
**COASTAL CAROLINA UNIVERSITY
CONWAY, SOUTH CAROLINA**



Comprehensive Annual Financial Report

Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

COASTAL CAROLINA UNIVERSITY

Conway, South Carolina

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For the Fiscal Year Ended June 30, 2003

**Prepared by the Office of the Controller
and the
Office of the Executive Vice President**

**COASTAL CAROLINA UNIVERSITY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2003
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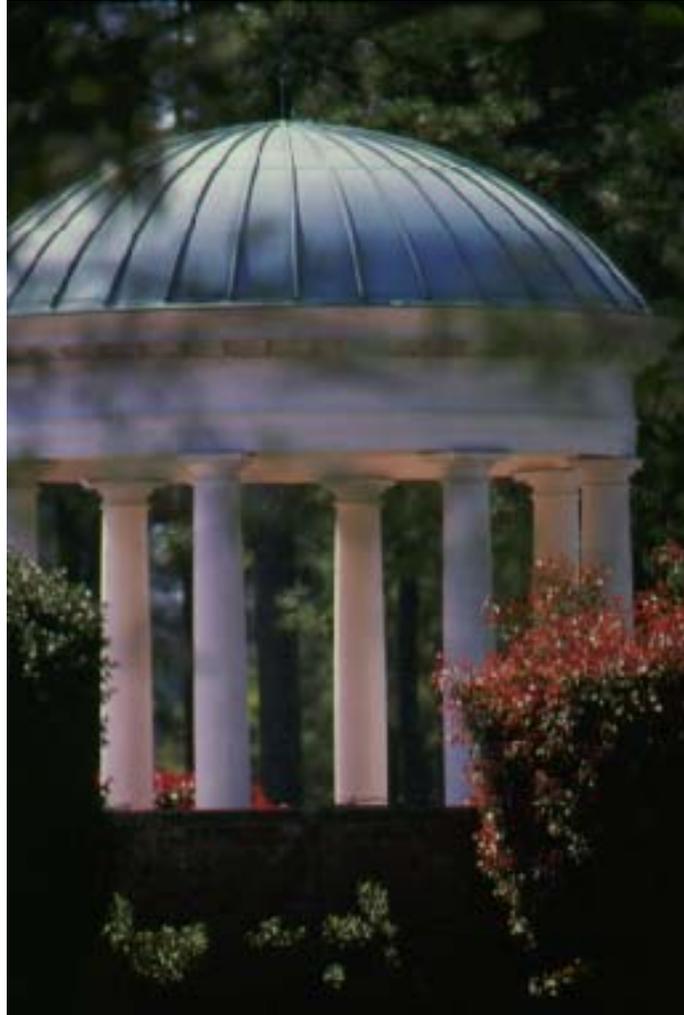
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COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



INTRODUCTORY SECTION

President's Letter



Dear Coastal Carolina friends:

This fall we mark ten years as an independent public university and a year from now, Coastal Carolina will celebrate 50 years as an institution of learning and teaching. At 49, Coastal Carolina is as dynamic, if not more dynamic, than at any time in our history.

- Enrollment has increased by more than 35 percent over the past three years, reflecting growth in quality as well as quantity. The entering class of 2003, with an average SAT score of 1045, reflected the continuous increase in scores for Coastal Carolina, significantly higher than the South Carolina and national averages. In fall 2003, Coastal's enrollment has exceeded 6,700 students. Student retention continues to improve, with approximately 73 percent of the 2002 entering class returning for 2003.
- Coastal Carolina University has always prided itself on corporate citizenship and public engagement. A new initiative involves faculty members on public engagement leave using their expertise by working directly with local community organizations and businesses. Perhaps the most significant public engagement occurs with graduating students electing to remain in South Carolina. In recent years, 40 percent of out-of-state students graduating from Coastal Carolina find their first employment in the state, while 87 percent of South Carolina students graduating from Coastal Carolina elect to remain in the state for employment or graduate studies.
- The Commission on Higher Education awarded more than \$1.7M in state lottery money to Coastal Carolina for technology. Of ten state institutions submitting proposals, Coastal received the largest appropriation with two successful proposals ranked in the top ten.
- A development which has brought a profound change to campus life is the beginning of NCAA Division I AA football, which began its inaugural season on September 6, 2003.

Coastal Carolina has a well-established reputation for effective use of resources integrated with strategic planning. I am proud of this institution's reputation for sound fiscal practices and public accountability.

As we approach our 50th anniversary, Coastal Carolina has been engaged in exploring planning and action initiatives that will prepare Coastal Carolina for a future that we have only begun to envision:

- The 50th Anniversary Initiatives Campaign both recognizes the University's increasing stature in the community and the University's increasing need for self-reliance.
- The Trustees and the Foundation are currently undertaking the development of a long-range visionary master plan. The stakeholders of Coastal Carolina will think ahead to Coastal's long-term future needs for space and resources to accommodate responsible management of growth. The university's Strategic Planning Committee will work with external constituencies to develop this long-range plan for the future of the university.

The 50th Anniversary Initiatives campaign, a Comprehensive Master Plan, and the deliberations of the Strategic Planning Committee will help shape Coastal Carolina for new challenges and new opportunities

Sincerely,

A handwritten signature in black ink that reads "Ronald R. Ingle". The signature is written in a cursive, flowing style.

Ronald R. Ingle
President



COASTAL CAROLINA UNIVERSITY

Executive Vice President

LETTER OF TRANSMITTAL

November 14, 2003

To the President and
Members of the Board of Trustees:

We are pleased to present to you the Comprehensive Annual Financial Report of Coastal Carolina University for the fiscal year ended June 30, 2003.

This report consists of management's representations concerning the finances of Coastal Carolina University. Consequently, management accepts full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the University has established a comprehensive internal control framework that is designed both to protect the University's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the University's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the University's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The University's financial statements have been audited by Walda Wildman, LLC, a licensed certified public accountant. The goal of the independent audit was to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the University's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the University was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only the fair presentation of the financial statements but also on the audited government's internal controls and compliance with legal requirements, with special emphasis

government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in this comprehensive annual financial report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The University's MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE UNIVERSITY

History and Background

Coastal Carolina University was founded in 1954 by a group of Horry County citizens who lent their vision and support to bringing higher education to the local area. Initially a two-year college, the new school was supported by private funds, and was operated under the auspices of the College of Charleston. A referendum in 1958 resulted in a county property tax millage being made available for the support of the college, and Coastal entered into an agreement in 1959 with the University of South Carolina to become a campus of the University System. In 1963, with the support of the Coastal Educational Foundation, Inc. and the Horry County Higher Education Commission, the college moved to its current location, with the completion of the Edward M. Singleton Administration Building.

Coastal Carolina College became a four-year institution in 1974, awarding baccalaureate degrees in several areas. During the decade of the 1980's, Coastal Carolina College experienced a dramatic growth, with the enrollment doubling in size from approximately 2,000 to 4,000 students.

In 1991, the Coastal Educational Foundation, Inc. and the Horry County Higher Education Commission voted to seek legislative approval to establish an independent Coastal Carolina University. The University of South Carolina president and Board of Trustees agreed to the proposed independence for Coastal. In the 1993 session, the South Carolina legislature established Coastal Carolina University as an independent state-supported institution, effective July 1, 1993. The university for the first time had acquired its own Board of Trustees, which met July 1, 1993, and named Ronald R. Ingle as the university's first president.

Coastal Carolina University began offering its first graduate programs in education in the fall of 1993. Today, the university offers 33 baccalaureate degree programs through its four academic colleges and five graduate programs. Coastal houses approximately 1,300 students on campus, with a total FTE enrollment for the fall of 2003 of 5,795. Although available space continues to lag behind the need for educational space, Coastal has grown from the one building in 1963 to 42 buildings totaling 1.08 million square feet.

Strategic Themes

Coastal Carolina University maintains its strategic plan through an ongoing and active process of planning and assessment, which emphasizes the integration of resource allocation and planning. As a part of the strategic planning process, certain strategic themes have been identified which are derived from the mission statement, and which define Coastal's institutional identity. These themes represent characteristics which the Coastal community believes it has already attained to some degree. More importantly, the themes shape the values and the vision for the university for greater attainment in the future.

- I. *A predominantly undergraduate university with a reputation for excellence in teaching.*
- II. *A learning process which is inquiry-based, participatory, and includes current and emerging technology.*
- III. *Academic programs founded on the arts and sciences, with the aim of furthering an enlightened populace in a modern global society.*
- IV. *A teacher-scholar model for faculty performance with emphasis on student-faculty interactions and mentoring.*
- V. *Graduate program development based on strong undergraduate programs and on meeting specific local needs.*
- VI. *Programs and initiatives which are interactive and cooperative with other institutions, the public schools, local citizens and the business community.*
- VII. *Support services which provide a learning environment and quality of life for students to enhance all facets of their development and campus community experience.*
- VIII. *Administrative processes which are informed by management data, integrating financial considerations with institutional planning, for maximum effectiveness and service.*

Demographic data related to student characteristics, enrollment history and projections, student retention, faculty and the academic departments are presented in the statistical section of this report.

The mission of the University is complemented by five separately chartered legal entities which exist primarily to provide financial assistance and other support to the University and its educational program. The Coastal Educational Foundation was chartered prior to the founding of Coastal Carolina College. The financial statements of the Coastal Educational Foundation, Inc., the Horry County Higher Education Commission, the Georgetown County Advisory Board for Coastal Carolina University, the Coastal Carolina Booster Club, Inc. (Chanticleer Club) and the CCU Student Housing Foundation, Inc., are not included in the University's basic financial statements. Financial information about these entities is included in Note 14 to the financial statements and annually audited statements for four of these five entities are available in the University Controller's Office.

FACTORS AFFECTING FINANCIAL CONDITION

Operating Revenues

Coastal Carolina University's financial profile fits more closely with that of a private institution than with a typical public institution. The university is highly dependent on tuition revenues, with more than 53 percent of its total gross revenues coming from student tuition and fees, while only 18 percent of its gross revenues come from state appropriations. Because the university is required to charge out-of-state students the full cost of their education, these student revenues make up more than 61 percent of all tuition, although only 35 percent of students are from out-of-state.

The state economic outlook continues to decline related to the support of higher education. Even if revenue streams begin to improve, it is the consensus among state higher education policy analysts that funding for K-12 and human service programs will consume the lion's share of any recovery proceeds. The legislature has earmarked South Carolina Education Lottery funding for tuition assistance directly to students and institutional technology projects, but has steadily decreased funding for general operations. The fiscal year 2004 state budget appropriated to the University for general operations represents only 76 per cent of the amount appropriated for fiscal year 2001. During the same time period Coastal has experienced the largest enrollment growth in its history, an increase of approximately 34 percent in FTE enrollment.

The university has been fortunate to continue to attract high-quality students in record numbers. The fall 2003 opening of 517 beds in University Place, an off campus housing project of the newly formed CCU Student Housing Foundation, has been a major factor driving the continued enrollment surge. Response to the new housing facility was so positive that a second phase of University Place is already underway.

The University is located nine miles from Myrtle Beach, one of the fastest growing metropolitan areas in the United States. Even though the economy has taken a downturn over the last three years, the growth of the surrounding area continues to impact the University's potential for growth. In addition, the local technical college, Horry-Georgetown Tech, has experienced similar growth in enrollment, preparing many more students for transfer to Coastal Carolina University for their junior and senior years.

The University's in-state tuition continues to be among the lowest in the state, which gives management the choice of raising resident tuition while still being competitive in South Carolina. In addition, since the portion of Coastal Carolina's budget funded by the state is much smaller than that of many of its sister institutions, state budget cutbacks have a diluted impact on the University.

The University operates five auxiliary enterprises which have helped to build and sustain cash reserves in tight economic times. These consist of the University bookstore (outsourced to Follett's), University housing, vending, food service (outsourced to Aramark), and health services.

The University is also fortunate to receive county appropriations from both Horry County and Georgetown County. This gives the University flexibility to take on specific projects in the interest of the citizens of each of those counties which also benefits the entire University community.

Operating Expenses

The University continues to focus new spending on areas that will recruit, welcome and retain students and preserve desirable class size. This has included funds for more class sections, better mentoring, longer lab hours, and incentives to faculty for on-line course development, as well as the hiring of many new permanent full-time and temporary faculty. The ongoing technology plan, funded by a dedicated technology fee, serves to keep the University abreast of new developments in instructional methods.

Cash Management Policies and Practices

All of the University's receipts and disbursements are handled through bank accounts registered to the Treasurer of the State of South Carolina. The State Treasurer handles most cash management activities on behalf of the University. The University participates in the State's cash management pool, sharing investment income or loss on investment of the funds of certain restricted fund groups as well as on deposits of its auxiliary services activities. Note 2 to the financial statements addresses cash on hand at June 30, 2003.

Risk Management

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Settled claims have not exceeded this coverage in any of the past three years. Risk management details can be found in Note 15 to the financial statements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Coastal Carolina University for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. This was the first year that the University received this prestigious award. In order to be awarded a Certificate of Achievement, the University published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and legal requirements.

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

The preparation of this report is the result of dedicated teamwork by the staff in the offices of the Controller, Internal Audit, Information Technology Services, Institutional Research, Printing Services, the Executive Vice President and the President. A good report depends as much on data integrity at the level of each transaction as it does on statistical analysis and spreadsheet preparation. In these days when more is expected ever sooner, we appreciate the hard work and good humor of each staff member and their adherence to quality professional standards. Significant credit is also due to the President and Board of Trustees for their hands-on leadership, dedication, vision, and encouragement to each member of the University community to strive for excellence. The staff especially appreciate the invaluable guidance and encouragement of the University's external auditor, Walda Wildman, LLC.

Respectfully submitted,



Sally M. Horner, Ph. D.
Executive Vice-President



Linda P. Lyerly, M. S. Ed., M. Acc.
Controller



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Coastal Carolina
University, South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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



President

Executive Director

COASTAL CAROLINA UNIVERSITY
BOARD OF TRUSTEES
2003-2004

Marshall C. Sanford, Jr.	Ex Officio Chairman
Clark B. Parker, Chair	First Congressional District - Seat One
Robert L. Rabon	First Congressional District - Seat Two
Oran P. Smith	Second Congressional District - Seat Three
James F. Kane	Second Congressional District - Seat Four
Payne H. Barnette, Jr.	Third Congressional District - Seat Five
William L. Lyles, Jr., Vice Chair	Third Congressional District - Seat Six
Charles J. Hodge	Fourth Congressional District - Seat Seven
Keith S. Smith	Fourth Congressional District - Seat Eight
Samuel J. Swad	Fifth Congressional District - Seat Nine
Robert D. Brown	Fifth Congressional District - Seat Ten
Fred F. DuBard, Jr.	Sixth Congressional District - Seat Eleven
Cathy B. Harvin	Sixth Congressional District - Seat Twelve
Eugene C. Spivey	At-Large - Seat Thirteen
Dean P. Hudson	At-Large - Seat Fourteen
Daniel W. R. Moore, Sr.	At-Large - Seat Fifteen
Samuel H. Frink	Gubernatorial Designee
Joseph L. Carter	Gubernatorial Appointee
Gene Anderson	Trustee Emeritus
James J. Johnson	Trustee Emeritus
Juli S. Powers	Trustee Emeritus

