FRANCIS MARION UNIVERSITY

Independent Auditors' Report

Financial Statements and Schedules
For the Year Ended June 30, 2010

FRANCIS MARION UNIVERSITY

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Independent Auditors' Report

To the Honorable Mark Sanford,
Governor of the State of South Carolina
And the Board of Trustees of
Francis Marion University
Florence, South Carolina

We have audited the accompanying financial statements of the business-type activities of Francis Marion University, a department of the State of South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Francis Marion University Foundation. The Francis Marion University Foundation reflects 100% of total assets, 100% of net assets, and 100% of total revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Francis Marion University Foundation, is based on the report 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Francis Marion University Foundation 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 provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the University are intended to present the financial position, changes in net assets and cash flows, where applicable, of only that part of the business type activities that are 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, 2010, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Francis Marion University and its discretely presented component unit, as of June 30, 2010, and the changes in financial position, and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America. As described in Note 1 to the financial statement, the University has adopted the mandate of the SC Comptroller General Office for the classification of PELL grant revenues

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2010 on our consideration of Francis Marion University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant and 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 audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards listed in the single audit section of the table of contents is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is not a required part of the financial statements of Francis Marion University. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

September 14, 2010

FRANCIS MARION UNIVERSITY

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

The following discussion and analysis provides an overview of the financial position and activities of Francis Marion University for the year ended June 30, 2010 with selected comparative information for the year ended June 30, 2009. This discussion is presented along with financial statements and related footnote disclosures of the University and its component unit. The discussion and analysis is limited to the University and its focus is on current activities, resulting changes, and current known facts and should be read in conjunction with the financial statements and footnotes. Separately issued financial statements of the component unit are available from management of the component unit. The report includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole.

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 and its purpose is to present to the readers of the financial statements a fiscal snapshot of Francis Marion University. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and nets assets (assets minus liabilities). Current assets are those which are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

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 (assets minus liabilities) and their availability for expenditure by the University.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the equity in property, plant, and equipment owned by the University. The next category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University 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 University.

Condensed Statement of Net Assets

	2010	2009	Increase/ (Decrease)	Percent Change
Assets:				
Current assets	$ 14,750,823	$ 21,647,747	$ (6,896,924)	(31.86%)
Capital assets, net of accumulated depreciation	57,791,346	41,180,062	16,611,284	40.34%
Other noncurrent assets	21,113,755	16,583,366	4,530,389	27.32%
Total assets	93,655,924	79,411,175	14,244,749	17.94%
Liabilities:				
Current liabilities	5,596,291	4,094,277	1,502,014	36.69%
Noncurrent liabilities	13,280,861	5,166,966	8,113,895	157.03%
Total liabilities	18,877,152	9,261,243	9,615,909	103.83%
Net assets:				
Invested in capital assets, net of debt	57,494,448	41,083,650	16,410,798	39.94%
Restricted - nonexpendable	200,000	200,000	-	0.00%
Restricted - expendable	8,155,165	25,114,971	(16,959,806)	(67.53%)
Unrestricted	8,929,159	3,751,311	5,177,848	138.03%
Total net assets	$ 74,778,772	$ 70,149,932	$ 4,628,840	6.60%

The Statement of Net Assets shows an increase in assets and an increase in liabilities resulting in an overall increase in net assets. Significant changes on the Statement of Net Assets are as follows:

- Total assets of the University increased by $14.25 million.

- The decrease in current assets was primarily attributable to the reduction in accounts receivable due to receipt of funds appropriated and gifted for construction projects. These funds also account for the substantial increase in capital assets as a significant portion of the funds were spent on the continued construction of the performing arts center.

- The increase in other current assets is mainly attributable to an increase in restricted cash as a result of the Athletic Facility Revenue Bonds issuance.

- Total liabilities increased by $9.62 million.

- An increase in current liabilities is largely due to an increase in accounts payable. The amount is primarily composed of amounts for construction that was completed but not yet paid for at year end.

- The increase in noncurrent liabilities is largely due to the issuance of $8.5 million in Athletic Facility Revenue Bonds for the purpose of constructing a new athletic complex.

- Total net assets increased by $4.6 million. A large portion of the restricted funds that were intended for construction were spent throughout the year causing both the decrease in restricted expendable assets and the increase in capital assets. The primary increase in net assets can be attributed to the increase in unrestricted net assets caused by a $1.15 million pledge receivable from a donor for renovations, as well as the receipt of $2.58 million in State Fiscal Stabilization Funds.

Statement of Revenues, Expenses and Changes in Net Assets

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 University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenue, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses, and Changes in Net Assets is prepared on the accrual basis of accounting. Accrual accounting attempts to record the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid. Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	2010	2009	Increase/ (Decrease)	Percent Change
Revenues:				
Student tuition and fees	$ 17,817,052	$ 17,309,190	$ 507,862	2.93%
Grants and contracts	8,596,765	13,574,978	(4,978,213)	(36.67%)
Sales and services	1,326,747	1,131,661	195,086	17.24%
Other operating revenues	969,745	876,747	92,998	10.61%
Total operating revenues	28,710,309	32,892,576	(4,182,267)	(12.71%)
State appropriations	13,396,887	14,693,807	(1,296,920)	(8.83%)
Grants	11,561,219	525,596	11,035,623	2099.64%
Gifts	2,355,088	1,150,850	1,204,238	104.64%
Investment income	1,239,633	1,081,672	157,961	14.60%
Other nonoperating revenues	224,650	257,905	(33,255)	(12.89%)
Total nonoperating revenues	28,777,477	17,709,830	11,067,647	62.49%
Total revenues	57,487,786	50,602,406	6,885,380	13.61%
Expenses:				
Compensation and employee benefits	36,153,030	35,865,286	287,744	0.80%
Services and supplies	7,081,334	7,778,818	(697,484)	(8.97%)
Utilities	1,843,285	1,889,550	(46,265)	(2.45%)
Depreciation	2,124,976	2,111,486	13,490	0.64%
Scholarships	6,183,426	4,573,478	1,609,948	35.20%
Total operating expenses	53,386,051	52,218,618	1,167,433	2.24%
Interest expense	256,336	28,675	227,661	793.94%
Total nonoperating expenses	256,336	28,675	227,661	793.94%
Total expenses	53,642,387	52,247,293	1,395,094	2.67%
Income (loss) before other revenues, expenses, gains, losses, and transfers	3,845,399	(1,644,887)	5,490,286	(333.78%)
Capital gifts	783,441	-	783,441	
Increase (decrease) in net assets	4,628,840	(1,644,887)	6,273,727	(381.41%)
Net assets - beginning of year	70,149,932	71,794,819	(1,644,887)	(2.29%)
Net assets - end of year	$ 74,778,772	$ 70,149,932	$ 4,628,840	6.60%

