

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation and for officers' and directors' errors and omissions.

NOTE 16—CONTINGENCIES AND LITIGATION

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 is a defendant in various legal actions the outcome of which is not presently determinable. In the opinion of the University's counsel, the resolution of these matters will not have a material adverse effect on the University's financial position.

NOTE 17—SUBSEQUENT EVENT

In July 2004, the University paid \$205,961, including \$180,103 of principal and \$25,859 of interest, to retire a capital lease which was originally scheduled to mature in the year ended June 2008.