COASTAL CAROLINA UNIVERSITY
ADMINISTRATIVE OFFICERS
2003-2004

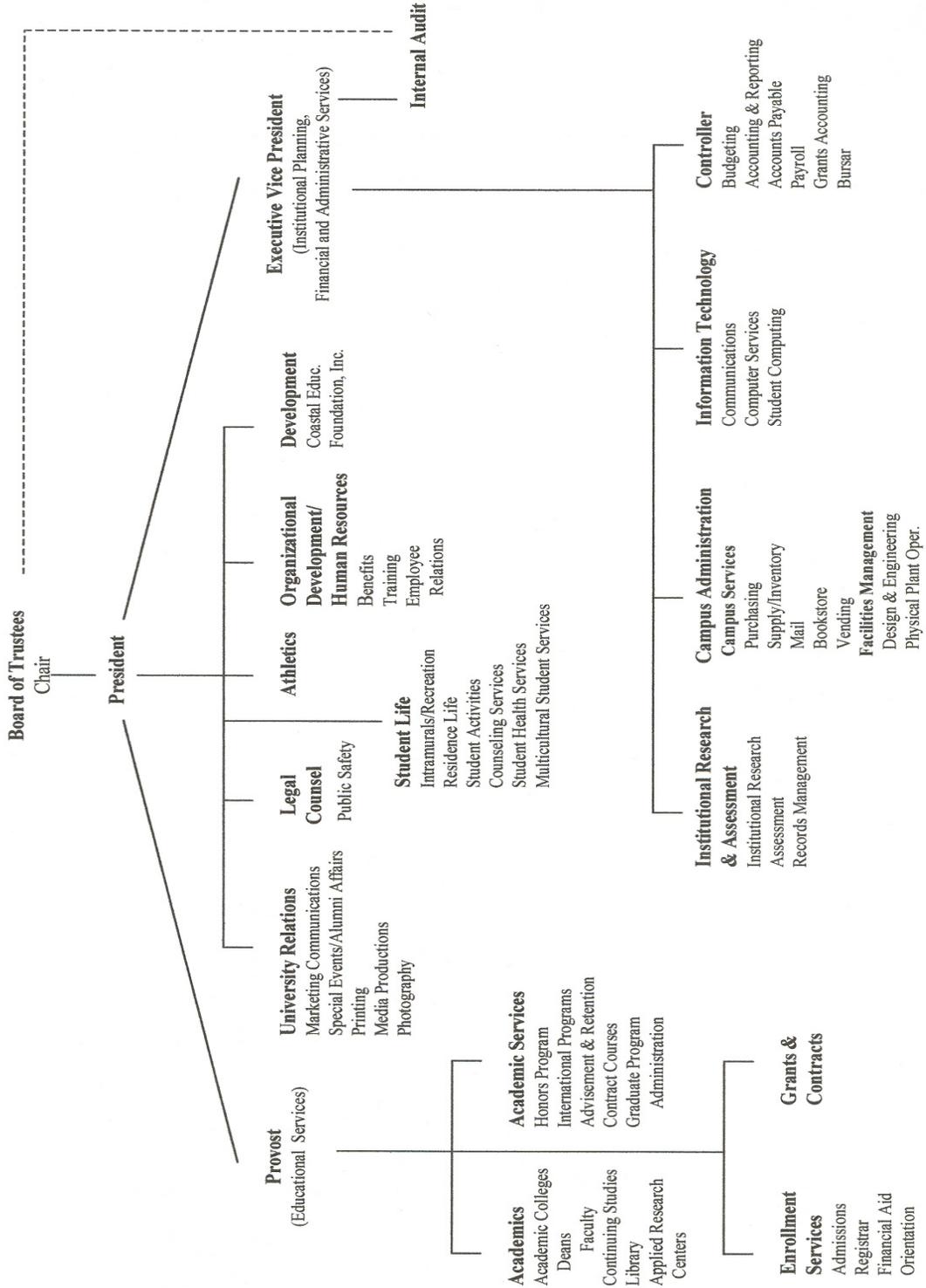
Ronald R. Ingle, Ph.D.	President
Peter B. Barr, Ph.D.	Provost
Sally M. Horner, Ph.D.	Executive Vice President
Edgar L. Dyer, J.D.	Vice President, University Relations/Legal Counsel
William D. Nicholson II, M.A.	Vice President, Development
Janis W. Chesson, Ph.D.	Vice Pres., Organizational Dev., Human Res. & Equal Opp.
Lynn Willett, Ph.D.	Vice President for Student Affairs
Warren Koegel, B.S.	Director of Athletics
Dennis G. Wiseman, Ph.D.	Associate Provost, Academic Affairs
Valgene L. Dunham, Ph.D.	Assoc. Vice President, Grants, Contract Admin. & Res. Planning
Colleen A. Lohr, Ph.D.	Associate Provost, Academic Affairs
David A. DeCenzo, Ph.D.	Dean, Wall College of Business
Douglas D. Nelson, Ph.D.	Dean, College of Natural and Applied Sciences
Lynn Franken, Ph.D.	Dean, Edwards College of Humanities & Fine Arts
Gilbert H. Hunt, Ph.D.	Dean, College of Education
D. Lynne Smith, D.L.S.	Dean, Library Services
Judy W. Vogt, Ed.D.	Associate Vice President, Enrollment Services
Linda P. Lyerly, M.Acc.	Controller
Stan R. Godshall, M.B.A.	Assoc. Vice President, Campus Administration
Marvin Marozas, B.S.	Assoc. Vice President, Information Technology Services
Richard H. Moore, Ph.D.	Asst. Vice President, Grants/Sponsored Research
Richard N. Weldon, J.D.	Director, Division of Academic Outreach
David A. Bredekamp, B.S.	Internal Auditor
Stella F. Cooper, M.Ed.	Director, Campus Services
Christine L. Mee, M.Ed.	Director, Institutional Research and Assessment
Donald Brook, Ed.D.	Chief, Public Safety

**COASTAL CAROLINA UNIVERSITY
BUSINESS AND FINANCE OFFICERS
2003-2004**

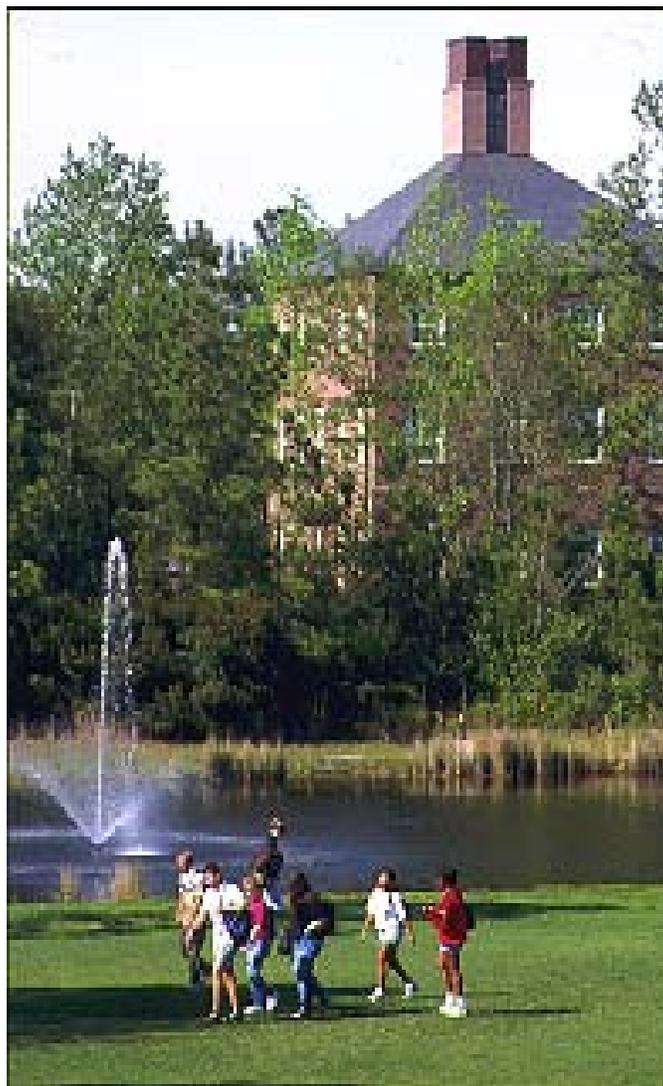
Sally M. Horner	<i>Executive Vice President</i>
Brenda Cox	<i>Administrative Assistant</i>
Linda P. Lyerly	<i>Controller</i>
Pat West	<i>Assistant Controller</i>
Bill Douglas	<i>Payroll Manager, Payroll</i>
Linda Gail Bratcher	<i>Fiscal Technician, Payroll</i>
Sherrell Richardson	<i>Accountant, Payroll</i>
Vicky Rabon	<i>Supervisor, Accounts Payable/Travel</i>
Virginia Altman	<i>Fiscal Technician, Accounts Payable/Travel</i>
Brenda Rabon	<i>Fiscal Technician, Accounts Payable/Travel</i>
Scott Callahan	<i>Bursar</i>
Elaine Bridges	<i>Head Cashier, Bursar</i>
Sheila Mooney	<i>Fiscal Technician, Bursar</i>
Patty Dudley	<i>Fiscal Technician, Collections, Bursar</i>
Erin Rabon-Poszywak	<i>Student Loan Receivables, Bursar</i>
Carolyn Singleton	<i>Cashier</i>
Bob Lundgren	<i>Senior Accountant, Financial Accounting</i>
Tim Martin	<i>Budget Director</i>
Regina Lee	<i>Student Receivables Accountant</i>
Lill Heit	<i>University Receivables Accountant</i>
Tammy Holt	<i>Grants Accountant</i>
Tammy Hardee	<i>Fiscal Technician, Grants Accounting</i>
Sarah Jaynes	<i>Admin. Specialist, Controller and Internal Audit</i>
David A. Bredekamp	<i>Internal Auditor</i>
Stan R. Godshall	<i>Associate Vice President, Campus Administration</i>
T. Rein Mungo	<i>Director, Facilities Management</i>
Stella F. Cooper	<i>Director, Campus Services</i>
Randall F. Cox	<i>Director, Procurement</i>
Vicki E. Williams	<i>Procurement Officer, Procurement</i>
Robin B. Strickland	<i>Procurement Officer, Procurement</i>
June Barfield	<i>Procurement Officer, Procurement</i>
Sabra Kelly	<i>Admin. Specialist, Procurement</i>
Suzanne Beverly	<i>Supply Manager, Campus Supply/Inventory</i>
Faye Tyler	<i>Supply Specialist, Campus Supply/Delivery</i>
Greg Edwards	<i>Supply Specialist, Campus Supply/Delivery</i>
Jim Mee	<i>Postal Director, Mail Services</i>
Shelby Dillon	<i>Postal Clerk, Mail Services</i>
Ray Rice	<i>Supervisor, Vending</i>
Aramark Food Services	
Follett Bookstore	

ORGANIZATIONAL CHART

Coastal Carolina University Organizational Chart by Function



COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



FINANCIAL SECTION

State of South Carolina



Office of the State Auditor

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

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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

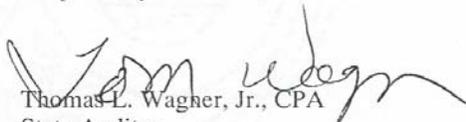
October 23, 2003

The Honorable Mark Sanford, Governor
and
Members of the Board of Trustees
Coastal Carolina University
Conway, South Carolina

This report on the audit of the financial statements of Coastal Carolina University for the fiscal year ended June 30, 2003, was issued by Walda Wildman, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

WALDA WILDMAN LLC
CERTIFIED PUBLIC ACCOUNTANT

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Columbia, South Carolina • 29210
Telephone 803.216.9800 • Fax 803.216.9498

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

September 5, 2003

Mr. Thomas L. Wagner Jr., CPA
State Auditor, State of South Carolina
Columbia, South Carolina

I have audited the accompanying basic financial statements of Coastal Carolina University (the University) as of June 30, 2003, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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. I believe that my audit and the report of other auditors provide a reasonable basis for my opinion.

As described in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, results of operations, and cash flows of only that portion of the financial reporting entity of the State of South Carolina that is attributable to the transactions of the University. These financial statements do not include other funds, enterprises or component units of the State. These financial statements are not intended to present fairly the financial position of the State of South Carolina as of June 30, 2003, and 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, and do not include other agencies, divisions, or component units of the State of South Carolina.

In my opinion, based on my audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the University at June 30, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated September 5, 2003, on my consideration of the University's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of my audit.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules required by the Office of the South Carolina Comptroller General, as listed in the table of contents, and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

Walda Wildman, LLC

WALDA WILDMAN, LLC
Certified Public Accountant

Coastal Carolina University

Management's Discussion and Analysis

Coastal Carolina University is pleased to present its financial report for the year ended June 30, 2003. This section, Management's Discussion and Analysis, will describe each of the statements, present a condensed, comparative version of each one, and offer financial highlights of the year.

Using the Annual Financial Report

The University's financial statements have been prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Fiscal year 2002 was the University's implementation year for this format.

The basic financial statements prescribed by GASB No. 35 (the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities of the University. Over time, increases or decreases in net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating. A public University's dependency on State aid and gifts could result in operating deficits because the financial reporting model classified State appropriations and gifts as non-operating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing and related investing activities, and helps measure the ability to meet financial obligations as they mature.

Financial Highlights

There were four major financial highlights for fiscal 2002-2003:

- ❖ First, the University's full time equivalency (FTE) enrollment increased by 13.6 percent, to 5,095 students for the fall of 2002.
- ❖ Second, in the same year, the state cut the University's general appropriation by \$1.2 million. The enrollment growth, combined with tuition increases, helped buffer the operating budget shortfall.
- ❖ Third, the University was awarded its first South Carolina Education Lottery-funded technology grants in the amount of \$1.7 million, the largest amount received by a higher education institution in the state. Of this amount, \$1.2 million is in deferred revenue at June 30, 2003
- ❖ Finally, the University began participation in Division I football by recruiting its first practice team and starting construction on a football facility.

Summary of Net Assets

Condensed Summary of Net Assets				
	<u>2003</u>	<u>2002</u>	<u>Increase/ (Decrease)</u>	<u>Per Cent Change</u>
Assets				
Current assets	\$ 17,251,398	\$ 8,894,547	\$ 8,356,851	94%
Capital assets, net	84,581,757	77,163,548	7,418,209	10%
Other assets	1,613,460	2,146,031	(532,571)	-25%
Total Assets	<u>103,446,615</u>	<u>88,204,126</u>	<u>15,242,489</u>	17%
Liabilities				
Current liabilities	7,235,724	3,300,876	3,934,848	119%
Non-current liabilities	37,669,488	29,803,446	7,866,042	26%
Total Liabilities	<u>44,905,212</u>	<u>33,104,322</u>	<u>11,800,890</u>	36%
Net Assets				
Invested in capital assets, net of debt	48,759,779	49,347,474	(587,695)	-1%
Restricted - non-expendable	103,546	101,260	2,286	2%
Restricted - expendable	5,282,000	42,477	5,239,523	12335%
Unrestricted	4,396,078	5,608,593	(1,212,515)	-22%
Total Net Assets	<u>\$ 58,541,403</u>	<u>\$ 55,099,804</u>	<u>\$ 3,441,599</u>	6%

During fiscal 2003, the total assets of the university increased by \$15.2 million, or 17%. The increase was comprised primarily of an increase in buildings, equipment and construction-in-progress of \$7.4 million and an increase in current assets of \$8.1 million, over \$6 million of which is general obligation bond proceeds restricted for capital construction projects.

Liabilities increased by \$11.8 million. Almost \$8 million of this increase was non-current, largely due to the \$8.75 million general obligation bonds issued in January of 2003. Current liabilities also increased by \$3.9 million. Of this increase, approximately \$1 million is due to an increase in accounts and retainage payable related to construction, and almost \$2 million is in deferred revenue. The University received a lottery-funded technology grant from the state in the amount of \$1.7 million, \$1.2 million of

which was unspent at June 30, 2003. The resulting increase in net assets of \$3.4 million actually represents growth in net capital assets and cash restricted for capital assets of approximately \$4.4 million, an increase in other restricted net assets of \$200,000, and a decrease in unrestricted net assets of \$1.2 million. The University used existing unrestricted net assets at June 30, 2002 during fiscal year 2003 to supplement \$800,000 of the total \$1.5 million shortfall in state appropriated funds for operations. In addition, the University funded start-up costs for a marching band costing approximately \$117,000 and drew down its unrestricted capital project funds by approximately \$300,000 during the year for renovations and deferred maintenance projects.

Highlights of Revenue and Expense Activity

Condensed Summary of Revenues, Expenses and Changes in Net Assets			Increase/ (Decrease)	Per Cent Change
	2003	2002		
Operating revenues:	\$ 44,461,094	\$ 37,473,069	\$ 6,988,025	19%
Operating expenses:	58,461,346	50,084,272	8,377,074	17%
Operating loss	(14,000,252)	(12,611,203)	(1,389,049)	11%
Net non-operating revenues (expenses)	13,410,067	13,856,575	(446,508)	-3%
Income before other revenues, Expenses, gains and losses	(590,185)	1,245,372	(1,835,557)	-147%
Capital appropriations, grants and gifts	4,031,784	1,415,664	2,616,120	184%
Increase in net assets	3,441,599	2,661,036	780,563	29%
Net Assets, beginning of year	55,099,804	52,438,768	2,661,036	5%
Net Assets, end of year	\$ 58,541,403	\$ 55,099,804	\$ 3,441,599	6%

Tuition revenue, net of discounts and allowances, increased by \$4.4 million in fiscal year 2003. This increase was driven by a 13.6 per cent increase in full-time equivalency enrollment as well as an increase in the cost of tuition of 15.4 per cent for in-state students and 10.1 per cent for out-of-state students. A significant portion of the increase in tuition revenue was paid by a \$1.4 million increase in South Carolina Life Scholarships to students, a \$500,000 increase in federal Pell grants to students, and a \$140,000 increase in other state funded scholarship benefits. In fact, all but \$225,000 of the increase in governmental scholarships and contracts was due to the increase in scholarships to students.

Revenue from auxiliary enterprises held steady, with a slight decrease in vending revenue due to a significantly smaller catering commission than in fiscal year 2002. Interest income tripled because the University invested unspent general obligation bond proceeds.

Operating expenses reflected the increased enrollment, with \$2.75 million more going to temporary and permanent faculty salaries and fringe benefits. Expenditures for classified staff salaries and benefits increased by \$475,000, reflecting the support costs needed for recent enrollment growth. The increased costs related to services and supplies were comprised of a \$600,000 increase in repairs, maintenance and non-capital renovations and almost a \$1 million increase in supplies, supporting new faculty and technology initiatives. Substantial space in the oldest building on campus, the Singleton Building, was vacant for the past year due to leaks and resulting asbestos removal and

renovations. In addition, a major renovation is underway in Atheneum Hall to provide upgraded facilities for University Advancement and offices for the Coastal Educational Foundation.

As mentioned earlier, the state decreased its general appropriation to the University by \$1.5 million in order to deal with its budget shortfalls. However, the state's capital budget was not reduced so the University received capital appropriations revenue of \$3.8 million in state capital improvement bonds which was combined with general obligation bond proceeds to construct the new football facility.

Capital Assets and Debt

Capital assets consisted of \$8.2 million in construction in progress at June 30, 2003 and approximately \$76 million, net of accumulated depreciation, in buildings, land improvements, and equipment. Campus land, booked at historical value, increased by \$30,000 to \$194,000 when title to land under certain buildings was passed to the University from Coastal Educational Foundation. Construction in progress consisted of \$495,000 in renovations to Kearns Hall, Atheneum Hall and the Singleton Building, as well as \$7.6 million new construction on the Brooks Football Stadium. Over \$2.1 million of capital assets were added this year, comprised of \$380,000 in equipment, \$103,000 in vehicles, and \$1.7 million in completed building renovations and land improvements. Major projects completed were renovations to Kimbel Library, Hampton Hall, and the Smith Science Building. Please see Note 5 to the financial statements for further details of capital asset activity.