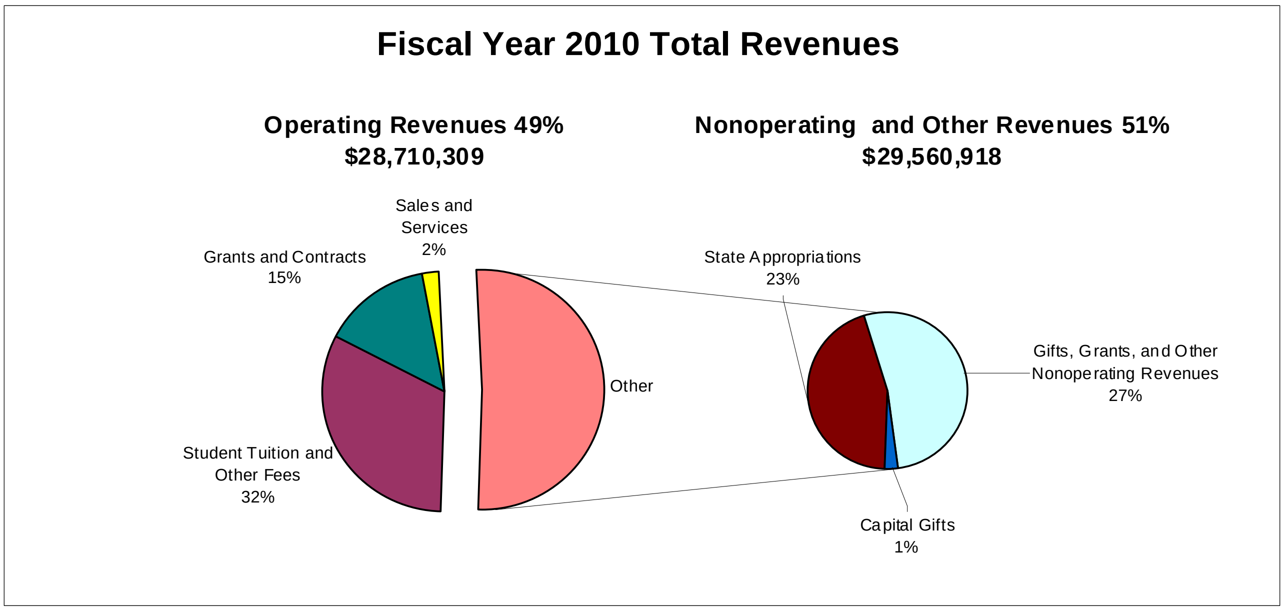
The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase in net assets for the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- The University experienced a $4.2 million decrease in operating revenues. This is partially due to the reclassification of Pell monies as non-operating revenue. The amount moved from operating to non-operating for the 2010 fiscal year was approximately $8.7 million. Pell awards increased in 2010 by $3.3 million due to a new law that allows additional awards to be given to students enrolled in classes for the summer semesters.

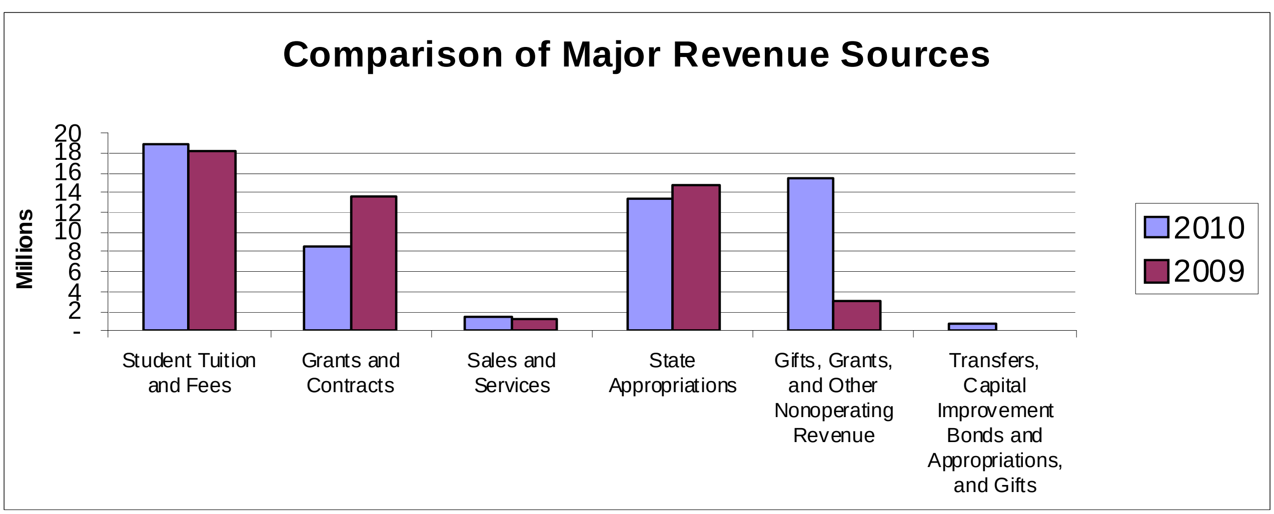
- The increase in non-operating revenue is due to the reclassification of Pell monies, as well as, the $2.58 million received from State Fiscal Stabilization Funds.

- The increase in gift revenues was primarily caused by $1.15 million pledge receivable from a donor to assist in the renovation of the dining facilities.

The following graph presents the sources of revenue used to fund the University for the year.

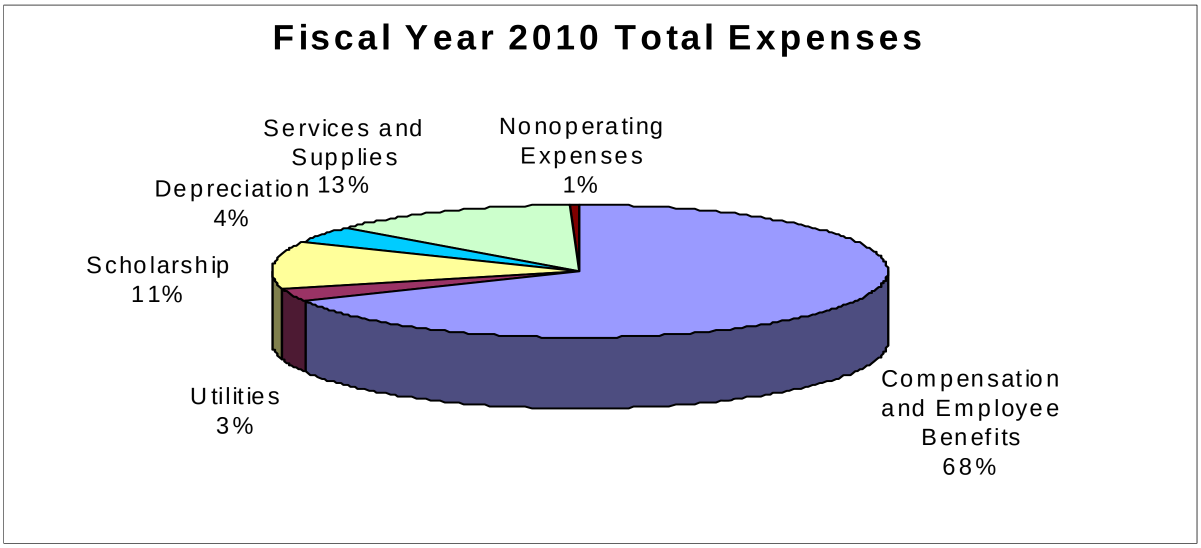


The graph below, comparing 2010 revenue sources to 2009, illustrates the changes in major revenue sources.

