

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 14—RELATED PARTIES

There are several separately chartered legal entities which do not meet the criteria established by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, to be treated as component units of the University. These entities include the CCU Student Housing Foundation, the Horry County Higher Education Commission, the Georgetown County Advisory Board for Coastal Carolina University, and the Coastal Carolina Booster Club, Inc. While they are not financially accountable to the University, these organizations exist primarily to provide financial assistance and other support to the University and its educational program. The activities of these entities are not included in the University's financial statements. However, the University's statements for the year ended June 30, 2004, include significant transactions between them and the University which are as follows:

The CCU Student Housing Foundation

The CCU Student Housing Foundation (the Housing Foundation) is a not-for-profit corporation which was organized in June 2002 to provide housing for students at Coastal Carolina University. The initial project, which was occupied in the 2003 fall semester, included eleven residence buildings and a clubhouse located approximately one-half miles from the University campus. A second phase of housing, located at the same site as the first, will be ready for occupancy in August 2004. Construction has been financed by revenue bonds issued by the South Carolina Jobs-Economic Development Authority. The Housing Foundation's revenue is room fees paid by students. At June 30, 2004, the Foundation had assets of \$41,459,812.

Beginning August 1, 2003, the Housing Foundation entered into a management agreement with Coastal Carolina University to market, operate, and maintain phase I of the student residence project. The agreement provides that the University receive 4 percent of collected revenues and an additional 2 percent after applicable debt ratios and bond covenants are met. The agreement is for one year ending July 31, 2004, but may be renewed annually under substantially similar terms. During the year, the Housing Foundation paid the University \$86,453 in management fees, \$1,747 of which was payable at year end.

The Horry County Higher Education Commission

The Horry County Higher Education Commission was created by Act No. 114 in the 1959 Session of the South Carolina General Assembly. The Commission is composed of sixteen members who are appointed by the Horry County Legislative Delegation. The Commission is responsible for providing resources to meet the goals and carry out the mission of Coastal Carolina University, and to expend funds, including proceeds of bonds issued by Horry County, to provide buildings and equipment for the University. The Commission receives an annual appropriation from Horry County to accomplish these objectives. During the year ended June 30, 2004, the Commission made grants to Coastal Carolina University totaling \$1,120,140, none of which was receivable at year end. Of the total, \$69,317 was for scholarships, \$147,500 was for academic enhancement projects, and \$903,323 was for capital improvements. The Commission leases its land and buildings to the University at a below-market rental under terms of annual leases. Rent paid by the University during fiscal 2004 was \$24,000, none of which was payable at year end. Also, as required by the lease, the University insures the Commission's buildings and improvements. The University provides accounting and cash management services to the Commission at no charge, including management of the operating portion of its cash. At June 30, 2004, the Commission had assets of \$2,139,078.