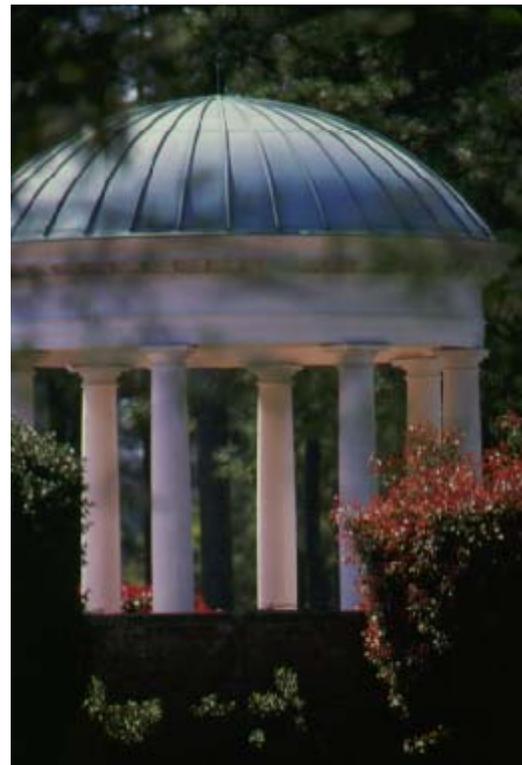
Debt on capital assets is approximately \$35.8 million. While revenue bond debt decreased by \$710,000, new general obligation bonds were issued in the amount of \$8.75 million. Previous general obligation bonds had been retired in fiscal year 2002. Please see Notes 9 and 10 to the financial statements for a description of the nature of the University's debt and related debt-retirement schedules.

Looking Ahead

The enrollment for fall 2003 has increased again, with total headcount increasing by 20% to almost 6,000 students. Much of this growth was fueled by the addition of 517 beds in close proximity to campus by the newly formed CCU Student Housing Foundation. Upperclassmen populated this facility, making room for a large increase in the freshman class. Please see Note 14, Related Parties, for a discussion of the new Student Housing Foundation. The University is also pleased to be recruiting a higher percentage of students from within the state of South Carolina. In the fall of 2001, 38 per cent of new freshmen were from South Carolina. In the fall of 2003, 50 per cent came from in-state. Development of extension facilities along the coast in Georgetown, Litchfield, and Myrtle Beach has also improved accessibility to the University for many students. A committee has been formed to begin the process of deciding how best to plan for future growth in our student body and our facilities.

The year 2004 begins the Fiftieth Anniversary of the University. Plans have been underway for months for events to recognize this milestone, and a major fundraising campaign has been initiated under the guidance of a new vice-president

for University advancement. Gifts of \$2 million and \$1.5 million, respectively, have been pledged for support of the new football facility and the Center for Marine and Wetlands Studies. In addition, there is a new vice-president for student affairs who brings ambitious plans for our growing student body.



COASTAL CAROLINA UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2003

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,971,689
Accounts receivable, net	2,538,812
Inventories	278,061
Prepaid expenses	201,524
Restricted current assets:	
Restricted cash and cash equivalents	7,068,400
Loans to students, current portion	192,912
Total current assets	17,251,398
Non-current assets:	
Capital assets, net of accumulated depreciation	84,581,757
Other assets	341,404
Restricted non-current assets:	
Restricted cash and cash equivalents	215,671
Loans to students, net	1,056,385
Total non-current assets	86,195,217
TOTAL ASSETS	103,446,615
 LIABILITIES	
Current liabilities:	
Accounts payable	931,555
Accrued payroll and related liabilities	1,166,946
Intergovernmental payables	320,541
Deferred revenue	1,896,157
Accrued interest payable	253,200
Funds held for others	204,840
Accrued compensated absences, current	127,180
Bonds payable, current	1,005,000
Capital lease payable, current	36,875
Current liabilities payable from restricted current assets:	
Accounts payable	968,604
Retainage payable	324,826
Total current liabilities	7,235,724
Non-Current Liabilities:	
Accrued compensated absences	1,453,526
Bonds payable	34,600,000
Capital lease payable	180,103
Other liabilities	74,436
Non-current liabilities payable from restricted non-current assets:	
Perkins loan program – Federal liability	1,361,423
Total non-current liabilities	37,669,488
TOTAL LIABILITIES	44,905,212
 NET ASSETS	
Invested in capital assets, net of debt	48,759,779
Restricted for:	
Non-expendable	
Research	103,546
Expendable	
Research	30,854
Capital projects	4,996,969
Sponsored projects	254,177
Unrestricted	4,396,078
TOTAL NET ASSETS	\$ 58,541,403

The accompanying notes are an integral part of these statements.

COASTAL CAROLINA UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2003

Operating Revenues	
Student tuition and fees, net of scholarship allowance of \$7,396,543; \$864,426 is pledged for debt service on general obligation bonds	\$ 28,458,464
Governmental scholarships and contracts	9,714,278
Sales and services of educational departments	965,243
Sales and commissions of auxiliary enterprises, net of scholarship allowance of \$1,105,230	4,670,935
Other fees	<u>652,174</u>
Total Operating Revenues	<u>44,461,094</u>
Operating Expenses	
Personnel costs and benefits	37,919,803
Services and supplies	11,750,783
Utilities	2,095,677
Scholarships	4,376,779
Depreciation	<u>2,318,304</u>
Total Operating Expenses	<u>58,461,346</u>
Operating Loss	<u>(14,000,252)</u>
Non-Operating Revenues (Expenses)	
State appropriations	12,579,167
Local appropriations	243,480
State grants	620,695
Gifts	829,985
Investment and endowment income	903,026
Interest on capital asset related debt	(1,678,510)
Other non-operating expenses	<u>(87,776)</u>
Total Non-Operating Revenues (Expenses)	<u>13,410,067</u>
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	(590,185)
Capital appropriations	3,821,281
Capital grants and gifts	<u>210,503</u>
Increase in Net Assets	3,441,599
Net Assets	
Net Assets, beginning of year	<u>55,099,804</u>
Net Assets, end of year	<u>\$ 58,541,403</u>

The accompanying notes are an integral part of these statements.

COASTAL CAROLINA UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003

Cash Flows from Operating Activities	
Cash received from students for tuition and fees	\$ 29,394,799
Cash received from governmental scholarships and contracts	10,520,020
Cash paid to suppliers	(13,056,566)
Cash paid to employees	(37,518,943)
Cash paid for scholarship payments to students	(4,376,779)
Cash paid for Perkins loans advanced to students	(314,565)
Cash received from Perkins loan program	245,079
Cash received from Stafford and parent loans on behalf of students	16,501,812
Cash from Stafford and parent loans paid to students or applied to student accounts	(16,501,812)
Cash received in funds held for others	253,526
Cash paid from funds held for others	(56,766)
Cash received from sales and commissions of auxiliary enterprises	
Residence halls and food service	3,975,397
Bookstore	200,316
Vending	314,347
Health service	163,435
Cash received from other receipts	1,071,683
Net Cash Used by Operating Activities	<u>(9,185,017)</u>
Cash Flows from Non-capital Financing Activities	
State appropriations	12,579,167
Local appropriations	243,480
State grants	1,782,964
Gifts	1,104,985
Net Cash Flows Provided by Non-Capital Financing Activities	<u>15,710,596</u>
Cash Flows from Capital Financing Activities	
General obligation bond proceeds	8,750,000
Federal capital grants	151,733
State capital grants	3,821,281
Capital gifts	58,770
Purchases of capital assets	(9,572,734)
Principal paid on capital debt and lease	(744,096)
Interest paid on capital debt and lease	(1,567,037)
Net Cash Used by Capital Financing Activities	<u>897,917</u>
Cash Flows from Investing Activities	
Interest on deposits	813,782
Net Cash Provided by Investing Activities	<u>813,782</u>
Increase in cash and cash equivalents	8,237,278
Cash - beginning of year	<u>6,018,482</u>
Cash - end of year	<u>\$ 14,255,760</u>

(Continued)

**COASTAL CAROLINA UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2003**

Reconciliation of net operating loss to net cash used by operating activities:	
Operating loss	\$ (14,000,252)
Depreciation expense	2,318,304
Net proceeds from operation of loan program	(69,486)
Bad debt expense	97,143
Net change in funds held for others	196,760
Change in current assets and liabilities	
Accounts receivable	70,868
Grants and contracts receivable	805,742
Inventories	4,644
Prepaid expenses	(24,691)
Deferred revenue	205,150
Accounts payable	471,020
Retainage payable	338,921
Accrued compensated absences	129,416
Accrued payroll	271,444
Net cash used by operating activities	\$ <u>(9,185,017)</u>

Supplemental disclosure:

Non-cash transactions:	
Operating activities–donated goods and supplies	\$ <u>110,950</u>

The accompanying notes are an integral part of these statements.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Coastal Carolina University is a public, mid-sized (6,000 students) comprehensive liberal arts institution offering baccalaureate degrees in the traditional liberal arts and sciences, interdisciplinary studies, and professional schools, along with Master's degrees in several specialized areas. The campus primarily serves its immediate five-county area, while honoring its commitment to the citizens of Horry County who founded the University and continue to provide funding to it. Recognizing its responsibility to ensure a student population that is diverse both culturally and geographically, the institution also aggressively recruits statewide, out-of-state, and internationally.

Reporting Entity: The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The University is part of the primary government of the State of South Carolina. 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.

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

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

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

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

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

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Inventories and Prepaid Items: Inventories are carried at the lower of cost or market determined by moving weighted average basis. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 12 to 50 years for buildings and improvements and land improvements and 3 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

Deferred Revenues and Deposits: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Also included are non-operating state grant funds received but not yet expended for their restricted purpose and football tickets sold in advance.

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

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

Federal Perkins Loans Receivable and Related Liability: The loans receivable on the balance sheet are due to the University under the federal Perkins loan program. This program is funded primarily by the federal government with the University providing a required match. The amount reported as Perkins liability is the amount of cumulative federal contributions and a pro-rata share of net earnings on the loans under this program which would have to be repaid to the federal government if the University ceases to participate in the program.

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.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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

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

Classification of Revenues: The University has classified its revenues as either operating or non-operating 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.

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

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenue, 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. Scholarships for certain individuals that are required by state law or out-of-state fee differential abatements facilitated by intra-state agreements are recorded as neither tuition and fee revenue nor scholarship allowance.

Sales and Services of Educational and Other Activities: Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from grant-related activities, rental of University space, travel-study courses, research and public service centers, and the physical education center.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by housing, bookstore, vending/canteen, food service and health service activities. Transactions between the University and its auxiliary enterprises activities have been eliminated.

Rebatable Arbitrage: Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate of return, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Governments are exempt from the rebate requirement if they meet certain temporary investment tests, if their bond proceeds are “available construction proceeds”, or if they issue no more than \$5 million in total of all such debt in a calendar year. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Potential rebate liability must be calculated annually, and the actual liability must be paid every five years or at maturity of the debt, whichever is earlier. The University has no rebatable arbitrage liability at June 30, 2003.

Income Taxes: The University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

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 expenditures 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, CASH EQUIVALENTS AND OTHER DEPOSITS

All deposits 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 within the notes to the statement of net assets amounts:

<u>Statement of Net Assets</u>		<u>Notes</u>	
Cash and Cash Equivalents (current)	\$ 14,009,235	Cash on hand	\$ 36,688
Cash and Cash Equivalents (non-current)	<u>246,525</u>	Deposits held by State Treasurer	<u>14,219,072</u>
Totals	<u>\$ 14,255,760</u>		<u>\$ 14,255,760</u>

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2003, all State Treasurer bank balances were fully insured or collateralized with securities held by the State or by its agents in the State's name.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name.

Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Restricted current assets at June 30, 2003 include restricted cash deposits of \$941,790 for governmental scholarships and contracts, \$6,095,756 for capital projects, and \$30,854 held in endowment earnings. Restricted non-current assets include restricted cash deposits of \$103,546 in endowment funds and \$112,125 in the Federal Perkins loan program.

NOTE 3—ACCOUNTS RECEIVABLE

Current accounts receivable as of June 30, 2003, are summarized as follows:

Student accounts receivable	\$ 401,777
Less allowance for uncollectibles	(82,250)
Student accounts receivable, net	<u>319,527</u>
Third party receivables	165,108
Accrued interest and endowment income receivable	146,110
Federal grants and contracts receivable	503,779
State grants and contracts receivable	216,199
Other grants and contracts receivable	41,832
Related party receivables	
Coastal Educational Foundation, Inc.	780,356
Coastal Carolina Booster Club, Inc.	215,030
Other receivables	<u>150,871</u>
Net total receivables	<u><u>\$ 2,538,812</u></u>

Non-current receivables at year-end were as follows:

Loans to students	\$ 1,174,462
Less allowance for uncollectibles	(118,077)
Net loans to students	<u><u>\$ 1,056,385</u></u>

Allowances for uncollectible accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

NOTE 4—LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise all of the loans receivable as of June 30, 2003. 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 decides to exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the United States Department of Education. At June 30, 2003, the allowance for uncollectible student loans is valued at \$118,077.

NOTE 5—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 is summarized as follows:

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

	Balance July 1, 2002	Additions	Retirements	Balance June 30, 2003
Capital assets not being depreciated:				
Land	\$ 164,138	\$ 30,127	\$ -	\$ 194,265
Construction in progress	675,472	8,244,026	(675,472)	8,244,026
Total capital assets not being depreciated	<u>839,610</u>	<u>8,274,153</u>	<u>(675,472)</u>	<u>8,438,291</u>
Other capital assets:				
Land improvements	1,548,897	244,145	-	1,793,042
Buildings and improvements	87,044,743	1,410,117	-	88,454,860
Equipment	3,886,073	380,720	(62,209)	4,204,584
Vehicles	373,278	102,850	(30,254)	445,874
Total other capital assets at historical cost	<u>92,852,991</u>	<u>2,137,832</u>	<u>(92,463)</u>	<u>94,898,360</u>
Less accumulated depreciation for:				
Land improvements	(494,700)	(105,049)	-	(599,749)
Buildings and improvements	(14,088,046)	(1,869,646)	-	(15,957,692)
Equipment	(1,708,704)	(299,027)	62,209	(1,945,522)
Vehicles	(237,603)	(44,582)	30,254	(251,931)
Total accumulated depreciation	<u>(16,529,053)</u>	<u>(2,318,304)</u>	<u>92,463</u>	<u>(18,754,894)</u>
Other capital assets, net	<u>76,323,938</u>	<u>(180,472)</u>	<u>-</u>	<u>76,143,466</u>
Capital assets, net	<u>\$ 77,163,548</u>	<u>\$ 8,093,681</u>	<u>\$ (675,472)</u>	<u>\$ 84,581,757</u>

Major outlays for capital assets and improvements are capitalized as they are constructed. Interest incurred during the construction phase may be capitalized or expensed depending on, among other things, whether the source of funding specifies that it may be used only for the acquisition of specified qualifying assets, and, in certain cases, the amount of interest earnings on unexpended debt proceeds. During the year ended June 30, 2003, the University expensed \$175,647 of construction interest.

Construction Commitments

The University has active construction projects as of June 30, 2003. The projects include construction of a multi-use athletic facility and renovation of existing campus facilities. At year end, the University's commitments with contractors were \$4,300,378, of which \$1,035,171 was for renovations and \$3,265,207 was for new construction. The University anticipates funding these projects out of current resources, current bond issues, private gifts, student fees, and state capital improvement bond proceeds.

NOTE 6—ENDOWMENTS

The University holds one permanent endowment of \$100,000. The cash and cash equivalents, with a fair market value at June 30, 2003 of \$134,400 are recorded in non-current assets, restricted cash. If a donor has not provided specific instructions otherwise, section 34-6-20 of the South Carolina Code of laws permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) over historical dollar value of the endowment funds. The income earned on the endowment is spent for the purpose for which it was established, faculty research support. It is the University's policy to authorize and spend investment income only to the extent it is available at the most recent June 30. At June 30, 2003, the income available to be spent was \$30,854.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 7—DEFERRED REVENUE

Deferred revenue at year-end is comprised of tuition prepayments of \$547,418, state grant funds of \$1,242,301, and advance football ticket sales of \$106,438.

NOTE 8—LEASE OBLIGATIONS

The University entered a capital lease purchase agreement for eleven pianos on August 1, 2001, payable in annual installments at an effective interest rate of 8.150%. This lease has remaining non-cancelable terms in excess of one year. The carrying value of assets held under this capital lease totaled \$330,024 as of June 30, 2003. Accumulated depreciation of this equipment totaled \$31,050 at June 30, 2003. Future commitments for the capital lease as of June 30, 2003 are as follows:

<u>Year ending June 30</u>	<u>Capital Lease Payments</u>
2004	\$ 57,286
2005	57,286
2006	57,286
2007	57,286
2008	57,286
Total minimum lease payments	<u>286,430</u>
Less: Interest	58,360
Executory and other costs	11,092
Present value of minimum lease payments	<u>\$ 216,978</u>

The University also leases copiers in accordance with operating leases with fixed annual payments and terms of one year or less. Copier lease payments for the fiscal year were \$164,612.

NOTE 9—BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2003:

	<u>Balance at Inception</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance 30-Jun-03</u>
Revenue Bonds				
Series 1994	\$ 13,895,000	6.125% to 6.875%	6/1/2017	\$ 3,975,000
Series 1999	24,545,000	4.875% to 5.3%	6/1/2026	<u>22,880,000</u>
Total Revenue Bonds				<u>26,855,000</u>
State Institution General				
Obligation Bonds	\$ 8,750,000	3.25% to 4.625%	9/1/2022	<u>8,750,000</u>
Total Bonds Payable				<u>\$ 35,605,000</u>

Revenue bonds are payable from and secured by a pledge of net revenues derived by the University from the operation of the facilities constructed with the bond proceeds, and by a pledge of additional funds, which are all

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

available funds and academic fees of the University except for those which are not (i) otherwise designated or restricted; (ii) funds derived from state appropriations; and (iii) tuition funds pledged to the repayment of state institution bonds, if any. The University has also secured insurance contracts for its revenue bonds, which guarantee payment of principal and interest, in the case such required payment has not been made, for a period equal to the final maturity of the bonds. Certain of the bonds payable are callable at the option of the University.

