financing activities	<u>(347,014.79)</u>
Cash flows from investing activities	
Investment Income	46,199.37
Endowment Income	<u>4,278.66</u>
Net cash provided by investing activities	<u>50,478.03</u>
Net decrease in cash and cash equivalents	<u>(604,662.04)</u>
Cash and cash equivalents, beginning of year	<u>2,886,938.35</u>
Cash and cash equivalents, end of year	<u>\$ 2,282,276.31</u>
Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	\$ (4,573,824.70)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	453,059.07
Change in current assets and liabilities	
Accounts receivable, net	(55,476.26)
Inventories	(36,198.77)
Prepaid items	3,954.33
Accounts payable	(109,464.54)
Accrued payroll and related liabilities	(11,317.47)
Accrued annual leave and related liabilities	(2,984.62)
Deferred revenues	1,943.55
Funds held for others	<u>37,348.12</u>
Net cash used by operating activities	<u>\$ (4,292,961.29)</u>
Non-cash transactions:	
Change in value of investments recognized in endowment income	<u>\$ (26,847.96)</u>

**Sumter Campus
Schedule of Operating Expenses by Function
Year ended June 30, 2009
(Unaudited)**

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 4,364,329.23	\$ -	\$ -	\$ -	\$ -	\$ 4,364,329.23
Research	32,766.34	15,965.93	-	-	-	48,732.27
Public service	5,657.12	1,100.47	-	-	-	6,757.59
Academic support	724,599.12	467,897.78	-	-	-	1,192,496.90
Student services	1,011,087.86	395,766.61	-	6,211.62	-	1,413,066.09
Institutional support	805,694.04	428,818.89	-	-	-	1,234,512.93
Operation and maintenance of plant	336,952.67	293,236.52	358,864.45	-	-	989,053.64
Auxiliary enterprises	116,370.87	515,881.83	-	-	-	632,252.70
Scholarships and fellowships	-	-	-	602,297.94	-	602,297.94
Depreciation	-	-	-	-	453,059.07	453,059.07
Total Operating Expenses	\$ 7,397,457.25	\$ 2,118,668.03	\$ 358,864.45	\$ 608,509.56	\$ 453,059.07	\$ 10,936,558.36

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

	<u>June 30, 2009</u> <u>Union Campus</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,835,594.01
Accounts receivable, net	80,268.69
Inventories	45,902.07
Prepaid items	15,249.18
Restricted cash and cash equivalents	<u>497,965.37</u>
Total current assets	<u>2,474,979.32</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>1,535,086.26</u>
Total noncurrent assets	<u>1,535,086.26</u>
Total assets	<u>4,010,065.58</u>
LIABILITIES	
Current liabilities:	
Accounts payable	31,490.46
Accrued payroll and related liabilities	15,055.20
Accrued compensated absences - current portion	43,769.10
Deferred revenues	37,742.50
Funds held for others	<u>33,278.53</u>
Total current liabilities	<u>161,335.79</u>
Noncurrent liabilities:	
Accrued compensated absences	<u>43,769.11</u>
Total noncurrent liabilities	<u>43,769.11</u>
Total liabilities	<u>205,104.90</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,535,086.26
Restricted for:	
Expendable	
Scholarships, research, instruction, and other	(13,013.29)
Loans	5,360.87
Capital projects	501,445.65
Debt service	159.41
Unrestricted	<u>1,775,921.78</u>
Total net assets	<u>\$ 3,804,960.68</u>