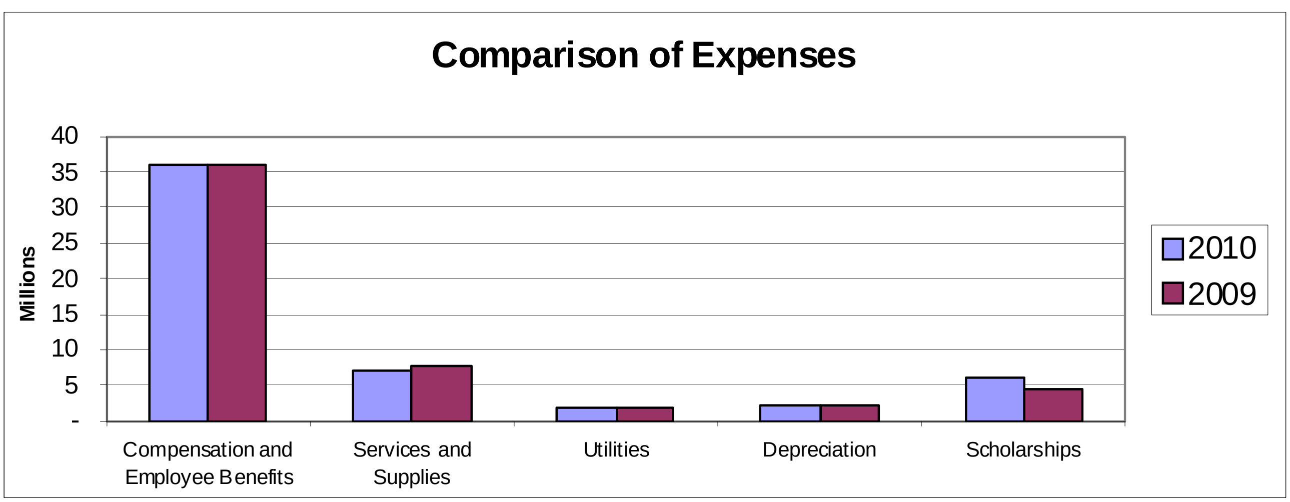


- Total operating expenses have increased $1.2 million.
- The increase in scholarship expense is due to the increase in the amount of Pell monies awarded, which was offset somewhat by an increase in scholarship discounts.
- An increase in interest expense occurred because of the issuance of the Athletic Facility Revenue Bonds.

The following graph displays expense categories.



The graph below compares 2010 expenses to the subsequent year and illustrates the changes in major expense types.



Statement of Cash Flows

The final statement presented by Francis Marion University is the Statement of Cash Flows. The Statement of Cash Flows gives detailed information about the cash activity of the University during the year. The statement is divided into five parts. The first section presents operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities and displays the cash received and spent for noncapital financing purposes. The third section exhibits cash flows from capital and related financing activities and shows cash used for the acquisition and construction of capital and related items. The fourth part gives 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 displayed on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital Assets and Debt

Total capital assets net of depreciation for the University is $57,791,346 at June 30, 2010. Construction in progress of $24,597,953 consists of payments for architect fees for a building for the schools of education and business and the athletic complex. It also consists of the ongoing construction of the performing arts center. Please see note 6 of the financial statements for further details.

Debt on capital assets is approximately $8,604,278. Details of the bonds and capital leases are available in notes 12, 13, and 14.

Economic Outlook

Francis Marion University is one of the state-supported universities of South Carolina. Because its appropriations are closely tied to the state's financial outlook and since the State of South Carolina's revenue projections continued to be restrained as we entered 2009-10, the results for the University were additional appropriation reductions. Cuts of 4.01% in September 2009 and 5.0% in December 2009 reduced the University's appropriation by a total of $1,297,538. Projections for the 2010-11 fiscal year continue to show reduced revenues and the appropriations for the University have been reduced for 2010-11 by 21%. The University planned for the reduction and has continued its mission without the loss of jobs or forced furloughs by reducing costs and increasing tuition and enrollment. The American Recovery and Reinvestment Act of 2009 (stimulus funds) is providing $2,811,497 for fiscal year 2001-11.

The University's financial position remains stable and current appropriations and tuition are adequate to fund the operations for the ensuing year. The University does not plan to materially reduce operations or curtail any planned improvements.

Francis Marion University
Statement of Net Assets
June 30, 2010

ASSETS	
Current Assets	
Cash and cash equivalents	$ 12,223,018
Accounts receivable (net of allowance for doubtful accounts $235,572)	1,014,991
Contributions receivable, net	133,678
Accrued interest receivable	185,325
Due from Francis Marion University Foundation	76,719
Prepaid expenses	1,117,092
Total current assets	14,750,823
Noncurrent Assets	
Restricted cash and cash equivalents	18,059,112
Contributions receivable, net	894,097
Notes receivable - due from Francis Marion University Foundation	225,439
Perkins loans receivable	1,935,107
Capital assets, net of accumulated depreciation	57,791,346
Total noncurrent assets	78,905,101
Total assets	93,655,924
LIABILITIES	
Current Liabilities	
Accounts payable	2,550,557
Accrued payroll and related liabilities	281,181
Accrued compensated absences - current portion	1,278,056
Accrued interest payable	35,275
Student deposits - current portion	78,400
Deferred revenues and unearned student revenues	739,497
Capital leases payable - current portion	34,772
Bonds payable - current portion	255,000
Deposits held for others	343,553
Total current liabilities	5,596,291
Noncurrent Liabilities	
Accrued compensated absences	776,782
Student deposits	59,000
Deferred revenue	2,502,518
Capital leases payable	69,506
Bonds payable	8,245,000
Perkins liability	1,628,055
Total noncurrent liabilities	13,280,861
Total liabilities	18,877,152
NET ASSETS	
Invested in capital assets, net of related debt	57,494,448
Restricted for	
Nonexpendable	
Scholarships and fellowships	200,000
Expendable	
Scholarships and fellowships	124,793
Instructional department uses	308,555
Loans	470,354
Capital projects	7,240,665
Other	10,798
Unrestricted	8,929,159
Total net assets	$ 74,778,772

The accompanying notes are an integral part of the financial statements.

Francis Marion University
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010

OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of $12,090,664)	$ 17,817,052
(of which $191,661 of revenues are pledged for Athletic Facility Revenue Bonds)	
Federal grants and contracts	1,542,777
State grants and contracts	7,037,501
Local grants and contracts	6,447
Non-governmental grants and contracts	10,040
Sales and services of educational and other activities	154,835
Sales and services of auxiliary enterprises	1,171,912
Other operating revenues	969,745
Total operating revenues	28,710,309
OPERATING EXPENSES	
Salaries and wages	28,191,604
Benefits	7,961,426
Supplies and other services	7,081,334
Utilities	1,843,285
Scholarships	6,183,426
Depreciation	2,124,976
Total operating expenses	53,386,051
Operating income (loss)	(24,675,742)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	13,396,887
Federal grants	11,311,980
State grants	249,239
Gifts	2,355,088
Investment income	1,239,633
Interest and other fees on capital asset related debt	(256,336)
Other nonoperating revenues (expense)	224,650
Net nonoperating revenue	28,521,141
Income (loss) before other revenues, expenses, gains, losses, and transfers	3,845,399
Capital gifts	783,441
Increase (decrease) in net assets	4,628,840
Net assets - beginning of year	70,149,932
Net assets - end of year	$ 74,778,772

The accompanying notes are an integral part of the financial statements.