State institution bonds are general obligation bonds are backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged in the amount of \$100 per full time student and \$10 per graduate credit hour. The legal debt margin for general obligation bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bonds fees for the preceding year were \$841,252, which results in a legal annual debt service of June 30, 2003 of \$757,127. There were no annual debt service payments for general obligation bonds for the fiscal year ended June 30, 2003. The first scheduled payment on these bonds of \$607,070 due in fiscal year 2004.

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

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
<u>Revenue Bonds</u>	2004	745,000	1,438,713	2,183,713
	2005	785,000	1,399,956	2,184,956
	2006	825,000	1,359,063	2,184,063
	2007	875,000	1,315,929	2,190,929
	2008	915,000	1,270,041	2,185,041
	2009-2013	5,365,000	5,567,814	10,932,814
	2014-2018	6,290,000	3,961,475	10,251,475
	2019-2023	6,370,000	2,289,600	8,659,600
	2024-2026	4,685,000	505,355	5,190,355
		<u>\$ 26,855,000</u>	<u>\$ 19,107,946</u>	<u>\$ 45,962,946</u>

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
<u>General Obligation Bonds</u> <u>(State Institution Bonds)</u>	2004	260,000	347,070	607,070
	2005	270,000	338,457	608,457
	2006	285,000	329,439	614,439
	2007	300,000	319,932	619,932
	2008	315,000	309,939	624,939
	2009-2013	1,850,000	1,364,788	3,214,788
	2014-2018	2,385,000	950,788	3,335,788
	2019-2023	3,085,000	364,785	3,449,785
		<u>\$ 8,750,000</u>	<u>\$ 4,325,198</u>	<u>\$ 13,075,198</u>

Defeased Debt

In prior years, the University defeased various bond issues by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The liability of the defeased bonds has been removed from the University's long-term debt and the trust account assets are not included in these statements. At June 30, 2003, \$7,600,000 of revenue bonds is outstanding defeased debt.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2003 was as follows:

	Balance			Balance		Due Within
	June 30, 2002	Additions	Reductions	June 30, 2003	One Year	
Bonds Payable						
General Obligation Bonds	\$ -	\$ 8,750,000	\$ -	\$ 8,750,000	\$ 260,000	
Revenue Bonds	27,565,000	-	710,000	26,855,000	745,000	
Total Bonds Payable	27,565,000	8,750,000	710,000	35,605,000	1,005,000	
Capital Lease Obligation	251,074	-	34,096	216,978	36,875	
Perkins loan fund liability	1,318,086	43,337	-	1,361,423	-	
Accrued Compensated Absences	1,451,289	253,776	124,360	1,580,705	127,180	
Total Long-Term Liabilities	\$ 30,585,449	\$ 9,047,113	\$ 868,456	\$ 8,764,106	\$ 1,169,055	

Additional information regarding Capital Lease Obligations is included in Note 8. Additional information regarding Bonds Payable is included in Note 9.

NOTE 11—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2003 are summarized as follows:

Functional Classification	Natural Classification						Total
	Personnel Costs and Benefits	Services and Supplies	Utilities	Scholarships	Depreciation		
Instruction	\$ 19,550,506	\$ 3,196,080	\$ 39,446	\$ -	\$ -	\$ -	22,786,032
Research	441,013	297,899	4,272	-	-	-	743,184
Public Service	845,297	444,300	624	-	-	-	1,290,221
Academic Support	3,045,391	982,316	4,979	-	-	-	4,032,686
Student Services	5,186,995	2,830,029	36,598	-	-	-	8,053,622
Institutional Support	4,396,500	1,152,396	96,298	-	-	-	5,645,194
Plant Operation	3,321,953	1,550,278	1,394,021	-	-	-	6,266,252
Scholarships	253,938	-	-	4,376,779	-	-	4,630,717
Auxiliary Enterprises	878,210	1,297,485	519,439	-	-	-	2,695,134
Depreciation	-	-	-	-	2,318,304	-	2,318,304
Total Expenses	\$ 37,919,803	\$ 11,750,783	\$ 2,095,677	\$ 4,376,779	\$ 2,318,304	\$ -	\$ 58,461,346

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 12—PENSION PLANS

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

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

South Carolina Retirement System

The majority of employees of Coastal Carolina 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.

Employees participating in the SCRS are required to contribute 6.0 percent of all compensation. Effective July 1, 2002, the employer contribution rate became 10.85 percent, which included a 3.15 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, 2003, 2002, and 2001, were \$1,448,596, \$1,319,320, and \$1,278,296, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, Coastal Carolina University paid employer group-life insurance contributions of \$28,780 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees who are policemen and firemen 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.

Employees participating in the PORS are required to contribute 6.5 percent of all compensation. Effective July 1, 2002, the employer contribution rate became 13.85 percent, which, as for the SCRS, included the 3.15 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2003, 2002, and 2001 were \$36,943, \$33,269, and \$33,327, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$717 and accidental death insurance contributions of \$717 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Optional Retirement Program

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

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.15 percent from the employer in fiscal year 2003.

Certain of the Coastal Carolina University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$568,788 (excluding the surcharge) from the University as employer and \$452,017 from its employees as plan members. 5.85 percent of all contributions was remitted to the Retirement Division of the State Budget and Control Board and 11 percent of all contributions was remitted directly to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of Coastal Carolina 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. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

NOTE 13—POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of Coastal Carolina University are eligible to receive these benefits. The State provides postemployment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to Coastal Carolina University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

Coastal Carolina University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$2,227,030 for the year ended June 30, 2003. As discussed in Note 12, the University paid \$852,988 applicable to the 3.15 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to Coastal Carolina 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.

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

NOTE 14—RELATED PARTIES

Certain separately chartered legal entities whose activities are related to those of the University exist primarily to provide financial assistance and other support to the University and its educational program. Financial statements for these entities are audited by independent auditors and retained by them. They include (the) Coastal Educational Foundation, Inc., the Horry County Higher Education Commission, the Georgetown County Advisory Board for Coastal Carolina University, the Coastal Carolina Booster Club, Inc. and the Coastal Carolina University Student Housing Foundation, Inc. The activities of these entities are not included in the University's financial statements. However, the University's statements include transactions between the University and these related parties.

To comply with GASB Statement No. 14, *The Financial Reporting Entity*, management annually reviews its relationships with the related parties described above to determine if they should be included as component units in the University's financial statements. The University has excluded these related parties from the reporting entity because it is not financially accountable for them. However, the Government Accounting Standards Board has issued Statement No. 39, *Determining Whether Certain Organizations are Components Units*, which provides additional guidance to determine if an entity meets criteria to be included as a component unit. Accordingly, management will again review its relationship with these entities to determine if some or all of them meet the criteria of a component unit requiring discrete presentation in the University's financial statements beginning in the fiscal year ending June 30, 2004.

Following is a discussion of each of these entities and a summary of significant transactions (if any) between these entities and the University for the year ended June 30, 2003.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

~The Coastal Educational Foundation, Inc.~

The Coastal Educational Foundation Inc. is a separately chartered corporation organized to receive and manage private funds for the benefit and support of the University. The Foundation's activities are governed by its Board of Directors. The Foundation provides funds to the University to support programs such as scholarships and faculty development and to acquire plant and equipment.

The Foundation owns parcels of real property on which portions of the University's campus is located. The Foundation does not charge rent for the use of most of this property. The University, in turn, provides operational and fundraising staff for which it does not charge the Foundation. The University does lease from the Foundation one parcel of land and two buildings under terms of annually renewable leases. During the year, the University paid the Foundation \$23,570 to lease this real property. In addition, land under certain University-owned buildings was transferred in fiscal year 2003 from the Foundation to the University. This land had an historical value of \$30,127.

During the year ended June 30, 2003, the University recorded other non-operating gift revenues of \$512,926 and gifts for capital purchases of \$32,146, received from donors through the Foundation during fiscal 2003. Of those amounts, \$780,356 was receivable at year-end. Also included in the receivable is interest in stock held by the Foundation in the amount of \$275,000, which was receivable at June 30, 2003.

~The Horry County Higher Education Commission~

The Horry County Higher Education Commission was created by Act No. 114 in the 1959 Session of the South Carolina General Assembly. The Commission is composed of sixteen members who are appointed by the Horry County Legislative Delegation. The Commission is responsible for providing resources to meet the goals and carry out the mission of Coastal Carolina University, and to expend funds, including proceeds of bonds issued by Horry County, to provide buildings and equipment for the University. The Commission receives an annual appropriation from Horry County to accomplish these objectives. In fiscal year 2002, the County levied a .7 mill property tax to fund its appropriation to the Commission.

During the year ended June 30, 2003, the University recorded the \$243,480 it received from the Commission as local appropriation revenue. The Commission also made direct payments on behalf of the University totaling \$537,307. Included in this total is debt service on Horry County general obligation bonds of \$526,313.

The University leases real property from the Commission under terms of an annual lease. During fiscal 2003, rent paid was \$24,000, none of which was payable at year-end.

~Georgetown County Advisory Board for Coastal Carolina University~

Georgetown County annually appropriates funds to support the mission of the Georgetown campus of Coastal Carolina University. The Georgetown County Advisory Board for Coastal Carolina University is responsible for the budgeting and distribution of these funds. During the year ending June 30, 2003, the University recorded no revenue from the Advisory Board. Expenditures made on behalf of the University for development of facilities in Georgetown County were approximately \$122,000.

~The Coastal Carolina Booster Club, Inc.~

The Coastal Carolina Booster Club, Inc. (Chanticleer Club) is incorporated under the laws of South Carolina as the University's athletic fund raising organization. Contributions to the Chanticleer Club are used for athletic scholarships, and facility and program development. During the year, the University reported \$194,441 as non-

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

operating gift revenue from the Chanticleer Club. Of this amount, \$173,000 was receivable at June 30, 2003, as was an additional \$42,030 which the Club was holding for the University.

~CCU Student Housing Foundation~

The CCU Student Housing Foundation was organized in June 2002 to provide student housing near the campus of the University in Conway, South Carolina. Its initial project includes residence buildings and a clubhouse located approximately one-half mile from the University's main campus. The housing will be available to students in the fall semester of 2003.

The project is being financed by revenue bonds issued by the South Carolina Jobs-Economic Development Authority (JEDA). JEDA has issued two series of variable rate demand revenue bonds, CCU Project Series 2002A, issued in the amount of \$19,880,000, which is tax exempt, and CCU Project Series 2002B, issued in the amount of \$440,000, which is not tax-exempt. Both series have been issued under terms of a Trust Indenture between JEDA and Wachovia Bank, NA, Trustee. JEDA, in turn, has loaned the bond proceeds to the Foundation pursuant to a Loan Agreement, terms of which mirror those of the Trust Indenture.

The Foundation has entered into a management agreement with Coastal Carolina University to market, operate, and maintain the project beginning August 1, 2003. The agreement is for one year and provides that the University will receive as compensation 4 per cent of collected revenues. The agreement also provides that the University will receive an additional 2 per cent of collected revenues after applicable debt ratios and bond covenants are met.

Transactions with the State of South Carolina

The University has significant transactions with the State of South Carolina and various state agencies. The University receives various business, banking and legal services at no cost and purchases various goods and services from State agencies and component units. The amounts of such expenditures for 2003 are not readily available. At June 30, 2003, accounts receivable included \$224,853 due from other state agencies for federal and state sponsored projects, and accounts payable included \$320,541 due to other state agencies, primarily for remittance of employee benefits.

NOTE 15—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.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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
- Natural disasters
- Malpractice by counselors and athletic trainers

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 losses arising from theft or misappropriation and for officers' and directors' errors and omissions.

NOTE 16—CONTINGENCIES AND LITIGATION

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.

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF INFORMATION ON BUSINESS-TYPE ACTIVITIES REQUIRED FOR THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES IN THE STATE COMPREHENSIVE
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2003

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>
Charges for services	\$ 44,461,094	\$ 37,473,069	\$ 6,988,025
Operating grants and contributions	1,976,491	1,401,386	575,105
Capital grants and contributions	210,503	1,257,625	(1,047,122)
Less: expenses	<u>(60,227,632)</u>	<u>(51,847,725)</u>	<u>(8,379,907)</u>
Net program revenue (expense)	<u>(13,579,544)</u>	<u>(11,715,645)</u>	<u>(1,863,899)</u>
General revenues:			
Earnings on investments	-	-	-
Special items	-	-	-
Extraordinary items	-	-	-
Contributions to permanent and term endowments	-	-	-
Transfers:			
State appropriations	12,579,167	14,110,923	(1,531,756)
State capital improvement bond proceeds	3,821,281	158,039	3,663,242
Other transfers in from state agencies	<u>620,695</u>	<u>107,719</u>	<u>512,976</u>
Total general revenue and transfers	<u>17,021,143</u>	<u>14,376,681</u>	<u>2,644,462</u>
Changes in net assets	3,441,599	2,661,036	780,563
Net assets - beginning	<u>55,099,804</u>	<u>52,438,768</u>	<u>2,661,036</u>
Net assets - ending	<u>\$ 58,541,403</u>	<u>\$ 55,099,804</u>	<u>\$ 3,441,599</u>

COASTAL CAROLINA UNIVERSITY
SCHEDULE RECONCILING STATE APPROPRIATION PER THE FINANCIAL STATEMENTS
TO STATE APPROPRIATION RECORDED IN STATE ACCOUNTING RECORDS
For the Year Ended June 30, 2003

Following is a reconciliation of the original base budget amount presented in the General Funds Column of Section 5F of Part IA of the 2002-2003 Appropriation Act enacted by the South Carolina General Assembly to state appropriations revenue reported in the financial statements for the year ended June 30, 2003:

Non-capital appropriation:	
Original appropriation	\$ 13,707,541
Less, appropriation reductions	
Mid-year reduction, 5%	(687,909)
Second mid-year reduction, 3.73%	(487,566)
Total reductions	<u>(1,175,475)</u>
State Budget and Control Board allocations for	
Employee base pay increases and related employee benefits	36,787
SC Endowment Incentive Act of 1997	
Total non-capital appropriation	<u>\$ 12,579,167</u>
Capital improvement bond proceeds:	
Capital improvement bond proceeds recognized in current year financial statements	\$ 3,821,281
Less amount receivable at June 30, 2003	<u>(11,281)</u>
Capital improvement bond proceeds per South Carolina Comptroller General's schedule	
of capital improvement draws for the year ended June 30, 2003	<u>\$ 3,810,000</u>

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF TUITION FEES FOR THE YEAR ENDED JUNE 30, 2003
For the Year Ended June 30, 2003

South Carolina Code of Laws Section 59-107-90 requires that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees (as defined by Code Section 59-107-30) for the preceding year. The applicable amount for the year ended June 30, 2003 is as follows:

Amount of tuition fees as defined by Code Section 59-107-30 for the fiscal year ended June 30, 2003 \$ 841,252

Legal annual debt service limit at June 30, 2003 \$ 757,127

COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



STATISTICAL SECTION

The statistical information presented in this section is provided by the Coastal Carolina University Office of the Executive Vice President and is unaudited.