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

	<u>June 30, 2009</u> <u>Union Campus</u>
REVENUES	
Operating Revenues:	
Student tuition and fees	\$ 1,462,709.43
(\$17,111.36 pledged as security for bonds)	(1,175,675.09)
Less scholarship allowance	1,106,648.00
Federal grants and contracts	657,428.00
State grants and contracts	16,792.44
Local grants and contracts	8,908.51
Sales and services of educational and other activities	160,607.30
Sales and services of auxiliary enterprises	15,141.76
Other fees	84.00
Other operating revenues	<u>84.00</u>
Total operating revenues	<u>2,252,644.35</u>
EXPENSES	
Operating Expenses:	
Compensation and employee benefits	2,097,520.09
Services and supplies	669,392.89
Utilities	72,498.87
Scholarships and fellowships	244,345.94
Depreciation expense	<u>115,934.50</u>
Total operating expenses	<u>3,199,692.29</u>
Operating loss	<u>(947,047.94)</u>
NONOPERATING REVENUES	
State appropriations	943,697.00
Gifts	65,894.33
Investment income	<u>39,766.99</u>
Total nonoperating revenues	<u>1,049,358.32</u>
Income before transfers	<u>102,310.38</u>
Transfers to other campuses, net	<u>(257,934.47)</u>
Decrease in net assets	<u>(155,624.09)</u>
NET ASSETS	
Net assets - beginning of year	<u>3,960,584.77</u>
Net assets - end of year	<u>\$ 3,804,960.68</u>

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

	<u>June 30, 2009</u> <u>Union Campus</u>
Cash flows from operating activities	
Student tuition and fees	\$ 265,980.61
Research grants and contracts	1,791,841.05
Sales and services of educational and other activities	8,756.51
Sales and services of auxiliary enterprises	161,248.10
Student loans collected	3,870.00
Inflows from Federal Family Education loans	996,034.02
Outflows from Federal Family Education loans	(984,318.49)
Payments to employees for services	(2,085,743.02)
Payments to suppliers	(749,999.92)
Payments to students for scholarships and fellowships	(244,345.94)
Other receipts	15,225.76
Net cash used by operating activities	<u>(821,451.32)</u>
Cash flows from noncapital financing activities	
State appropriations	943,697.00
Gifts	65,086.33
Transfers to other campuses, net	(257,934.47)
Net cash provided by noncapital financing activities	<u>750,848.86</u>
Cash flows from capital and related financing activities	
Purchase and construction of capital assets	(63,032.96)
Net cash used by capital and related financing activities	<u>(63,032.96)</u>
Cash flows from investing activities	
Investment income	38,616.43
Net cash provided by investing activities	<u>38,616.43</u>
Net decrease in cash and cash equivalents	<u>(95,018.99)</u>
Cash and cash equivalents, beginning of year	<u>2,428,578.37</u>
Cash and cash equivalents, end of year	<u>\$ 2,333,559.38</u>
Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	\$ (947,047.94)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	115,934.50
Change in current assets and liabilities	
Accounts receivable, net - non-capital	(6,766.30)
Student loans receivable	3,870.00
Inventories	(893.92)
Prepaid items	(15,249.18)
Accounts payable - non-capital	8,034.94
Accrued payroll and related liabilities	11,165.49
Accrued compensated absences	611.58
Deferred revenues - non-capital	(2,826.02)
Funds held for others	11,715.53
Net cash used by operating activities	<u>\$ (821,451.32)</u>

Union Campus
Schedule of Operating Expenses by Function
Year ended June 30, 2009
(Unaudited)

	Compensation and Benefits	Services and Supplies	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 938,198.67	\$ 134,797.24	\$ -	\$ 52.48	\$ -	\$ 1,073,048.39
Research	828.33	10,062.00	-	-	-	10,890.33
Public service	94,809.96	45,696.24	-	3,815.28	-	144,321.48
Academic support	133,392.59	124,666.26	-	-	-	258,058.85
Student services	439,154.95	82,824.65	-	10.32	-	521,989.92
Institutional support	345,154.09	152,900.36	-	-	-	498,054.45
Operation and maintenance of plant	109,407.58	-	72,498.87	-	-	181,906.45
Auxiliary enterprises	36,573.92	114,721.14	-	-	-	151,295.06
Scholarships and fellowships	-	3,725.00	-	240,467.85	-	244,192.85
Depreciation	-	-	-	-	115,934.50	115,934.50
Total Operating Expenses	\$ 2,097,520.09	\$ 669,392.89	\$ 72,498.87	\$ 244,345.93	\$ 115,934.50	\$ 3,199,692.28