Francis Marion University
Statement of Cash Flows
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 17,755,402
Grants and contracts	8,697,067
Sales and services of educational and other activities	156,819
Sales and services of auxiliary enterprises	1,004,321
Receipts for reimbursements	3,113,351
Payments to suppliers	(10,211,456)
Payments to employees	(29,136,234)
Payments for benefits	(8,231,543)
Payments for scholarships	(6,174,983)
Loans to students	(325,000)
Collection of loans	143,704
Inflows from Stafford loans	28,710,272
Outflows from Stafford loans	(28,666,153)
Inflows from agency funds	8,264,089
Outflows from agency funds	(8,298,802)
Other receipts	1,228,640
Net cash (used) by operating activities	(21,970,506)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	13,396,887
Nonoperating grants	11,561,219
Gifts	993,645
Net cash flow provided by noncapital financing activities	25,951,751
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	8,500,000
State capital appropriations	5,556,399
Capital grants and gifts received	6,658,441
Purchases of capital assets	(17,788,648)
Principal paid on capital leases	(33,375)
Interest and fees	(221,061)
Net cash provided by capital and related financing activities	2,671,756
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,203,075
Net cash flows provided by investing activities	1,203,075
Net change in cash	7,856,076
Cash and cash equivalents - beginning of year	22,426,054
Cash and cash equivalents - end of year	$ 30,282,130

The accompanying notes are an integral part of the financial statements.

Francis Marion University
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2010

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:	
Operating (loss)	$ (24,675,742)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:	
Nonoperating revenues	224,650
Noncash gifts	290,204
Depreciation expense	2,124,976
Bad debts	89,000
Loan cancellations	70,024
Changes in asset and liabiliites:	
Receivables net	41,493
Loans to students	(181,296)
Deferred charges and prepayments	(114,269)
Accounts payable	72,768
Accrued payroll and related liabilities	47,533
Deferred revenues and unearned student revenues	(26,287)
Perkins liability	(43,087)
Deposits held for others	36,089
Accrued compensated absences	73,438
Net cash (used) by operating activities	$ (21,970,506)

Noncash capital and related financing activities:

The University disposed of equipment with costs and accumulated depreciation of $22,008.

The University acquired new equipment with a cost of $41,241 with capital lease financing.

The accompanying notes are an integral part of the financial statements.

Francis Marion University Foundation
Statement of Financial Position
June 30, 2010

ASSETS		
Cash and cash equivalents	$	3,243,351
Investments		13,478,006
Contributions receivable, net		1,043,423
Other receivables		10,050
Accrued interest receivable		22,701
Prepaid expenses		43,862
Assets held for others		1,942,441
Assets held in trust by others		823,490
Property and equipment, net		1,163,775
Other assets		588,942
Total assets		22,360,041
LIABILITIES		
Accounts payable		24,194
Due to Francis Marion University		76,719
Note payable - Francis Marion University		225,439
Bonds payable		1,271,272
Total liabilities		1,597,624
NET ASSETS		
Unrestricted		1,194,105
Temporarily restricted		6,977,885
Permanently restricted		12,590,427
Total net assets		20,762,417
Total liabilities and net assets	$	22,360,041

The accompanying notes are an integral part of the financial statements.

Francis Marion University Foundation
Statement of Activities
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Gifts and bequests ……………………………………	$ 303,849	$ 3,012,457	$ 1,916,874	$ 5,233,180
Trust income ……………………………………………	59,260	37,050	-	96,310
Investment income ……………………………………	20,792	265,319	1,793	287,904
Management fees ……………………………………	-	95,000	-	95,000
Rent and other income ………………………………	89,698	27,668	-	117,366
Net unrealized and realized gains (losses) on investments ……………………………	159,221	-	39,547	198,768
Net assets released from program restrictions ……………………………………………	754,370	(754,370)	-	-
Total revenues, gains and other support ……	1,387,190	2,683,124	1,958,214	6,028,528
EXPENSES				
Program Expenses ……………………………………	1,272,304			1,272,304
General and administrative …………………………	387,451	-	-	387,451
Fundraising ……………………………………………	34,073	-	-	34,073
Total expenses ……………………………………	1,693,828	-	-	1,693,828
Change in net assets ……………………………	(306,638)	2,683,124	1,958,214	4,334,700
Net assets - beginning of year ………………………	1,500,743	4,294,761	10,632,213	16,427,717
Net assets - end of year ………………………………	$ 1,194,105	$ 6,977,885	$ 12,590,427	$ 20,762,417

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
Francis Marion University (the University) is a State-supported coeducational institution of higher education. The University's primary purpose is to provide academic instruction to students and conduct research and other activities that advance fundamental knowledge.

The University is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina.

Reporting Entity
The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their 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 additional guidance concerning the inclusion of related party financial information as a part of the reporting entity. The accompanying financial statements present only that portion of the funds of the State of South Carolina that is attributable to the transactions of the University and its component unit.

The Francis Marion University Foundation (the Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Copies of the separately issued financial statements of the Foundation can be obtained by sending a request to Francis Marion University Foundation, Post Office Box 100547, Florence, South Carolina 29501

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 to students 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.

The Foundation is a private nonprofit organization that reports under FASB, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

Cash and Cash Equivalents
For purposes of the financial statements, the University and its component unit consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through South Carolina State Treasurer's Office are considered cash equivalents.

Investments
The University accounts for its investments at market value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

The Foundation's investment securities and donated negotiable assets are stated at fair value. Investment income, net of external and internal management expenses and fees, gains and losses arising from the sale or other disposition of investments and other non-cash assets are distributed to the various funds using a pooled income approach. This approach distributes income following the market value unit method, which is based on the number of units each fund owns in the managed investment pool.

Accounts Receivable
Accounts receivable consists of tuition and fees charged to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal, 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 doubtful accounts.

Contributions Receivable
Contributions receivable consist of unconditional promises to give. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Contributions receivable are recorded net of estimated uncollectible amounts.

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 lives of existing buildings are capitalized. The University capitalizes movable personal property with a unit value in excess of $5,000 and a useful life of two years or greater 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, 3 years for computer software, and 2 to 25 years for machinery, equipment, and vehicles.

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 relate to the subsequent accounting period. Deferred revenues also include deferred rental income and 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, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Accrued 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 components of salaries and wages and benefits expenses in the statement of revenues, expenses, and changes in net assets.

Perkins Loans Receivable and Related Liability
The loans receivable on the balance sheet are due to the University under the Perkins Loan Program. The federal government funds this program with the University providing a required match. The amount reported as Perkins liability is the amount of cumulative federal contributions and a prorata share of net earnings on the loans under this program that would have to be repaid to the federal government if the University ceases to participate in the program. The University recognizes as revenue and expenses only the portion attributable to its matching contribution.

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 may be used at the discretion of the governing board to meet current expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

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.

The net assets of the Foundation are classified as follows:

Unrestricted net assets: The Foundation reports net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations as unrestricted net assets.

Temporary restricted net assets: Net assets that include gifts of cash and other assets which are received with donor stipulations that limit the use to specific program accomplishments or the passage of time.

Permanently restricted net assets: Net assets resulting from contributions and other inflows of assets whose use by the Foundation are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise be removed by actions of the Foundation.

Income Taxes

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

Francis Marion University Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and is exempt from taxes 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) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (4) 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.

Sales and Services of Educational and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from community groups using campus facilities for summer camps and other activities.