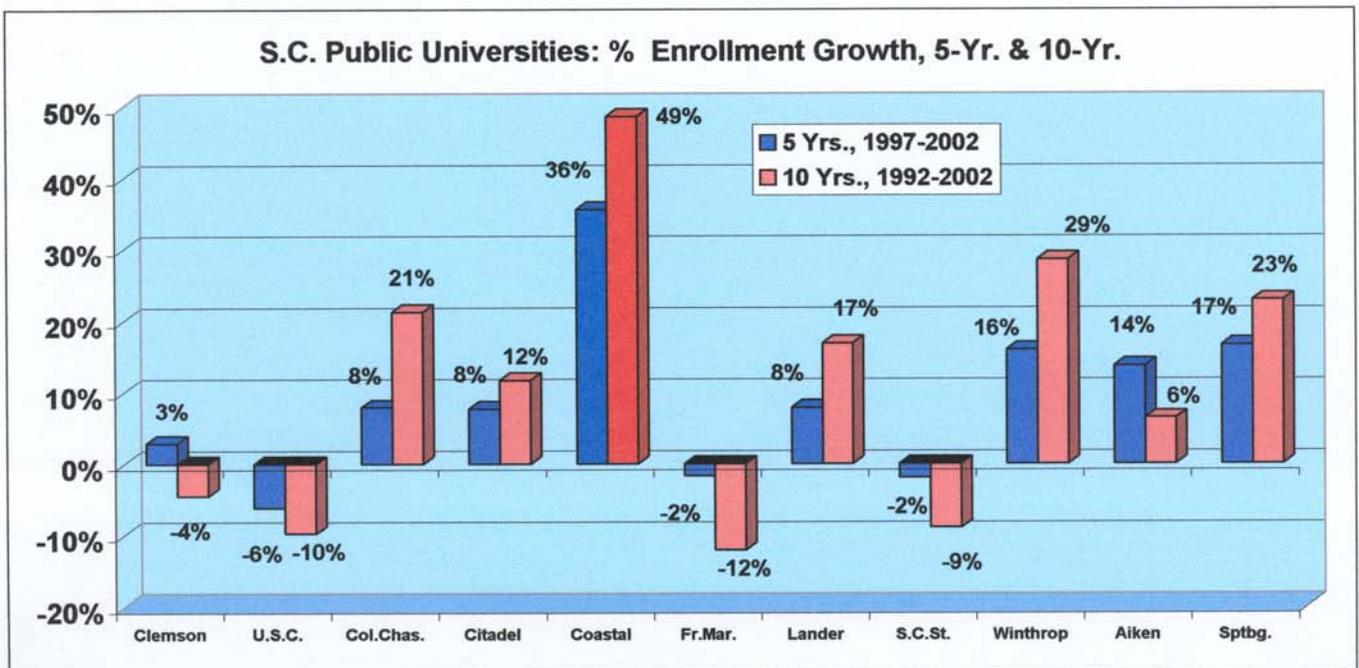
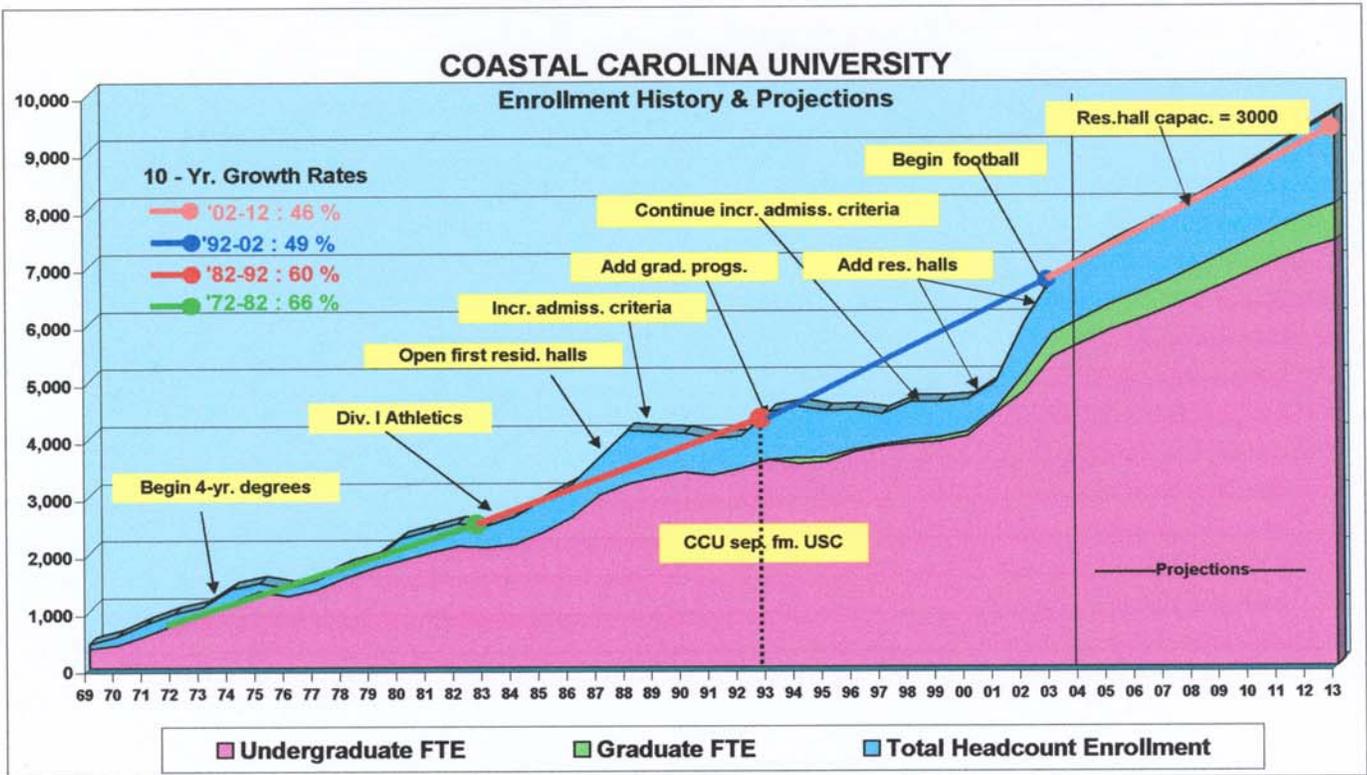
ENROLLMENT FACTS, FALL 2003

- Total Enrollment – 6,780; Graduate 1,170, Undergraduate 5,610
- FTE Enrollment – 5,795; Graduate 403; Undergraduate 5,392
- SC Residents – 63% (graduate and undergraduate)
- Male/Female Ratio – 44%:56%
- Full-Time Students, Undergraduate – 88%
- Traditional Age Students (25 & Under), Undergraduate– 87%
- Students Living on Campus (including University Place) – 1,844

ENROLLMENT TRENDS

Coastal Carolina University has experienced more than three decades of sustained growth. The graph on the facing page tracks both the headcount enrollment and the full-time equivalent (FTE) enrollment since 1969. Based on this long trend line, and on admissions data and projections, projections for the next decade are assumed to continue the trend. The growth rate for succeeding decades actually decreases in percentage growth. As demonstrated on some of the following pages, not only the number but the quality of Coastal's students has continued to increase. The overall upward spiral of increased reputation of the university, combined with improved academic, athletics, and campus life programs, have resulted in a broader and better qualified pool of applicants as well as a geographically broader interest in Coastal Carolina University.

Coastal Carolina University has exceeded all other South Carolina public universities in percentage growth, when compared over the last five-year as well as the last ten-year periods. Coastal's ten-year growth in total headcount enrollment of 49 percent reflects the dramatic changes which have occurred throughout the institution during the past decade.



COASTAL CAROLINA UNIVERSITY
20 YR. ENROLLMENT HISTORY AND 10 YR. PROJECTIONS

Fall Semester													
FALL Semester	Headcount Enrollment					FULL-TIME		F.T.E. Enrollment					
	Undergrad	% Growth	Graduate	% Growth	Total	% Growth	Enroll.	% Growth	Undergrad.	Grad.	Total	% Growth	
1982	2,512		0		2,512		1,761		2,113		2,113		
1983	2,470	-1.7%	0		2,470	-1.7%	1,742	-1.1%	2,093		2,093	-0.9%	
1984	2,631	6.5%	0		2,631	6.5%	1,810	3.9%	2,148		2,148	2.6%	
1985	2,923	11.1%	0		2,923	11.1%	2,005	10.8%	2,353		2,353	9.5%	
1986	3,176	8.7%	0		3,176	8.7%	2,266	13.0%	2,607		2,607	10.8%	
1987	3,650	14.9%	0		3,650	14.9%	2,587	14.2%	3,005		3,005	15.3%	
1988	4,135	13.3%	0		4,135	13.3%	2,747	6.2%	3,190		3,190	6.2%	
1989	4,101	-0.8%	0		4,101	-0.8%	2,922	6.4%	3,301		3,301	3.5%	
1990	4,080	-0.5%	0		4,080	-0.5%	3,008	2.9%	3,396		3,396	2.9%	
1991	3,983	-2.4%	0		3,983	-2.4%	2,974	-1.1%	3,340		3,340	-1.6%	
1992	4,023	1.0%	0		4,023	1.0%	3,113	4.7%	3,455		3,455	3.4%	
10 Yr. Summary, 1982-1992													
10 Yr.Tot.		60.2%				60.2%		76.8%		63.5%		63.5%	63.5%
10 Y.Av.*		6.0%		0.0%		6.0%		7.7%					6.4%
1992	4,023		0		4,023		3,113		3,455		3,455		
1993	4,194	4.3%	259		4,453	10.7%	3,032	-2.6%	3,610		3,610	4.5%	
1994	4,198	0.1%	344	32.8%	4,542	2.0%	3,270	7.8%	3,541	105	3,646	1.0%	
1995	4,200	0.0%	268	-22.1%	4,468	-1.6%	3,098	-5.3%	3,576	80	3,656	0.3%	
1996	4,304	2.5%	173	-35.4%	4,477	0.2%	3,393	9.5%	3,744	49	3,793	3.7%	
1997	4,283	-0.5%	125	-27.7%	4,408	-1.5%	3,547	4.5%	3,845	29	3,874	2.1%	
1998	4,487	4.8%	128	2.5%	4,615	4.7%	3,625	2.2%	3,894	49	3,943	1.8%	
1999	4,370	-2.6%	245	91.2%	4,615	0.0%	3,572	-1.5%	3,919	72	3,991	1.2%	
2000	4,254	-2.7%	399	62.9%	4,653	0.8%	3,687	3.2%	4,026	75	4,101	2.8%	
2001	4,771	12.2%	194	-51.4%	4,965	6.7%	4,013	8.8%	4,428	59	4,487	9.4%	
2002	5,058	6.0%	922	375.3%	5,980	20.4%	4,488	11.8%	4,796	299	5,095	13.6%	
10 Yr. Summary, 1992-2002													
10 Yr.Tot.		25.7%		168.0%		48.6%		44.2%	38.8%	184.8%	47.5%	47.5%	
10 Y.Av.*		2.6%		16.8%		4.9%		4.4%				4.7%	
2002	5,058		922		5,980		4,488		4,796	299	5,095		
2003	5,610	10.9%	1,170	26.9%	6,780	13.4%	5,015	11.7%	5,392	403	5,795	13.7%	
2004	5,857	4.4%	1,223	4.5%	7,079	4.4%	5,241	4.5%	5,635	421	6,055	4.5%	
2005	6,074	3.7%	1,278	4.5%	7,351	3.8%	5,461	4.2%	5,860	439	6,299	4.0%	
2006	6,256	3.0%	1,333	4.3%	7,588	3.2%	5,668	3.8%	6,036	459	6,494	3.1%	
2007	6,443	3.0%	1,390	4.3%	7,833	3.2%	5,838	3.0%	6,217	479	6,696	3.1%	
2008	6,669	3.5%	1,447	4.1%	8,116	3.6%	6,054	3.7%	6,428	500	6,928	3.5%	
2009	6,902	3.5%	1,505	4.0%	8,407	3.6%	6,272	3.6%	6,647	522	7,169	3.5%	
2010	7,137	3.4%	1,572	4.5%	8,710	3.6%	6,492	3.5%	6,860	545	7,404	3.3%	
2011	7,380	3.4%	1,651	5.0%	9,031	3.7%	6,719	3.5%	7,079	572	7,651	3.3%	
2012	7,601	3.0%	1,742	5.5%	9,343	3.5%	6,941	3.3%	7,263	603	7,867	2.8%	
2013	7,791	2.5%	1,846	6.0%	9,638	3.2%	7,170	3.3%	7,405	640	8,045	2.3%	
Projected, 2002-2012													
10 Yr.Tot.		50.3%		88.9%		56.2%		54.7%	51.4%	101.8%	54.4%	54.4%	
10 Y.Av.		5.0%		8.9%		5.6%		5.5%				5.4%	

NEW STUDENT ADMISSIONS, UNDERGRADUATE

FALL SEMESTER

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
APPLICATIONS RECEIVED							
Freshmen	2,354	2,473	2,420	2,533	3,094	3,603	4,526
Transfer	932	848	861	862	1,024	1,160	1,320
Other	549	570	535	557	591	448	446
Total	3,835	3,891	3,816	3,952	4,709	5,211	6,292
ACCEPTED FOR ADMISSION							
Freshmen	1,850	1,944	1,753	1,813	2,296	2,580	3,208
Transfer	725	654	667	699	766	852	949
Other	533	550	527	545	580	431	433
Total	3,108	3,148	2,947	3,057	3,642	3,863	4,590
Acceptances % of Applications	81%	81%	77%	77%	77%	74%	73%
DENIED ADMISSION							
Freshmen	374	415	567	669	710	906	1,008
Transfer	82	63	66	67	86	108	161
Other	4	9	1	2	3	2	8
Total	460	487	634	738	799	1,016	1,177
Denials % of Applications	12%	13%	17%	19%	17%	19%	19%
ENROLLED							
Freshmen	841	877	766	792	941	1,078	1,272
Transfer	502	457	470	486	513	545	626
Other	443	457	497	487	328	224	196
Total	1,786	1,791	1,733	1,765	1,782	1,847	2,094
Enrolled % of Applications	47%	46%	45%	45%	38%	35%	33%
PERCENT OF ACCEPTED APPLICANTS ENROLLING							
Freshmen	45%	45%	44%	44%	41%	42%	40%
Transfer	69%	70%	70%	70%	67%	64%	66%
Other	83%	83%	94%	89%	57%	52%	45%
Total	57%	57%	59%	58%	49%	48%	46%

QUALIFICATIONS OF ENTERING FRESHMEN

It is important to note that Coastal Carolina University's enrollment growth has been growth in quality as well as quantity of new students. The academic credentials of entering freshmen have improved steadily and significantly. Prior to 1988, Coastal functioned as an open-admissions institution. Admissions criteria were first increased for fall 1988, were increased again in 1993 at the time of separation from the University of South Carolina System, and again in fall 1997 and 1999. The 1997 and 1999 changes in criteria established minimums in both in SAT/ACT scores and in high school grade point averages on core subjects.

The graph on the facing page compares the past eight years of SAT scores for Coastal's entering freshmen to those of the state and national averages of SAT scores for the cohort of high school students taking the SAT. The fall 2003 average for Coastal's new freshmen of 1045 significantly exceeds the South Carolina statewide average. At the same time, the average high school grade point average (GPA) for first-time freshmen has increased from 2.74 to 3.27 during the seven-year period.

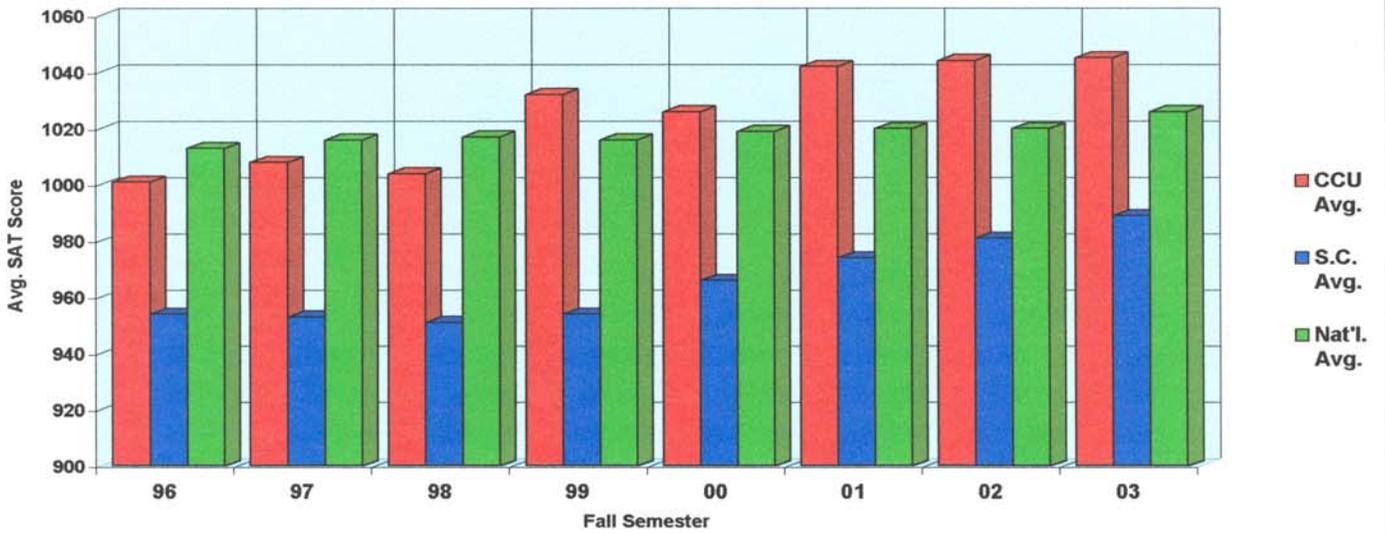
RETENTION

A high priority of President Ronald Ingle for Coastal Carolina University has been improving student retention. The one-year retention from the freshman to the sophomore year has increased more than 20 percentage points over the past twelve years.

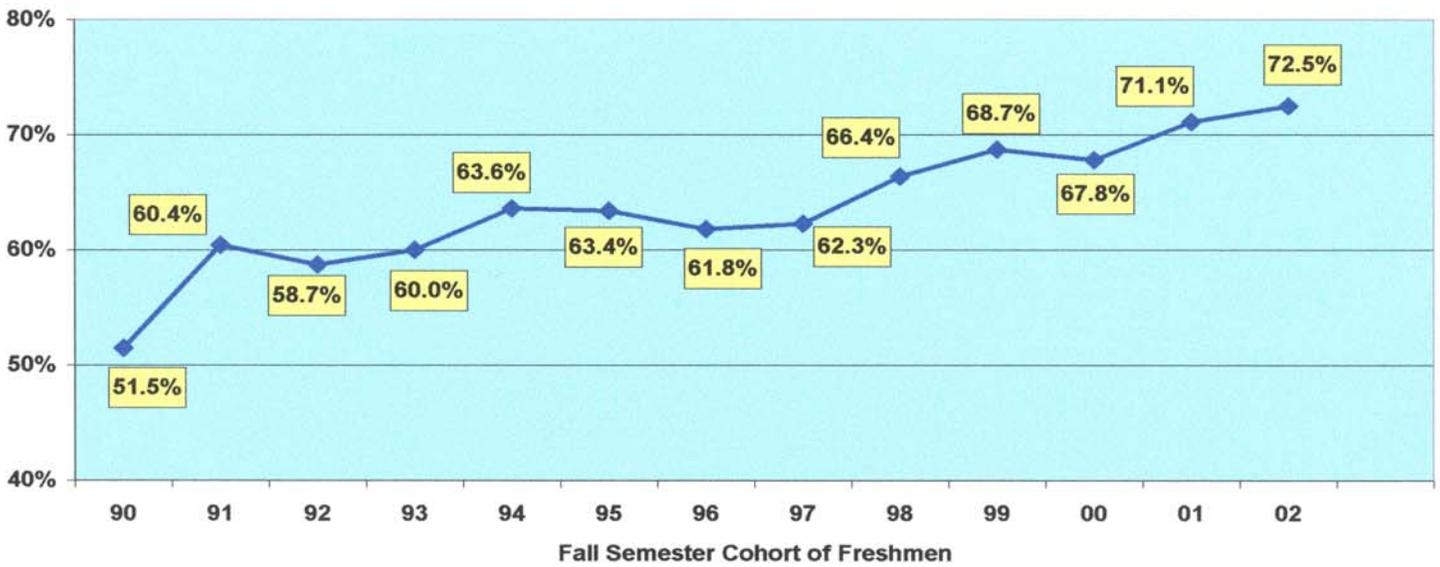
In the overall effort to improve retention, Coastal added a faculty mentoring program, freshman success seminars, and academic faculty and departmental incentives for improving retention within academic majors. A special focus has been on improving campus life. Examples include: a new residence hall (2000), a new residence hall complex adjacent to campus (2003), the wiring of all computer connections in the residence halls, adding an on-campus student health center, improving the snack bar and student cafeteria, environments and options, increasing emphasis on and access to intramural and intercollegiate sports, including the development of a women's soccer program (2001) and NCAA Division I AA football program fall 2003.