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

	June 30, 2009 Upstate Campus
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,863,139.29
Accounts receivable, net	1,461,102.16
Capital improvement bonds proceeds receivable	46,352.72
Inventories	750,688.16
Prepaid items	162,806.01
Restricted cash and cash equivalents	14,412,631.01
Funds due from others	<u>368,333.97</u>
Total current assets	<u>24,065,053.32</u>
Noncurrent assets:	
Investments	53,604.70
Notes receivable	105,000.00
Restricted - cash and cash equivalents	92,074.06
Restricted - federal student loans receivable	935,165.08
Capital assets, net of accumulated depreciation	<u>70,910,879.92</u>
Total noncurrent assets	<u>72,096,723.76</u>
Total assets	<u>96,161,777.08</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,678,106.71
Retainage payable - current portion	832,816.06
Accrued interest payable	267,811.58
Accrued payroll and related liabilities	290,709.45
Accrued compensated absences - current portion	806,722.91
Long-term liabilities - current portion	1,494,209.01
Deferred revenues	609,507.09
Deposits	17,931.19
Other liabilities	1,356.05
Funds held for others	<u>1,120,021.31</u>
Total current liabilities	<u>7,119,191.36</u>
Noncurrent liabilities:	
Retainage payable	5,341.21
Accrued compensated absences	806,722.90
Federal loan funds	892,255.13
Long-term liabilities	<u>45,930,894.00</u>
Total noncurrent liabilities	<u>47,635,213.24</u>
Total liabilities	<u>54,754,404.60</u>
NET ASSETS	
Invested in capital assets, net of related debt	23,485,776.91
Restricted for:	
Nonexpendable	158,604.70
Expendable	
Scholarships, research, instruction, and other	1,099,359.65
Loans	133,325.48
Capital projects	9,899,159.13
Debt service	1,250,759.67
Unrestricted	<u>5,380,386.94</u>
Total net assets	<u>\$ 41,407,372.48</u>

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

	<u>June 30, 2009</u> <u>Upstate Campus</u>
REVENUES	
Operating Revenues:	
Student tuition and fees	\$ 42,603,848.72
(\$2,482,237.08 pledged as security for bonds)	
Less scholarship allowance	(17,126,674.89)
Federal grants and contracts	8,864,803.68
State grants and contracts	8,678,259.47
Local grants and contracts	12,434.45
Nongovernmental grants and contracts	303,031.44
Sales and services of educational and other activities	1,413,581.81
Sales and services of auxiliary enterprises	
(\$352,800.00 pledged as security for bonds)	4,344,475.02
Less scholarship allowance	(209,925.00)
Interest collected on student loans	8,849.75
Other fees	280,341.80
Other operating revenues	678,001.34
Total operating revenues	<u>49,851,027.59</u>
EXPENSES	
Operating Expenses:	
Compensation and employee benefits	40,101,101.46
Services and supplies	17,364,909.40
Utilities	1,668,481.10
Scholarships and fellowships	1,625,612.53
Depreciation expense	2,478,005.40
Total operating expenses	<u>63,238,109.89</u>
Operating loss	<u>(13,387,082.30)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	11,735,977.00
Gifts	292,040.08
Investment income	700,698.66
Endowment income	7,669.63
Loss on disposal of capital assets, net	(1,355.43)
Interest on capital asset related debt	(683,796.69)
Net nonoperating revenues	<u>12,051,233.25</u>
Loss before other revenues and transfers	<u>(1,335,849.05)</u>
State capital appropriations	187,125.12
Capital grants and gifts	100,000.00
Transfers to other state funds, net	(197,920.81)
Transfers to other campuses, net	(107,602.90)
Decrease in net assets	<u>(1,354,247.64)</u>
NET ASSETS	
Net assets - beginning of year	<u>42,761,620.12</u>
Net assets - end of year	<u>\$ 41,407,372.48</u>