Sales and Services of Auxiliary Enterprises and Internal Service Activities
Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, dining services, and housing. Transactions between the University and its auxiliary enterprise activities and its internal service department have been eliminated.

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.

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. Actual results could differ from those estimates.

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

All deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds. The following schedule reconciles deposits and investments within the footnotes to the statement of net assets amounts:

Statement of Net Assets		Footnotes	
Cash and cash equivalents (current)	$ 12,223,018	Cash on hand	$ 26,025
Restricted cash and cash equivalents (noncurrent):		Deposits held by State Treasurer	30,256,105
Exchange grants	432,947		
Perkins loan funds	137,755		
Capital projects	17,488,410		
Total	$ 30,282,130	Total	$ 30,282,130

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.

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

Other Deposits
The Foundation maintains its cash balances in various financial institutions. As of June 30, 2010, there were uninsured amounts at the institutions of $386,008.

Investments

The Foundation investments as of June 30, 2010, are summarized as follows:

Mutual funds - debt	3,092,789
Mutual funds - equity	8,452,029
Equity securities	23,194
Corporate bonds	1,829,971
Mortgage-backed securities	80,023
Total	$ 13,478,006

Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of investments in various debt securities. The exposure to concentrations of credit risk relative to investments is limited due to the Foundation's investment objectives and policies, as adopted by its Board of Directors.

NOTE 3 – RECEIVABLES

Accounts Receivable

The University accounts receivable as of June 30, 2010, are summarized as follows:

Current:		
Student tuition and fees	$	635,147
Allowance for doubtful accounts		(235,572)
Federal grants and contracts		88,122
State and local grants and contracts		12,083
Sales and services of education departments		12,565
Auxiliary services		354,773
Other		147,873
Net accounts receivable	$	1,014,991

The amounts shown above are reported at gross with all discounts and allowances disclosed.

The allowance for doubtful accounts for student accounts receivable is established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2010, the allowance for uncollectible student accounts is valued at $235,572.

The University is reimbursed for contractual services provided to outsourced auxiliary contractors. Reimbursements due for these services at June 30, 2010, are $22,797 and are included in accounts receivable – auxiliary services.

Contributions Receivable

Contributions receivable are comprised of pledges for gifts to support the University. Contributions receivable are accounted for at their estimated net realizable value or the present value of long-term pledges.

The University contributions receivable as of June 30, 2010, are summarized as follows:

Current:		
Gift Pledges Outstanding	$	173,500
Less discounts to net present value		39,822
Net contributions receivable	$	133,678
Noncurrent:		
Gift Pledges Outstanding	$	1,041,600
Less discounts to net present value	$	147,503
Net contributions receivable	$	894,097

The Foundation contributions receivable as of June 30, 2010, are summarized as follows:

Unconditional promises expected to be collected in:	
Less than one year	$ 515,851
One year to five years	581,413
	1,097,264
Less discounts to net present value	23,841
Less allowance for uncollectible contributions	30,000
Net contributions receivable	$1,043,423

The receivables from five donors accounts for approximately 77% of the total contributions receivable.

NOTE 4 – LOANS RECEIVABLE

Student loans made through the federal Perkins loan program comprise substantially all of the loans receivable as of June 30, 2010. The Perkins loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the US Department of Education.

NOTE 5 – ASSETS HELD

Assets Held for Others

During the year, the Foundation entered a donor-directed agreement. Under the agreement, the donor provided $100,000 to establish an endowment from which the earnings would be added to an additional corpus of $2 million which will be directed by him or his designee. As of June 30, 2010, the balance held in the account was valued for $1,942,441.

Assets Held in Trust by Others

The Foundation has a 30% interest in a trust created by an estate. The Foundation's ownership in these trusts is valued at $823,490 at June 30, 2010.

NOTE 6 – CAPITAL ASSETS

Capital assets activity of the University for the year ended June 30, 2010, is summarized as follows:

	Beginning Balance July 1, 2009	Increases	Decreases	Ending Balance June 30, 2010
Capital assets not being depreciated:				
Land and improvements	$ 2,956,222	$ 783,441	$ -	$ 3,739,663
Construction in progress	7,057,316	17,540,637	-	24,597,953
Art work and historical treasures	180,948	-	-	180,948
Total capital assets not being depreciated	10,194,486	18,324,078	-	28,518,564
Other capital assets:				
Land improvements	3,276,618	-	-	3,276,618
Buildings and improvements	68,740,580	-	-	68,740,580
Computer software	131,895	-	-	131,895
Machinery, equipment, and other	2,813,002	412,182	22,008	3,203,176
Vehicles	226,910	-	-	226,910
Total other capital assets at historical cost	75,189,005	412,182	22,008	75,579,179
Less accumulated depreciation for:				
Land improvements	2,230,228	108,647	-	2,338,875
Buildings and improvements	39,357,248	1,805,557	-	41,162,805
Computer software	131,895	-	-	131,895
Machinery, equipment, and other	2,261,302	206,618	22,008	2,445,912
Vehicles	222,756	4,154	-	226,910
Total accumulated depreciation	44,203,429	2,124,976	22,008	46,306,397
Other capital assets, net of accumulated depreciation	30,985,576	(1,712,794)	-	29,272,782
Capital assets, net of accumulated depreciation	$ 41,180,062	$ 16,611,284	$ -	$ 57,791,346

Property and Equipment
Property and equipment of the Foundation as of June 30, 2010, consists of the following:

Land	$ 120,900
Building	1,109,008
Furniture and equipment	67,033
	1,296,941
Less accumulated depreciation	133,166
Property and equipment, net	$ 1,163,775

Depreciation expense of $32,242 was recognized for the year ended June 30, 2010.

NOTE 7 – OTHER ASSETS

Included in the Foundation's other assets is the ownership in various parcels of real estate that are held with the intent to sell. The property is reported at a carrying value of $557,561 as of June 30, 2010.

In addition, the Foundation has ownership in the cash surrender value of various life insurance policies valued at $31,381 as of June 30, 2010.

NOTE 8 – PENSION PLAN

The Retirement Division of the State Budget and Control Board maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) that 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 five 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.

Effective July 1, 2006, employees participating in the SCRS were required to contribute 6.50 percent of all compensation. Effective July 1, 2010, the employer contribution rate remained at 12.74 percent which included a 3.50 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, 2010, 2009, and 2008, were approximately $1,710,000 $1,708,000, $1,678,000, 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 approximately $27,800 in the current fiscal year at the rate of .15 percent of compensation. The University paid the employer's 9.24 percent share, included in the amount above, of approximately $3,200 of pension costs for employees on educational leave with employees paying approximately $2,300.

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, 2010, the employer contribution rate remained at 14.15 percent that, as for the SCRS, included the 3.50 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2010, 2009, and 2008, were approximately $53,400, $53,300, and $51,300, 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 approximately $1,000 and accidental death insurance contributions of approximately $1,000 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

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

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.50 percent from the employer in fiscal year 2010.

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 approximately $836,850 (excluding the surcharge) from the University as employer and approximately $558,600 from its employees as plan members. 4.24 percent (on wages of $9,058,255) of the total contributions were remitted to the Retirement Division of the State Budget and Control Board and 5.00 percent was remitted directly to the respective annuity policy holders. Also, the University paid employer group life insurance contributions of approximately $13,600 in the current fiscal year at the rate of .15 percent of compensation. Included in the total contribution, the University paid the employer's 9.24 percent share of approximately $8,500 of pension costs for employees on educational leave with employees paying $6,000. 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.