The Provost has also increased departmental resources to serve as a stimulus for special efforts targeted at retaining students majoring in that department. A new Vice President for Student Affairs joined the Coastal administration for fall 2003, bringing a renewed emphasis on student services and campus involvement for all students

**Coastal Carolina University Average SAT Scores, New Freshmen
Comparison with S.C. & National Averages**



**New Freshmen One-Year Retention
Percent of Full-Time Freshmen Who Return the Following Fall**



ACADEMIC DEPARTMENTS

Organization

The academic areas are organized into four colleges -- Business, Education, Science, and Humanities and Fine Arts. The university offers 36 baccalaureate degree programs and nine master's degree programs. Additionally, seven undergraduate and graduate degree programs are offered in cooperation with other South Carolina institutions.

Undergraduate Academic Majors

The number of majors enrolled in the traditional liberal arts and sciences has increased dramatically over the past decade. The proportion of majors is now almost evenly distributed between the professional colleges of business and education (48 percent) and the traditional liberal arts and sciences (52 percent). This distribution is characteristic of a mature and well-balanced university.

ACCREDITATIONS

SACS Accreditation

Coastal Carolina University is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools (SACS) to award the baccalaureate degree and the master's degree. Coastal offers masters degree programs in education and in marine and wetland studies. Coastal's reaffirmation was completed in December, 2001 with two commendations in the SACS report.

Other Accreditations

- AACSB – Association for the Advancement of Collegiate Schools of Business (College of Business)
- NCATE – National Council for Accreditation of Teacher Education (Teacher Education)
- NASAD – National Association of Schools of Art and Design (Studio Art Program)
- ABET – Accrediting Board for Engineering and Technology, Inc. (Computer Science Program)

ACADEMIC PROGRAMS

The academic areas are organized into four colleges – Business, Education, Science, and Humanities and Fine Arts. Coastal offers 36 programs leading to the baccalaureate degree, nine master’s degree programs, six cooperative programs with other South Carolina universities, and several international study opportunities.

	<u>COLLEGE</u>	<u>UNDERGRADUATE MAJORS</u>
Science	Biology Chemistry Computer Science <i>Theoretical option</i> <i>Information Systems option</i>	Marine Science Mathematics (Applied) Psychology Sociology
Humanities & Fine Arts	Art Studio Dramatic Arts English <i>Literature option</i> <i>Technical & Professional Writing option</i> Spanish	History Political Science Music Musical Theater Philosophy
Business	Accounting <i>Certified Public Accountant option</i> <i>Certified Managerial Accountant/</i> <i>Certified Financial Manager option</i> Finance	Management <i>International Tourism option</i> <i>Resort Tourism option</i> <i>Prof. Golf Mgmt option</i> Marketing <i>Prof. Golf Mgmt option</i>
Education	Early Childhood Education (Pre-K-4) Elementary Education (1-8) Middle Grades Education Special Education-Learning Disabilities	Physical Education <i>Teacher Certification (K-12)</i> <i>Recreation & Leisure Serv. Mgmt option</i> Health Promotion <i>Sports Medicine option</i>
Other	Interdisciplinary Studies	Gerontology Certificate

GRADUATE PROGRAMS

Master of Arts in Teaching
With a concentration in Art, English, Foreign Language, Mathematics, Music, Social Studies, and Science
Master of Education in Early Childhood Education, Educational Technology, Elementary Education, and Secondary Education
With a concentration in English, Natural Sciences, Mathematics, and Social Studies
Master of Science in Coastal Marine and Wetland Studies

COOPERATIVE PROGRAMS

Bachelor of Science in Engineering (with Clemson University)
Bachelor of Science in Nursing (with Medical University of South Carolina & Francis Marion University)
Master of Business Administration (with Winthrop University)
Professional Master of Business Administration (with University of South Carolina)
Master of Educational Administration (with University of South Carolina Graduate Regional Studies Program)
Doctorate in Educational Leadership, K-12 School Administration, Higher Education Administration (with Clemson University)

FACULTY

Faculty (Full-Time Employees) by College and Rank, Fall 2003

	Science	Humanities	Business	Education	Library
Professor	18	22	7	8	1
Associate Professor	20	20	9	7	5
Assistant Professor	24	33	12	9	2
Instructor/Other	14	13	2	3	1
Total	76	88	30	27	9

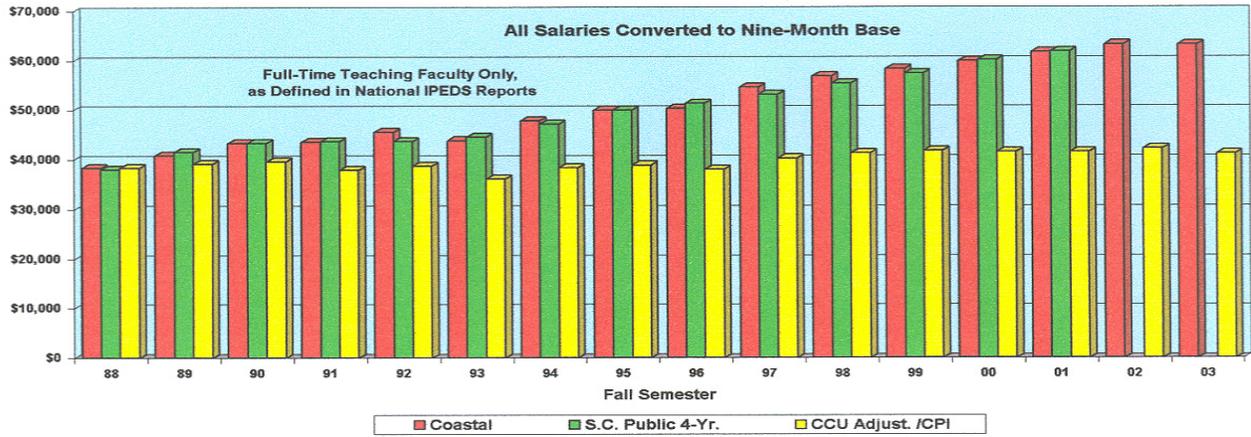
Summary, All Faculty

	<u>Fall 2003</u>
All Full-Time Employees with Faculty Rank	230
Full-Time Teaching Faculty	210
Ph.D. or Terminal Degree	83%
Tenured	53%
Total Part-Time Faculty	177
FTE of Total Part-Time Faculty	85
Total FTE Faculty	295

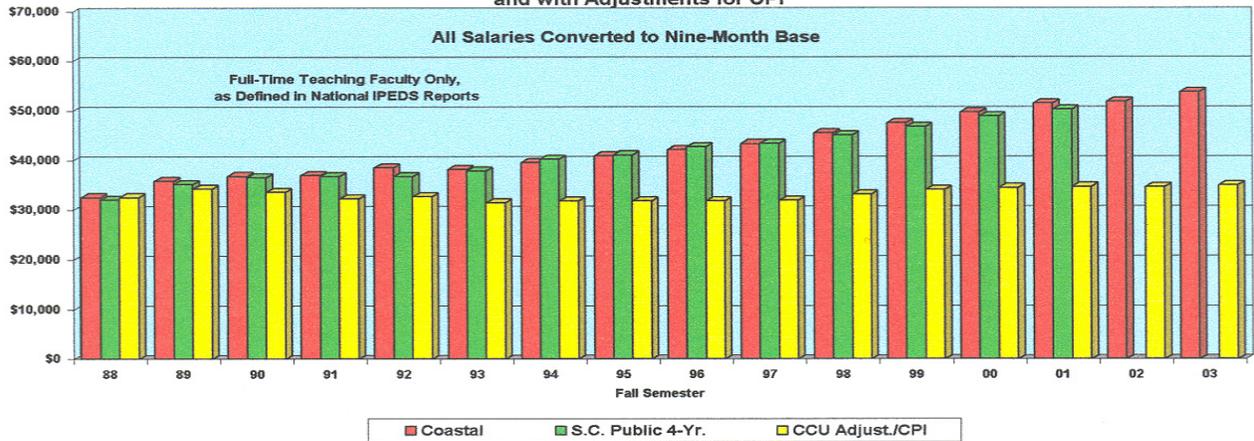
Average Nine-Month Salary, Fall 2003

Professor	\$63,123
Associate Professor	\$53,697
Assistant Professor	\$45,617
Instructor/Other	\$30,698
All Ranks	\$49,356

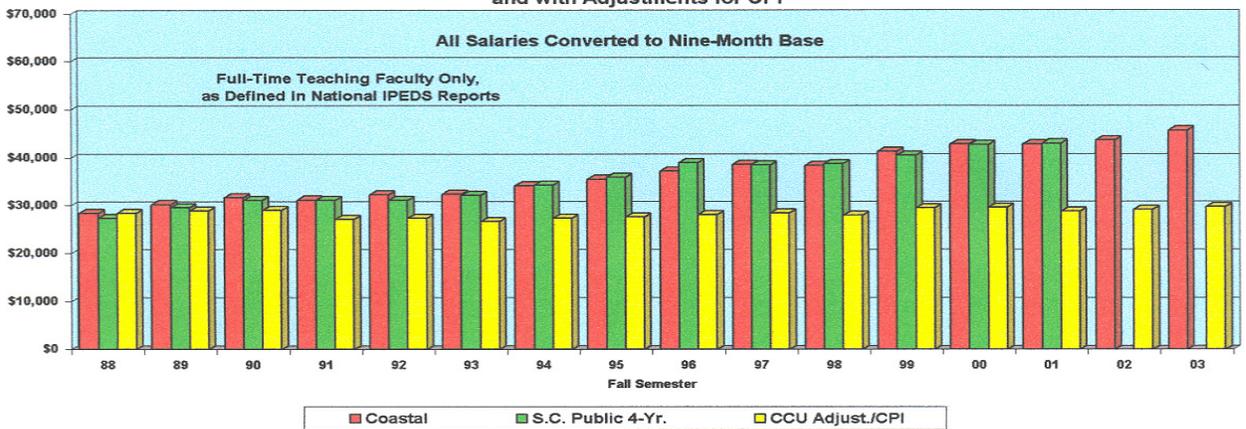
Coastal Carolina Faculty Salaries, Professor
Comparisons with S.C. Public 4 - Yr. Institutions
and with Adjustments for CPI



Coastal Carolina Faculty Salaries, Associate Professor
Comparisons with S.C. Public 4 - Yr. Institutions
and with Adjustments for CPI

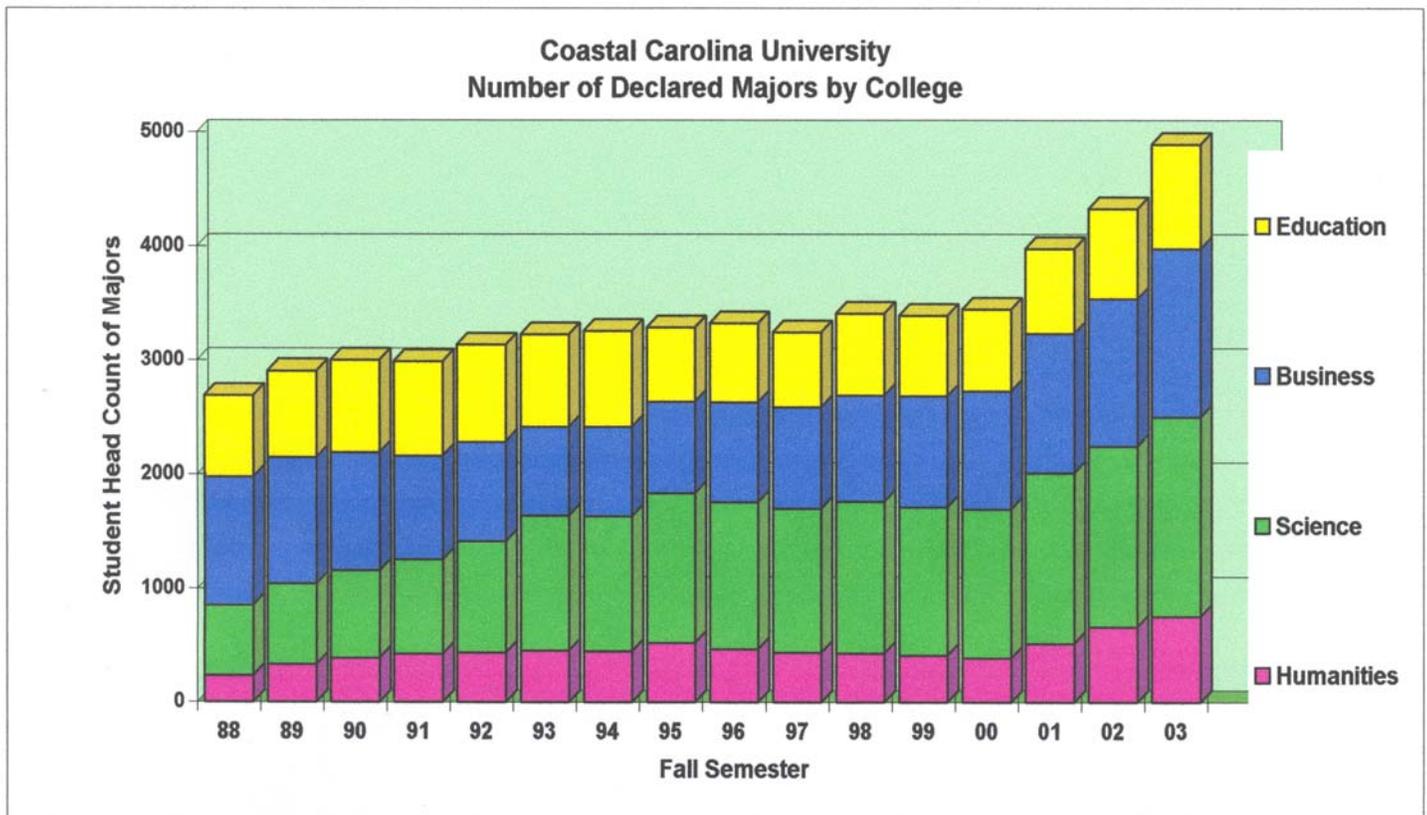


Coastal Carolina Faculty Salaries, Assistant Professor
Comparisons with S.C. Public 4 - Yr. Institutions
and with Adjustments for CPI



ACADEMIC MAJORS

Over the past 15 years, the distribution of students by undergraduate academic majors has changed significantly. The number of students declaring majors in the traditional arts and sciences has moved from approximately one-fourth of all majors to approximately one-half of all undergraduate majors. The proportion of majors is now almost evenly distributed between the professional colleges of business and education (48 percent) and the traditional liberal arts and sciences (52 percent). This distribution is characteristic of a mature and well-balanced university.



ACADEMIC MAJORS

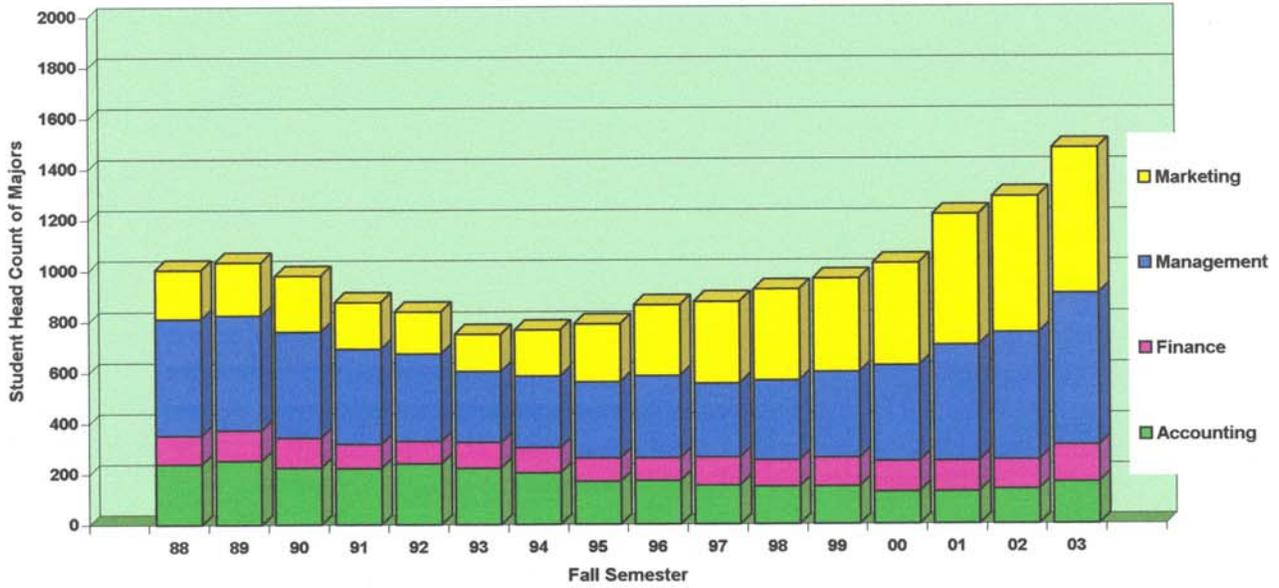
Science: The greatest growth has been in the sciences, which has grown from approximately 600 student majors in 1988 to 1,750 in 2003. The dramatic increase in science enrollments is primarily driven by marine science and biology. Marine Science, an interdisciplinary degree program involving marine geology, marine chemistry, and marine biology, enjoys a national reputation, drawing students from the entire eastern part of the United States. Coastal's science programs contain a substantial component of undergraduate research opportunities for students, reflecting the broad involvement of science faculty in scholarly activity as well as teaching.