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

	<u>June 30, 2009</u> <u>Upstate Campus</u>
Cash flows from operating activities	
Student tuition and fees	\$ 25,478,390.91
Research grants and contracts	17,584,179.52
Sales and services of educational and other activities	1,415,468.90
Sales and services of auxiliary enterprises	4,130,856.96
Student loans disbursed	(61,700.00)
Student loans collected	120,453.83
Interest Collected on Student Loans	8,849.75
Inflows from Federal Family Education loans	30,174,879.18
Outflows from Federal Family Education loans	(30,083,910.25)
Payments to employees for services	(40,011,068.30)
Payments to suppliers	(19,617,171.65)
Payments to students for scholarships and fellowships	(1,625,612.53)
Other receipts	958,922.08
Inflows from agency funds	1,670,848.73
Outflows from agency funds	(1,451,131.16)
Net cash used by operating activities	<u>(11,307,744.03)</u>
Cash flows from non-capital financing activities	
State appropriations	11,735,977.00
Gifts	292,040.08
Transfers to other state agencies/campuses, net	(305,523.71)
Federal loan liability	(368.61)
Net cash provided by noncapital financing activities	<u>11,722,124.76</u>
Cash flows from capital and related financing activities	
Proceeds from capital debt	34,955,000.00
State capital appropriations	140,772.40
Capital grants and gifts	100,000.00
Purchase and construction of capital assets	(22,600,487.61)
Principal paid on capital asset related debt	(825,852.10)
Interest paid on capital asset related debt	(1,239,675.11)
Net cash provided by capital and related financing activities	<u>10,529,757.58</u>
Cash flows from investing activities	
Investment income	602,865.30
Endowment income	7,669.63
Net cash provided by investing activities	<u>610,534.93</u>
Net increase in cash and cash equivalents	<u>11,554,673.24</u>
Cash and cash equivalents, beginning of year	<u>9,813,171.12</u>
Cash and cash equivalents, end of year	<u>\$ 21,367,844.36</u>
Reconciliation of net operating loss to net cash used by operating activities	
Operating loss	\$ (13,387,082.30)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	2,478,005.40
Change in current assets and liabilities	
Accounts receivable, net	(311,010.97)
Student loans receivable	73,592.40
Inventories	(32,343.79)
Prepaid items	(39,365.35)
Accounts payable	(532,251.79)
Retainage payable - non-capital	5,341.21
Accrued payroll and related liabilities	91,005.76
Accrued annual leave and related liabilities	(972.60)
Deferred revenues	46,374.74
Deposits	(10,302.18)
Other liabilities	578.94
Funds held for others	310,686.50
Net cash used by operating activities	<u>\$ (11,307,744.03)</u>
Non-cash transactions:	
Capitalized interest reducing interest paid on capital asset related debt	<u>\$ 199,595.00</u>
Student loans cancelled	<u>\$ 14,838.57</u>

**Upstate Campus
Schedule of Operating Expenses by Function
Year ended June 30, 2009
(Unaudited)**

	<u>Compensation and Benefits</u>	<u>Services and Supplies</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 22,284,009.03	\$ 2,248,583.59	\$ -	\$ 6,121.10	\$ -	\$ 24,538,713.72
Research	62,082.91	20,017.63	-	-	-	82,100.54
Public service	1,115,885.08	899,920.32	-	27,461.88	-	2,043,267.28
Academic support	2,578,539.99	2,638,570.60	-	613.84	-	5,217,724.43
Student services	5,649,522.30	3,375,606.61	-	7,580.81	-	9,032,709.72
Institutional support	4,505,514.55	1,036,121.33	-	358.01	-	5,541,993.89
Operation and maintenance of plant	3,116,372.01	4,391,148.48	1,533,010.91	373.55	-	9,040,904.95
Auxiliary enterprises	766,102.59	2,745,765.84	135,470.19	-	-	3,647,338.62
Scholarships and fellowships	23,073.00	9,175.00	-	1,583,103.33	-	1,615,351.33
Depreciation	-	-	-	-	2,478,005.40	2,478,005.40
Total Operating Expenses	\$ 40,101,101.46	\$ 17,364,909.40	\$ 1,668,481.10	\$ 1,625,612.52	\$ 2,478,005.40	\$ 63,238,109.88