NOTE 9 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

Plan Description
In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The 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 though annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 3.50% of annual covered payroll for both 2010 and 2009. The EIP sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately $982,000 and $965,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2010 and 2009, 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, 2010 and 2009.

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

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 10 – CONTINGENCIES, LITIGATION, AND 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 approximately $8,289,000 at June 30, 2010, of which all will be capitalized. 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. The State has issued capital improvement 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 as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has $255,932 of authorized undrawn state capital improvement bonds.

The Foundation is a 50% residuary beneficiary of a marital trust, which has a value of approximately $1,724,820 as of June 30, 2010. The Foundation will receive its share of any remaining assets of the trust upon the death of the primary beneficiary.

NOTE 11 – DEFERRED REVENUES AND UNEARNED STUDENT REVENUES

Deferred revenues and unearned student revenues as of June 30, 2010, are summarized as follows:

Current:	
Student tuition and fees	$ 442,987
Grants and contracts	188,098
Housing rentals	108,412
Net deferred revenues and unearned student revenues	$ 739,497
Noncurrent:	
Housing rental	$ 2,502,518
Net deferred revenues and unearned student revenues	$ 2,502,518

NOTE 12 – LEASE OBLIGATIONS

Future commitments for leases as of June 30, 2010, are as follows:

	Year Ending June 30,	Capital Lease Payments
	2011	$ 61,649
	2012	$ 54,813
	2013	$ 34,303
	2014	$ 25,114
Total minimum lease payment		175,879
Less: Interest		7,191
Executory and other costs		64,410
Principal outstanding		$ 104,278

Capital Leases
Capital leases for various equipment are payable in monthly installments from current resources. Certain capital leases provide for renewal and/or purchase options. The cost of assets held under capital leases totaled $173,090 as of June 30, 2010. Accumulated amortization of the leases on this equipment totaled $89,744 at June 30, 2010, resulting in a book value of $83,346. Current year amortization expense on capital leases was $34,618 and is included in depreciation expense. Interest expense on capital leases was $7,190. The capital leases are with external parties.

Operating Leases
During fiscal year 2010, the University paid $67,350 for copier leases on a cost per copy basis to external parties. The University also paid $47,300 on equipment under cancelable operating leases, all of which was with other State agencies.

The Foundation entered into leases of space within its office building for a twelve month period ending June 30, 2010. The leases allows automatic renewal unless notification is provided by the tenant. The Foundation recognized $72,702 in rent revenue from these lease obligations. The University leases the largest portion of the space for $24,995.

The Foundation was obligated under non-cancellable operating leases for two vehicles requiring monthly payments in total of $1,587 through January 2010. An expense of $11,110 was recognized relating to these leases for the year ended June 30, 2010.

Capital Leases – Lessor
During the 2006 fiscal year, the University received a donation of a building and agreed to lease the property back to the donor for 99 years at $1 per year. No assets or liabilities related to this transaction are reflected in the University's financial statements due to immateriality of the amounts involved.

NOTE 13 – BONDS AND NOTES PAYABLE

Bonds Payable
Bonds payable consisted of the following at June 30, 2010.

	Interest Rates	Maturity Dates	Balance
Athletic Facilities Revenue Bonds, Series 2009A	4.98%	2011 - 2029	$ 8,500,000

During the current year, the University issued Athletic Facilities Revenue Bonds, Series 2009A, in the amount of $8,500,000. The proceeds of these bonds are being used to construct a new athletic complex. The bonds are secured by revenue derived from special student fees.

In prior years, the University defeased certain revenue bonds by placing the proceeds received from the Francis Marion University Real Estate Foundation as advance rent in an irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the University's financial statements. At June 30, 2010, $505,000 of bonds outstanding are considered defeased.

In 2008, the University defeased series 2005C State Institution Bonds by placing excess debt service on deposit to pay the bonds as they mature. The account assets and the liability for these defeased bonds are not included in the University's financial statements. At June 30, 2010, $700,000 of bonds outstanding are considered defeased.

The scheduled maturities of the Athletic Facilities Revenue bonds are as follows:

Year Ended June 30,	Total Principal	Interest	Total Payments
2011	255,000	416,951	671,951
2012	265,000	404,003	669,003
2013	280,000	390,432	670,432
2014	295,000	376,115	671,115
2015	310,000	361,050	671,050
2016-2030	7,095,000	2,974,181	10,069,181
Totals	$ 8,500,000	$ 4,922,732	$ 13,422,732

The Foundation has outstanding JEDA Bonds, requiring quarterly interest at Prime plus 2% through August 2008. As of June 30, 2010 $1,271,272 remains outstanding. After August 2008, monthly installments of principal and interest are due with the principal due on demand at the August 1, 2022 maturity date.

Maturities on the bonds payable are scheduled as follows:

Year Ending June 30,	
2011	$ 65,043
2012	68,646
2013	72,828
2014	77,068
2015	81,556
Thereafter	906,131
	$ 1,271,272

NOTE 14 – LONG-TERM LIABILITIES

Long-term liability activity of the University for the year ended June 30, 2010, is as follows:

	June 30, 2009	Additions	Reductions	June 30, 2010	Due within One year
Bonds, note, and capital leases payable:					
Bonds payable	$ -	$ 8,500,000	$ -	$ 8,500,000	$ 255,000
Capital leases payable	96,412	41,241	33,375	104,278	34,772
Total payables	96,412	8,541,241	33,375	8,604,278	289,772
Other liabilities:					
Accrued compensated absences	1,981,400	1,355,165	1,281,727	2,054,838	1,278,056
Perkins federal capital contributions	1,665,199	-	37,144	1,628,055	-
Student deposits	147,850	82,525	92,975	137,400	78,400
Deferred housing rentals	2,719,342	-	108,412	2,610,930	108,412
Total other liabilities	6,513,791	1,437,690	1,520,258	6,431,223	1,464,868
Total long-term liabilities	$ 6,610,203	$ 9,978,931	$ 1,553,633	$ 15,035,501	$ 1,754,640

NOTE 15 – ENDOWMENTS

Donor Restricted Permanent Endowments
Endowments are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. The University's endowments require that the income be used for specific purposes. These restrictions are discussed in Note 16. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment fund investments. Any net appreciation is required to be spent for the purposes for which the endowment was established.