Humanities: Although the number of declared majors in the humanities disciplines is relatively small compared to Coastal's other colleges, the large component of humanities courses in the core curriculum requires a substantial number of courses and faculty in this area. The number of humanities majors has recently experienced significant growth in all individual disciplines.

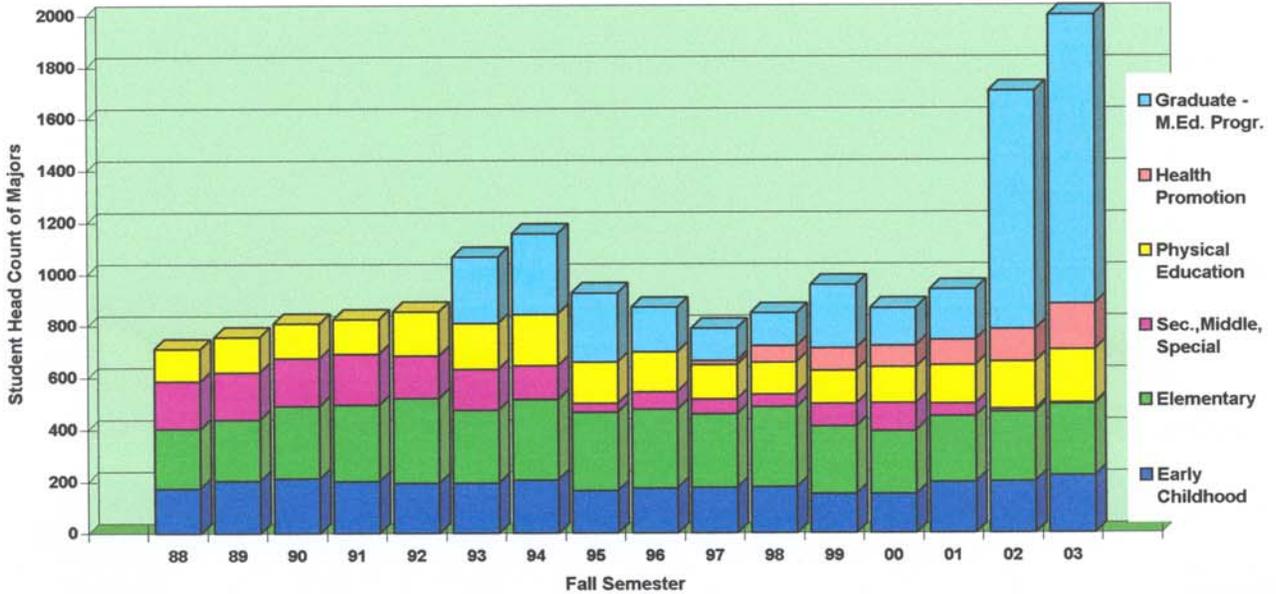
Business: The College of Business experienced a modest decline in the number of declared majors during the mid-90's, reflecting more a national trend at all universities, rather than being unique to Coastal Carolina University. The recent surge in enrollment reflects the development of the tourism and golf management options in the management and marketing degrees.

Education: The College of Education has made recent dramatic progress in its service to South Carolina teachers, offering graduate courses at the request of numerous school districts throughout the state. The health promotion major is growing rapidly, and the development of the new majors in middle school and special education reflect demand from both students and school districts. The graduate programs have increased significantly as a result of the addition of the MAT program, which is based on a broad number of academic disciplines.

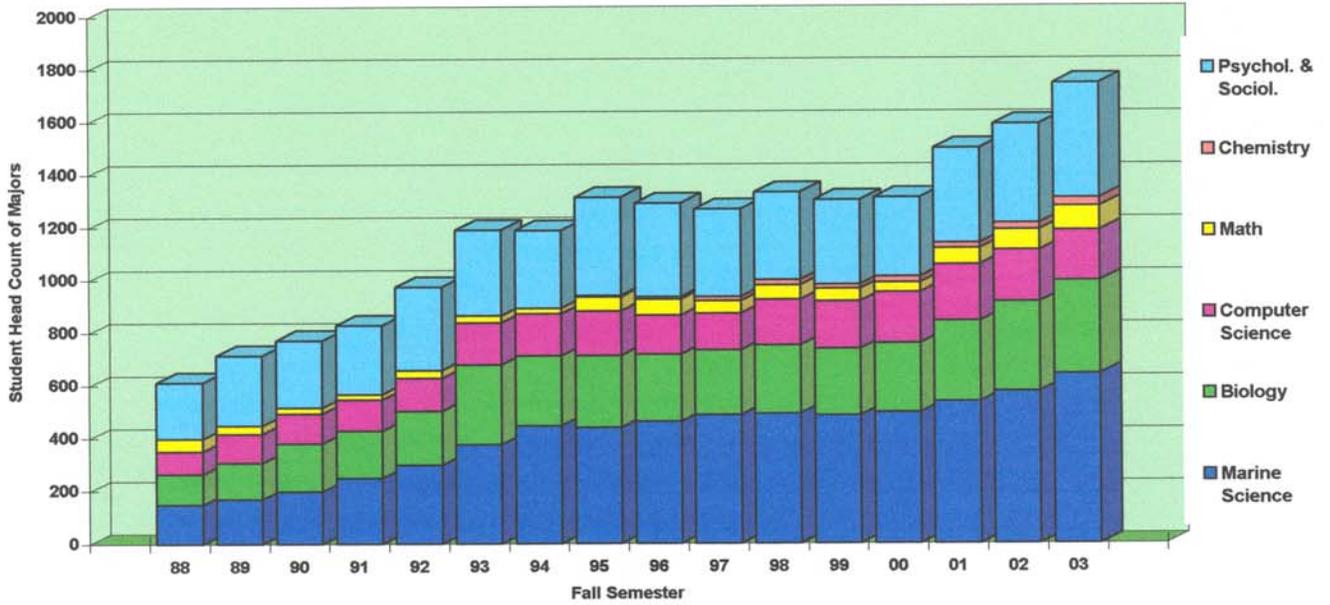
E. Craig Wall College of Business Number of Declared Majors by Discipline



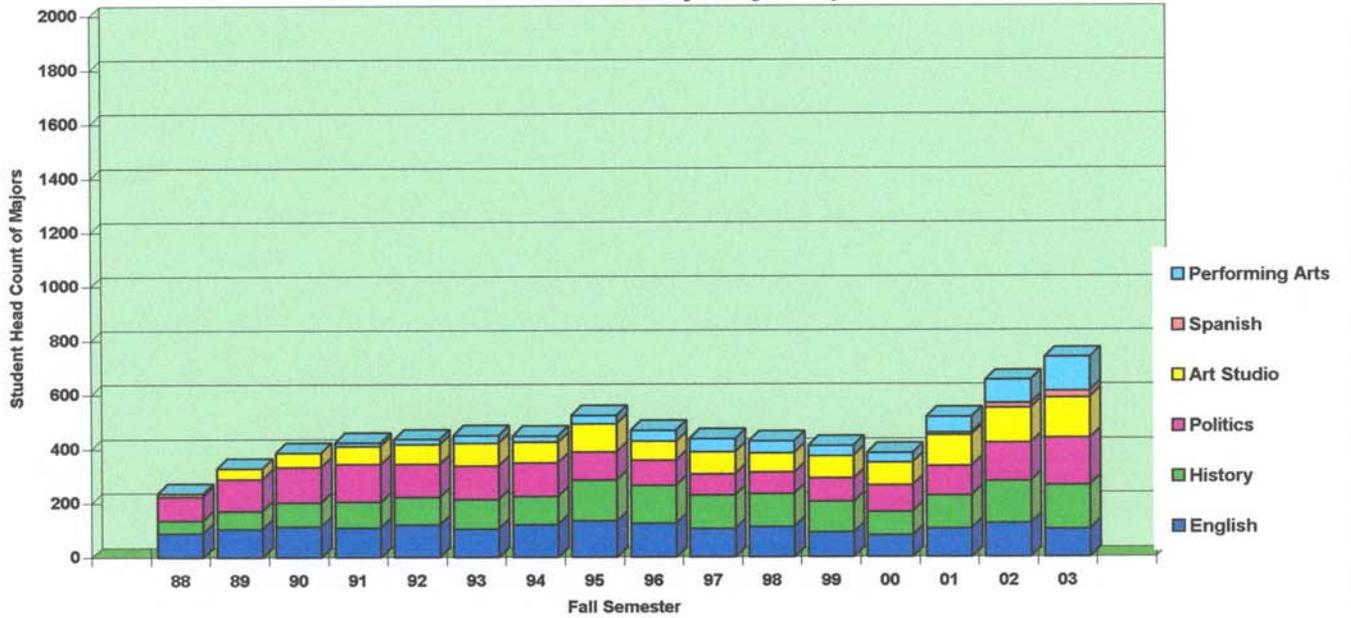
College of Education Number of Declared Majors by Discipline



College of Natural & Applied Sciences Number of Declared Majors by Discipline



Edwards College of Humanities & Fine Arts Number of Declared Majors by Discipline



DISTRIBUTION OF GRADUATES BY ACADEMIC DEPARTMENT

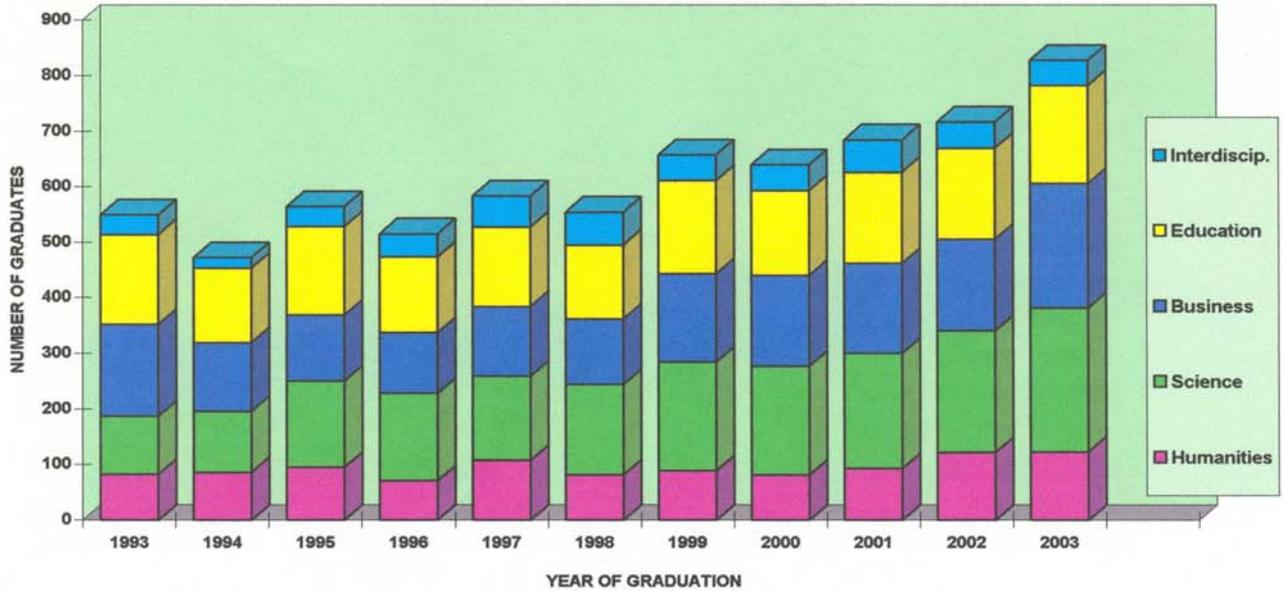
The number of graduates has increased significantly for each of the past several years, reflecting improved retention as well as Coastal's growing attractiveness for transfer students. The distribution by college has also changed significantly, reflecting the increased growth in enrollment in the sciences and the resurgence of popularity of degrees in business.

The data for number of majors by department is based on the student's initial declaration of an academic major. Because students may change majors before they graduate, the distribution by academic program of student graduates will always be slightly different from data on initial choice of major.

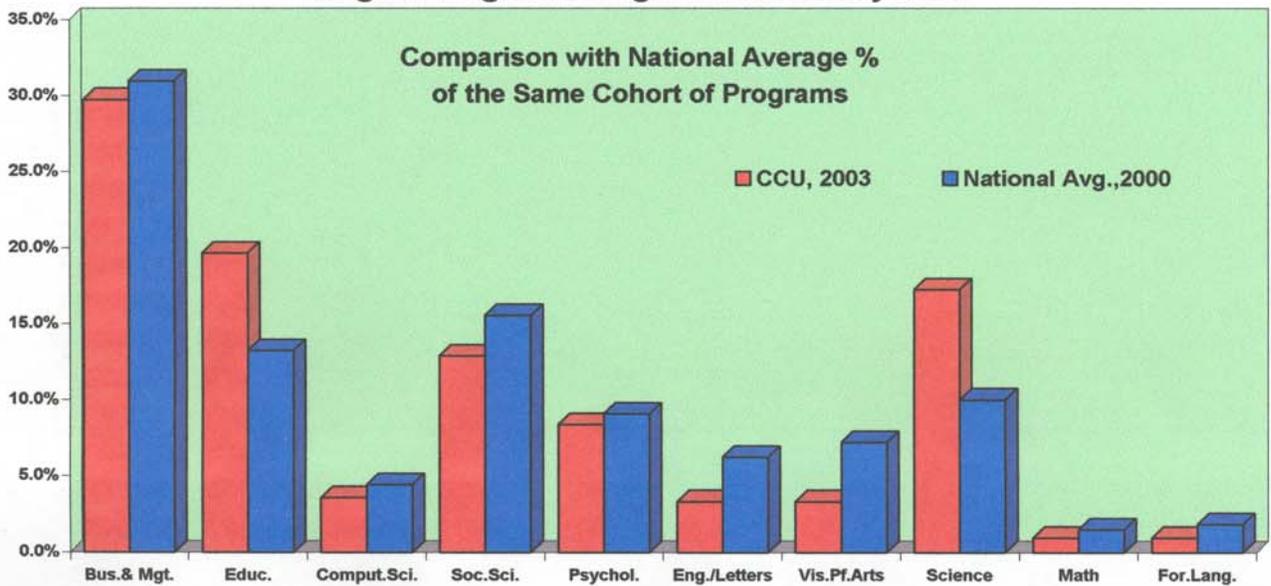
Coastal's graduates differ in some respects from the national average percentage distribution of fields in which baccalaureate degrees are awarded. The graph on the bottom of the facing page compared the percentage distribution of Coastal's 2003 graduates with the distribution by degree program category of all baccalaureate degrees awarded nationally in 2000, using data from the National Center for Educational Statistics (NCES). In order to get a comparable cohort for national statistical comparisons, the total of baccalaureate degrees awarded nationally was used for only those programs which are also offered by Coastal. (For example, engineering and health sciences, which are popular degree program nationally was not included in the national base total.)

Coastal graduates a significantly higher percentage of its students in the sciences than the national average. Education also exceeds the national percentage, while business, computer sciences, and psychology are comparable to the national distribution of baccalaureate degrees. The humanities as exemplified, by English, philosophy, foreign language, and visual and performing arts are at approximately one-half the level of national participation. The comparison of social sciences includes for both Coastal and the national percentage numbers the fields of sociology, history, and political science.

COASTAL CAROLINA UNIVERSITY Number of Graduates by College



Percent Distribution of Graduates in Degree Program Categories Offered by CCU



FEDERAL GRANT ACTIVITY - COMPARISONS

The model for faculty performance at Coastal Carolina University embraces the integration of teaching, research, and public engagement, coupled with emphasis on the involvement of undergraduates in the various research and public service activities.

It is a measure of the success of Coastal's faculty model that the university compares very favorably with its peer institutions in South Carolina with respect to federal grant activity. Among the comprehensive universities, the College of Charleston, at twice Coastal's enrollment, has significantly more federal grant activity than the others. Using Winthrop, Francis Marion, The Citadel, and Lander as other South Carolina peer institutions, and based on the latest available data for FY 2002, Coastal received a larger number of federal grants and more federal dollars than any institution in this peer group except the College of Charleston. The comparison is even more impressive when federal grant dollars, per number of full-time faculty, are compared as shown on the facing page.

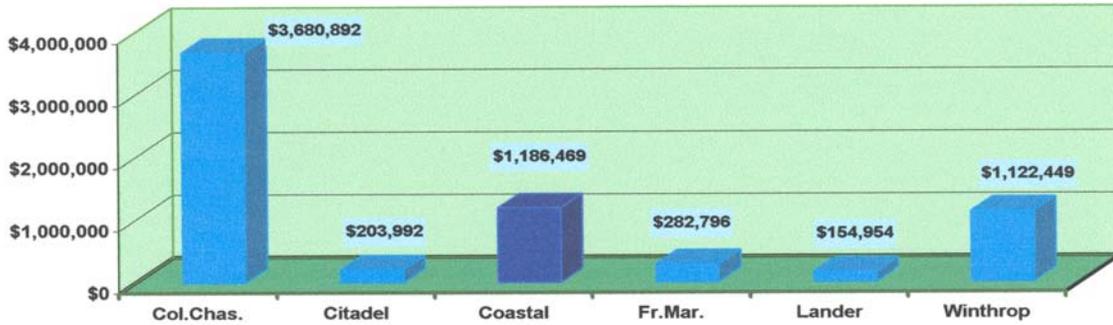
The federal grants are primarily for research and public service, and exclude all forms of student financial aid. Coastal's marine science department is the most productive with respect to receiving federal grants, as well as other disciplines in the College of Science.