NOTE 16 – COMPONENT UNIT

Various financial activities occurred between the University and the Foundation. A summary of transactions and/or balances at June 30, 2010, and for the year then ended follows.

a)	Scholarships awarded by the University and funded by the Foundation. (Includes $4,765 owed to the University at June 30, 2010 and included in accounts receivable.) The University recorded these amounts as gift revenue and either tuition discounts or scholarship expense.	$ 561,587
b)	Awards for lectures, grants, special programs, and certain other expenses paid by the University and funded by the Foundation. (Includes $63,137 owed to the University at June 30, 2010, and included in amount due from the Foundation.) The University recorded these awards as gift revenue and the applicable operating expense.	$ 150,791
c)	Personal service payments to professors holding endowed chairs made by the University and funded by the Foundation. The University recorded these amounts as gift revenue and salary expense.	$ 96,688

d) Reimbursements for University employee time and other costs paid by the University on behalf of the Foundation and reimbursed by the Foundation. The University recorded these reimbursements as reductions of the applicable operating expenses. $ 59,591

e) Group life insurance premium payments made by the University and funded by the Foundation. (Includes $1,073 owed to the University at June 30, 2010, and included in amount due from Foundation.) The University recorded these amounts as gift revenue and benefits expense. $ 6,450

f) Rent for a motor vehicle used by the University's President in the amount of $5,091 was paid by the Foundation. Other payments by the Foundation for the benefit of the University and its staff included $23,169 for club memberships, $42,667 for other goods and services, $6,804 for furniture and appliances, $109,481 for special events and $8,698 for travel. The University recorded these amounts as gift revenue and the applicable operating expense.

g) The Foundation owes the University $4,015 for revenue and taxes collected for the faculty-alumni facility which is included in due from Foundation.

h) The University paid the Foundation $30,000 for the administration of the Rural Leadership Capacity Building Program and $75,000 for the management of the Non-Profit Leadership Institute.

i) The University continued a loan agreement with the Foundation in which the University lent the Foundation $200,000 (all of its endowment assets). The Foundation agrees to make payments to the University on behalf of the recipients of the two Palmetto Professorships. This award will be made only when the chairs are actually occupied, and any earnings above the established level shall be returned to the principal and accrue accordingly. For fiscal year 2010, the endowment earned $11,465 which was applied to the principal. As of June 30, 2010, the outstanding principal balance is $225,439. Lending of the University's endowment resources to the Foundation is in accordance with Section 59-101-410 of the South Carolina Code of Laws which authorizes the governing boards of state-supported universities to lend their endowment and auxiliary enterprise monies on deposit with the State Treasurer's Office to separately chartered not-for-profit legal entities whose purpose is primarily providing financial assistance and other support to the institution and its educational program.

j) The University is owed $3,729 for reimbursement of various expenses paid by the University.

k) The University has lease agreements with the Foundation of $24,995 for rental of office space. The University provided janitorial services, refuse disposal, and ground maintenance.

NOTE 17 – RELATED PARTIES

The FMU Student Housing, LLC (LLC), a single member limited liability company owned by the Francis Marion University Real Estate Foundation, leases all the University's on-campus housing, composed of fourteen apartment style facilities and six dormitory style facilities having an aggregate of 1112 beds and 8.96 acres of land for their 427 bed apartment complex. The lease agreement provides for the University to be paid any net available cash flow from the operation less any amount agreed upon by the University and the LLC. The determination of net available cash flow requires the LLC's annual audit to be completed with financial statements indicating a debt service coverage ratio of at least 1.25 and that all expenses, debt service, and deposits to the repair and replacement fund have occurred in accordance with bond documents. Rental income from housing operations for fiscal year 2010 is $108,412, a portion of the advanced rent paid by the Real Estate Foundation in 2004 and an additional rental payment of $250,000.

The University collects as part of its student fee collection process student housing deposits, fees, and fines. All collections, excluding housing deposits, are remitted to the LLC. Collections due to the LLC at June 30, 2010, are $250,331 and are included in accounts payable.

Beginning July 1, 2009, the University entered into a one year agreement with the LLC to provide management services related to the student housing facilities. The negotiated fee is currently $135,000. Under this agreement, the University pays for expenses related to the housing operation and is reimbursed by the LLC. At June 30, 2010, the LLC owes the University $175,045 and these amounts are included in accounts receivable – auxiliary services.

During the year, the LLC advanced the University $279,464 for reimbursements of summer housing repairs. At June 30, 2010 the unspent portion of $152,133 was recorded as deposits held for others.

Reimbursements for University employee time paid by the University on behalf of the Real Estate Foundation were $38,856. The University recorded these reimbursements as reductions of the applicable operating expenses. The Real Estate Foundation paid $41,025 for ornamental works on behalf of the University. The Real Estate Foundation also agreed to pay $24,700 for equipment design for the dining hall renovation. The University recorded these gifts as $7,776 in capital assets and $60,649 in applicable operating expenses. At June 30, 2010, $24,700 was recorded as a pledge receivable.

During the year, the Real Estate Foundation donated 83.99 acres of land valued at $666,728 to the University and paid $116,713 for environmental and feasibility studies on behalf of the University. The land is to be used for an athletic complex.

NOTE 18 – RISK MANAGEMENT

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

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

Unemployment compensation benefits
Worker's compensation benefits for job-related illnesses or injuries
Health and dental insurance benefits
Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

Theft, damage to, or destruction of assets
Real property, its contents, and other equipment
Motor vehicles and watercraft
Torts

Business interruptions
Natural disasters
Medical malpractice claims against covered employees

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

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

NOTE 19 – EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2010, are summarized as follows:

	Salaries and Wages	Benefits	Supplies and other Services	Utilities	Scholarships	Depreciation	Total
Instruction	$ 15,799,996	$ 4,344,135	$ 1,135,897	$ 48,359	$ -	$ -	$ 21,328,387
Research	27,488	3,655	11,636	-	-	-	42,779
Public service	970,659	233,530	498,221	4,986	-	-	1,707,396
Academic support	1,990,548	575,805	1,390,331	8,979	-	-	3,965,663
Student services	2,670,518	741,805	1,532,463	27,402	-	-	4,972,188
Institutional support	3,483,141	989,855	726,521	(54,565)	-	-	5,144,952
Operation and maintenance of plant	3,241,988	1,071,719	1,631,405	1,762,587	-	-	7,707,699
Depreciation	-	-	-	-	-	2,124,976	2,124,976
Scholarships	-	-	-	-	6,183,426	-	6,183,426
Auxiliary Enterprises	7,266	922	154,860	45,537	-	-	208,585
Total operating expenses	$ 28,191,604	$ 7,961,426	$ 7,081,334	$ 1,843,285	$ 6,183,426	$ 2,124,976	$ 53,386,051

NOTE 20 – STATE APPROPRIATIONS

The following are the appropriations as enacted by the General Assembly and reported in the financial statements for the fiscal year ended June 30, 2010:

NON-CAPITAL APPROPRIATIONS	
Current year's appropriations:	
Original appropriations per Annual Appropriations Act	$ 14,680,433
Mid-Year Appropriation Reductions	(1,297,538)
From Commission on Higher Education:	
Academic Incentive Endowment Match	8,809
Nursing Faculty Salary Supplemental Funds	5,183
Total non-capital appropriations recorded as current year revenue	$ 13,396,887

NOTE 21 – NONOPERATING FEDERAL GRANTS

Nonoperating Federal grants for the year ended June 30, 2010, are summarized as follows:

State Fiscal Stabilization Funds	$ 2,588,272
Federal Pell Grant Program - 2009	19,533
Federal Pell Grant Program - 2010	8,704,175
Total	$ 11,311,980

NOTE 22 – STATEMENT OF ACTIVITIES

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

	Year ended June 30,	
	2010	2009
Charges for services	$ 27,740,564	$ 32,015,829
Operating grants and contributions	16,350,335	3,892,770
Capital grants and contributions	783,441	-
Less: expenses	(53,642,387)	(52,247,293)
Net program revenues (expenses)	(8,768,047)	(16,338,694)
Transfers:		
State appropriations	13,396,887	14,693,807
Total transfers	13,396,887	14,693,807
Changes in net assets	4,628,840	(1,644,887)
Net assets - beginning	70,149,932	71,794,819
Net assets - ending	$ 74,778,772	$ 70,149,932

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Independent Auditors' Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Honorable Mark Sanford,
Governor of the State of South Carolina
And to the Board of Trustees of
Francis Marion University
Florence, South Carolina

Compliance

We have audited Francis Marion University's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Francis Marion University's major federal programs for the year ended June 30, 2010. Francis Marion University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Francis Marion University's management. Our responsibility is to express an opinion on Francis Marion University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Francis Marion University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Francis Marion University's compliance with those requirements.

In our opinion, Francis Marion University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Francis Marion University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Francis Marion University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Francis Marion University's internal control over compliance.

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards
We have audited the financial statements of the business-type activities of Francis Marion University as of and for the year ended June 30, 2010, and have issued our report thereon dated September 14, 2010, which contained unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements of to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization and the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Cline Brandt Kochenower & Co. PA

September 14, 2010

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Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

To the Honorable Mark Sanford,
Governor of the State of South Carolina
And to the Board of Trustees of
Francis Marion University
Florence, South Carolina

We have audited the financial statements of the business-type activities of Francis Marion University, a department of the State of South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements and have issued our report thereon dated September 14, 2010. Our report includes a reference to 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. Other auditors audited the financial statements of the Francis Marion University Foundation, as described in our report on Francis Marion University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The Francis Marion University Foundation's financial statements were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Francis Marion University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Francis Marion University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Francis Marion University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether Francis Marion University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of Francis Marion University in a separate letter dated September 14, 2010.

This report is intended solely for the information of the audit committee, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cline Brandt Kochenower & Co. PA

September 14, 2010

FRANCIS MARION UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD ENDED JUNE 30, 2010

Federal Grantor/Program Title		Federal CFDA Number	Grant/Contract Number	Total Expenditures
Direct Programs:				
U.S. Department of Education				
Federal Supplemental Educational Opportunity Grant		84.007	PO07A073784	137,941
Federal Family Education Loans		84.032		25,085,300
Federal Work-Study Program		84.033	PO33A073784	157,921
ARRA - Federal Work-Study Program		84.033	PO33A073784	34,332
Federal Perkins Loan Program - Federal Capital Contributions		84.038	PO38A053784	2,144,194
Federal Pell Grant Program - 2009		84.063	PO63P063163	19,533
Federal Pell Grant Program - 2010		84.063	PO63P073163	8,704,175
Federal Academic Competitiveness Grant - 2010		84.375	P375A073163	438,212
Federal SMART Grant - 2010		84.376	P376S073163	226,000
U.S. Department of the Interior				
National Park Service		15.926	GA-2255-08-004	1,879
U.S. Nuclear Regulatory Commision				
Nuclear Education Program		77.006	NRC-38-09-891	49,355
Research Financial Assistance Program		77.009	NRC-38-09-926	76,407
National Science Foundation				
Mathmatical and Physical Sciences	R&D	47.049	CHE-0714555	41,797
Education and Human Resources		47.076	DUE-0536797	26,146
ARRA - Major Research Instrumentation	R&D	47.082	DBI-0923321	122,021
Total Direct Programs				37,265,213
Indirect Programs:				
U.S. Department of Education				
Passed Through South Carolina Department of Education				
Special Education - Grants to States		84.027A	10- CO-304-01	60,153
Passed Through South Carolina Department of Education				
Mathematics and Science Partnerships		84.366	09-MS-302-05	39,353
Passed Through South Carolina Department of Education				
Improving Teacher Quality		84.367A	10TQ306-01	24,777
Passed Through National Writing Project Corp.				
National Writing Project		84.928A	00-SC10	45,389
Passed Through South Carolina State Treasurer's Office				
ARRA - State Fiscal Stabilization Funds		84.394		2,588,272
U.S. Department of Energy				
Passed through the South Carolina Energy Office				
ARRA - State Energy Program		81.041	S09-0114	17,643
U.S. Department of Justice				
Passed through the South Carolina Department of Public Safety				
Justice Assistance Grant		16.738	1GI06005	18,636
Passed through the South Carolina Department of Public Safety				
ARRA - Justice Assistance Grant		16.803	1GS09163	22,458
National Science Foundation				
Passed through the Mathematical Association of America				
Mathematical and Physical Sciences		47.049	DMS-0846477	627
National Aeronautics and Space Administration				
Passed through the College of Charleston				
Space Grant Management Award		43.001	NNG05GI68G	1,730
Total Indirect Programs				2,819,038
Total Federal Assistance				$ 40,084,251

See notes to Schedule of Expenditures of Federal Awards.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Francis Marion University and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A – 133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARD EXPENDITURES

Expenditures for student financial aid programs include the federal share of students' Federal Supplemental Educational Opportunity Grant (FSEOG) program grants and Federal Work Study (FWS) program earnings, certain other federal financial aid for students and administrative cost allowances, where applicable.

NOTE 3 – LOAN PROGRAMS

The Federal Educational Loan program provides loans to students and their parents. The loans are made directly from the federal government; therefore there is no loan balance recorded at the University. The totals of loans processed for the current fiscal year are:

Stafford Student Loan - Subsidized	$ 11,276,779
Stafford Student Loan - Unsubsidized	13,004,733
PLUS	803,788
Total	$ 25,085,300

The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was $1,935,107 as of June 30, 2010. The expenditures for June 30, 2010 are calculated as follows:

June 30, 2009 loan balance	$ 1,819,194
Current year loans made	325,000
Total	$ 2,144,194

FRANCIS MARION UNIVERSITY
Summary Schedule Of Prior Audit Findings
June 30, 2010

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

There were no findings and questioned costs relating to federal awards.

FRANCIS MARION UNIVERSITY
Schedule of Findings and Questioned Costs
June 30, 2010

Summary of Auditors' Results:

GAGAS

An unqualified opinion was issued on Francis Marion University's general purpose financial statements dated September 14, 2010.

There were no significant deficiencies or material weaknesses. No instances of noncompliance material to the financial statement were disclosed by the audit of their financial statements.

A-133

An unqualified opinion was also issued on compliance of major programs at Francis Marion University dated September 14, 2010. No significant deficiencies in the internal control over major programs were found. Our audit disclosed no audit findings that are required to be reported under OMB Circular A-133.

The major programs at Francis Marion University are the Student Financial Aid Cluster and State Fiscal Stabilization Fund CFDA # 84.394 from the U.S. Department of Education. Type A or major programs are defined as those that expended $300,000 or more. Francis Marion University's total federal awards expended for the year ended June 30, 2010 were between $10 million and $100 million.

Francis Marion University is a low-risk auditee according to the criteria in OMB Circular A-133.

Findings Relating to the Financial Statements:

There were no findings relating to the financial statements.

Findings and Questioned Costs Relating to Federal Awards:

There were no findings and questioned costs relating to federal awards.

Financial Aid Cluster	Federal CFDA Number
U.S. Department of Education	
Federal Supplemental Educational Opportunity Grant	84.007
Federal Family Educational Loans	84.032
Federal Work-Study Program	84.033
Federal Perkins Loan Program - Federal Capital Contributions	84.038
Federal Pell Grant Program	84.063
Federal Academic Competitiveness Grant	84.375
Federal SMART Grant	84.376