**SELECTED S.C. PUBLIC UNIVERSITIES -
NUMBER OF FEDERAL GRANTS, FY 2002**



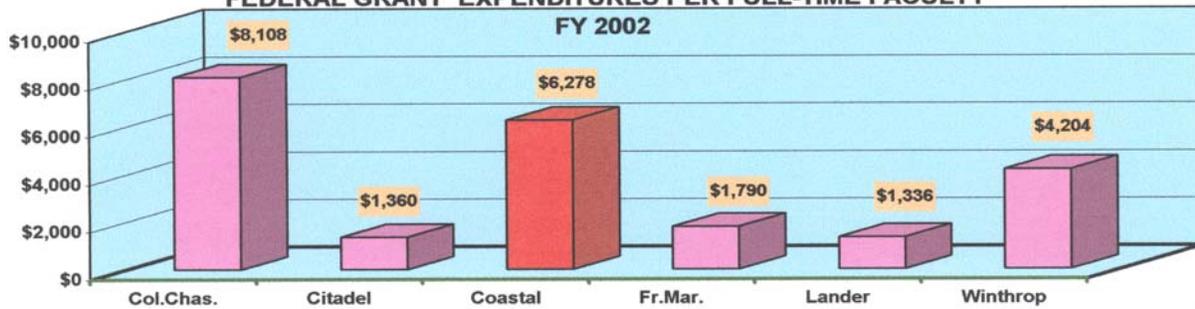
Excluding All Forms of Student Financial Aid

**SELECTED S.C. PUBLIC UNIVERSITIES -
FEDERAL GRANT \$ EXPENDITURES FY 2002**



Excluding All Forms of Student Financial Aid

**SELECTED S.C. PUBLIC UNIVERSITIES -
FEDERAL GRANT EXPENDITURES PER FULL-TIME FACULTY
FY 2002**



Excluding All Forms of Student Financial Aid

TOTAL CURRENT FUNDS

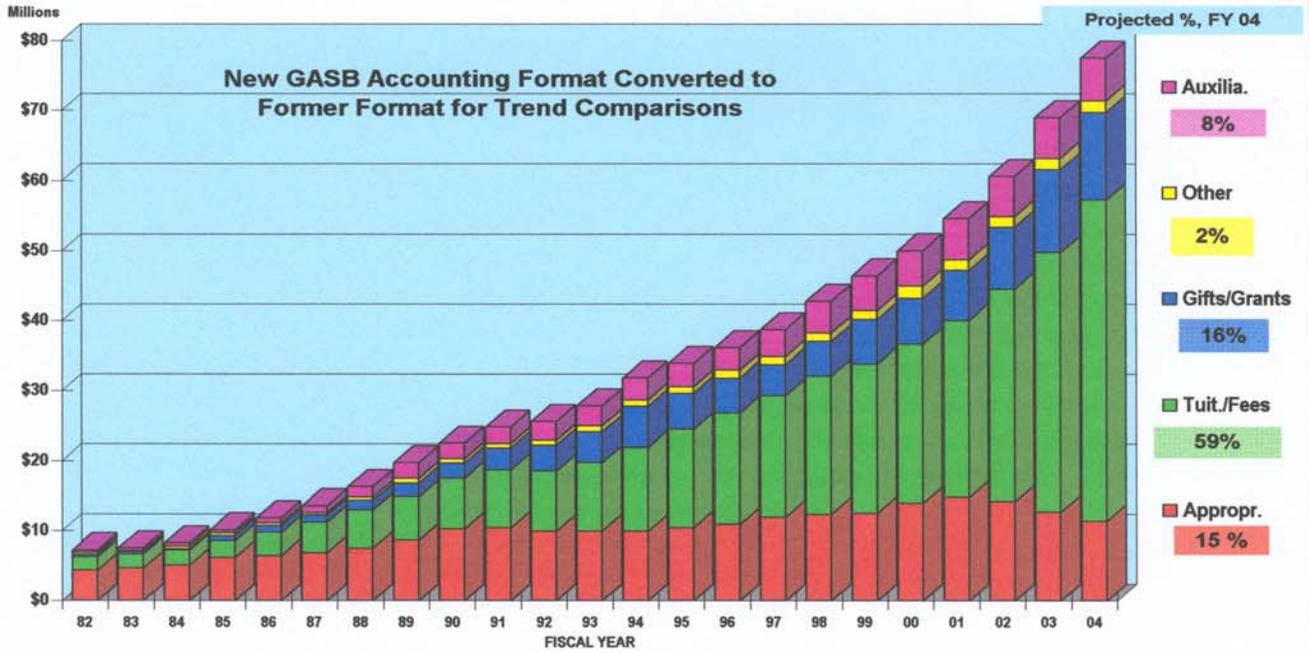
The University adopted Government Accounting Standards Board (GASB) Statement No. 34 as of July 1, 2001. For the sake of trends and historical comparisons, FY 02 and FY 03 figures have been recalculated to fit the former model of total current funds, and are shown on the facing page.

The graphs showing trends in total current funds show the relative proportion of tuition revenues, other fees and programs, and state appropriations, which comprise Coastal's \$77 million total operating budget projected for 2003-2004. From FY 90 through FY 97, state appropriations remained in the \$10 to \$11 million range. Seven years later, the FY 04 appropriations are already below the FY 97 level, and the potential exists for further reductions during the FY 04 fiscal year. For FY 2004, state appropriations (\$11 million) are projected to comprise only 15 percent of total current funds.

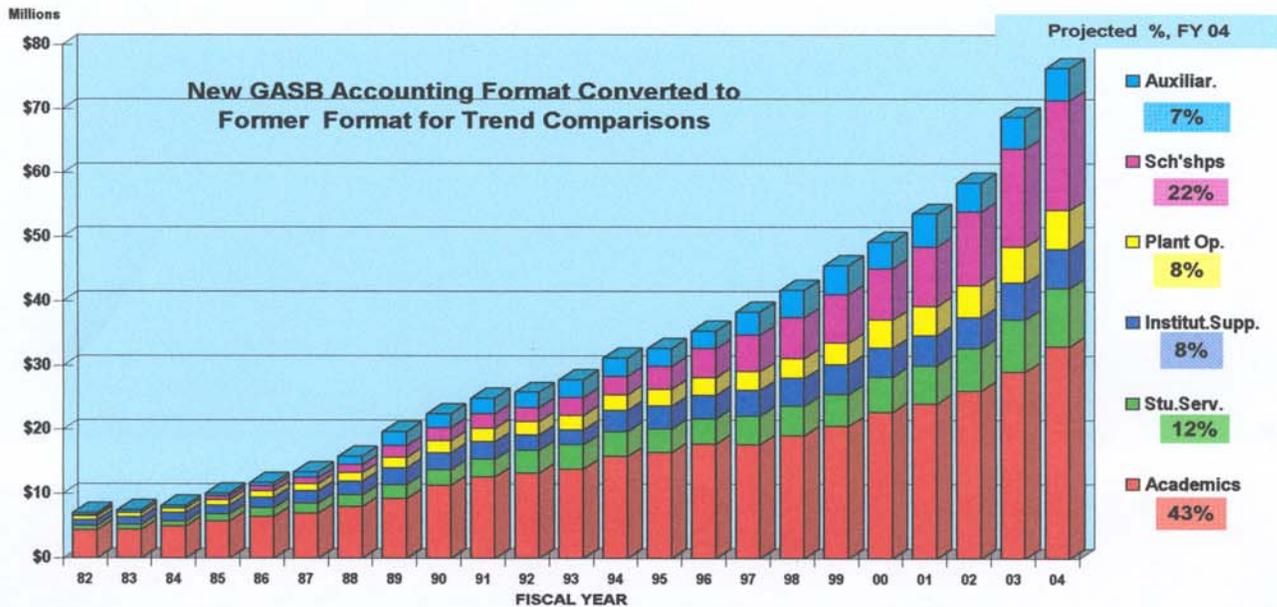
The tuition and auxiliary revenues shown under the new GASB format are net of scholarship allowances, which are still included in the total budget as passed by the state legislature. Therefore, when scholarship monies are excluded from revenues as shown on page 72, the state appropriations appear as a larger percentage of total revenues, and tuition and fees appear as a smaller percentage, than the amounts shown under the former model of total current funds.

Although tuition has risen significantly in the immediate past, the long-term growth in tuition revenues is primarily a factor of enrollment growth and out-of-state tuition collections rather than increased tuition costs to South Carolina residents.

COASTAL CAROLINA UNIVERSITY Total Current Fund Revenues



COASTAL CAROLINA UNIVERSITY Total Current Funds Expenditures

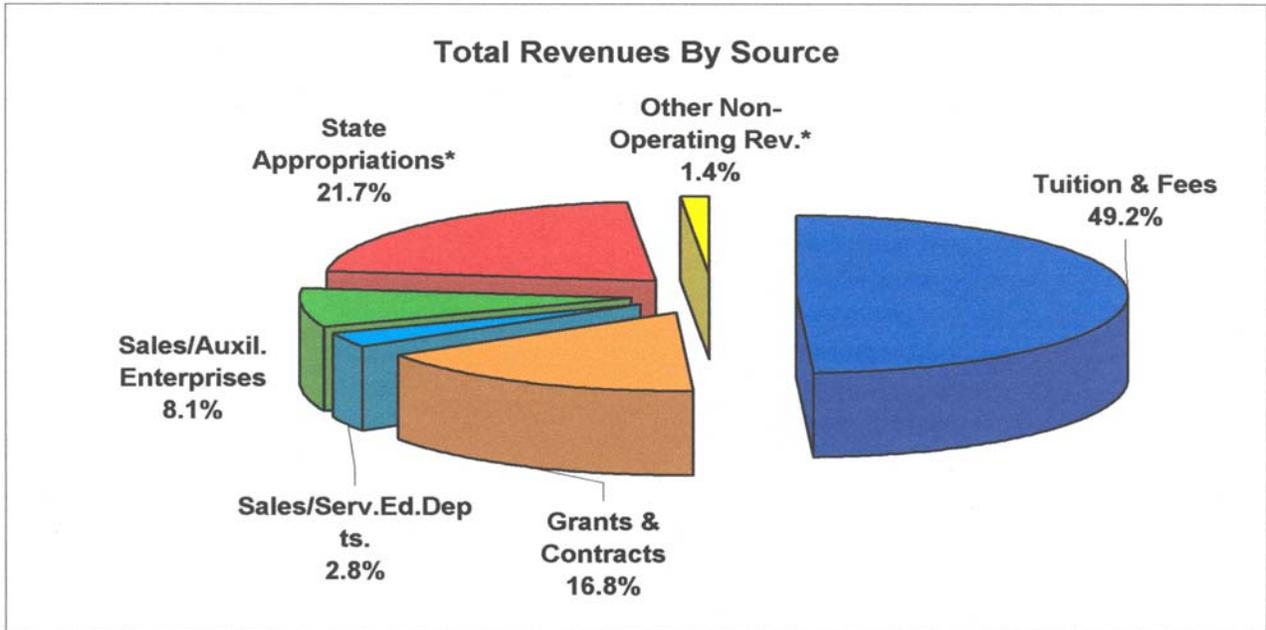


TOTAL REVENUES BY SOURCE

Under the new GASB 34-35 reporting format, the financial statement categories are changed from previous years. Rather than using the categories of current funds and plant funds, for example, the revenues are broadly grouped by operating and non-operating revenues. The following table shows total revenues by source, with non-operating revenues labeled with an asterisk. These figures are found in the audited Statement of Revenues, Expenses and Changes in Net Assets.

The tuition and auxiliary revenues shown under the new format are net of scholarship allowances, which are still included in the total budget as passed by the state legislature. Therefore, when scholarship monies are excluded from revenues, the state appropriations appear as a larger percentage of total revenues, and tuition and fees appear as a smaller percentage, than the amounts shown under the former model of total current funds.

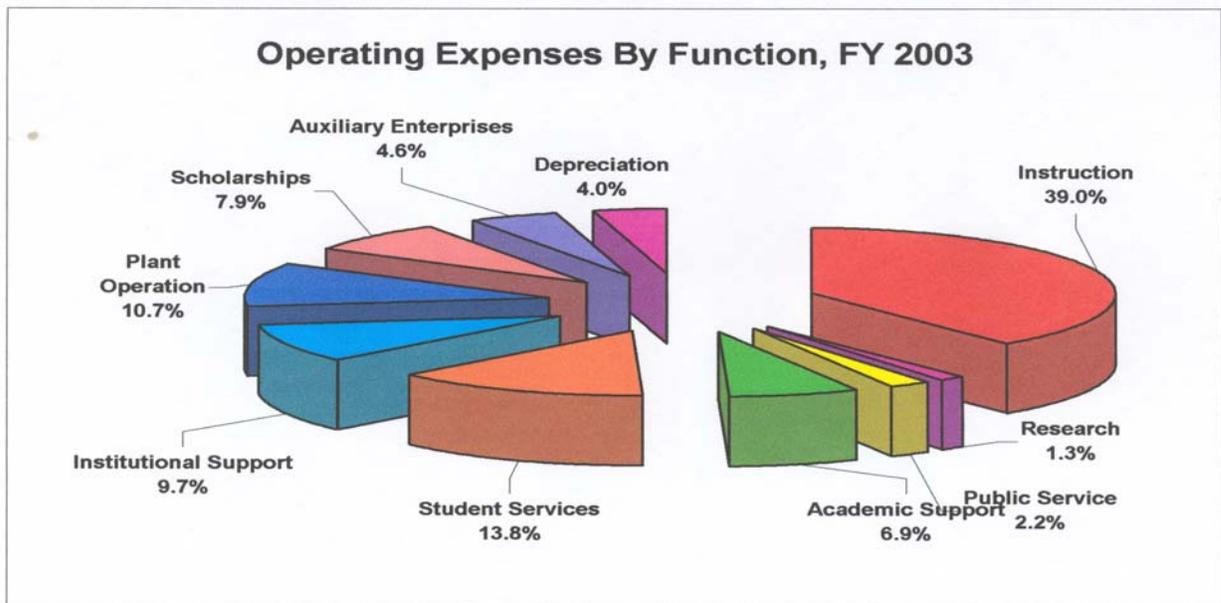
The facing page shows only operating expenses by function rather than total expenses.



OPERATING EXPENSES BY FUNCTION

The following table presents operating expenses by function. The Statement of Revenues, Expenses and Changes in Net Assets presents operating expenses by natural classification. Note 11 to the financial statements displays a matrix which shows dollar values for both classifications.

	2003 Amount	Percent of Total
Instruction	\$ 22,786,032	39.0%
Research	743,184	1.3%
Public Service	1,290,221	2.2%
Academic Support	4,032,686	6.9%
Student Services	8,053,622	13.8%
Institutional Support	5,645,194	9.7%
Plant Operation	6,266,252	10.7%
Scholarships	4,630,717	7.9%
Auxiliary Enterprises	2,695,134	4.6%
Depreciation	2,318,304	4.0%
Total Operating Expenses	\$ 58,461,345	100.0%

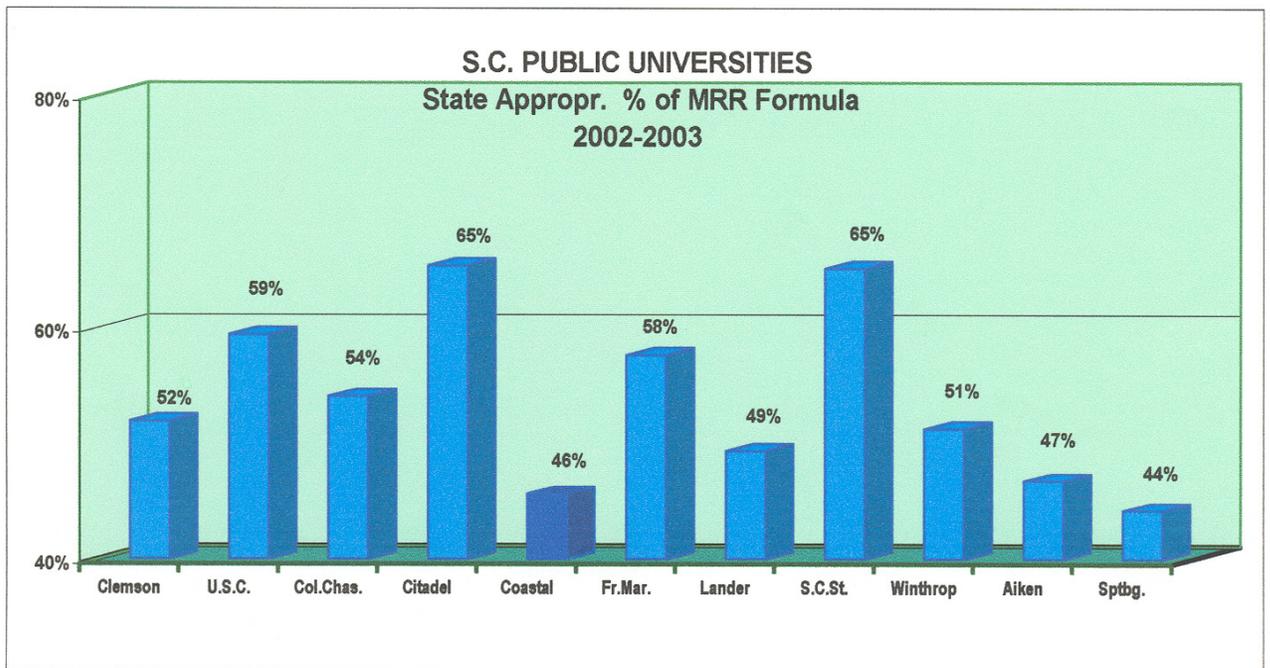
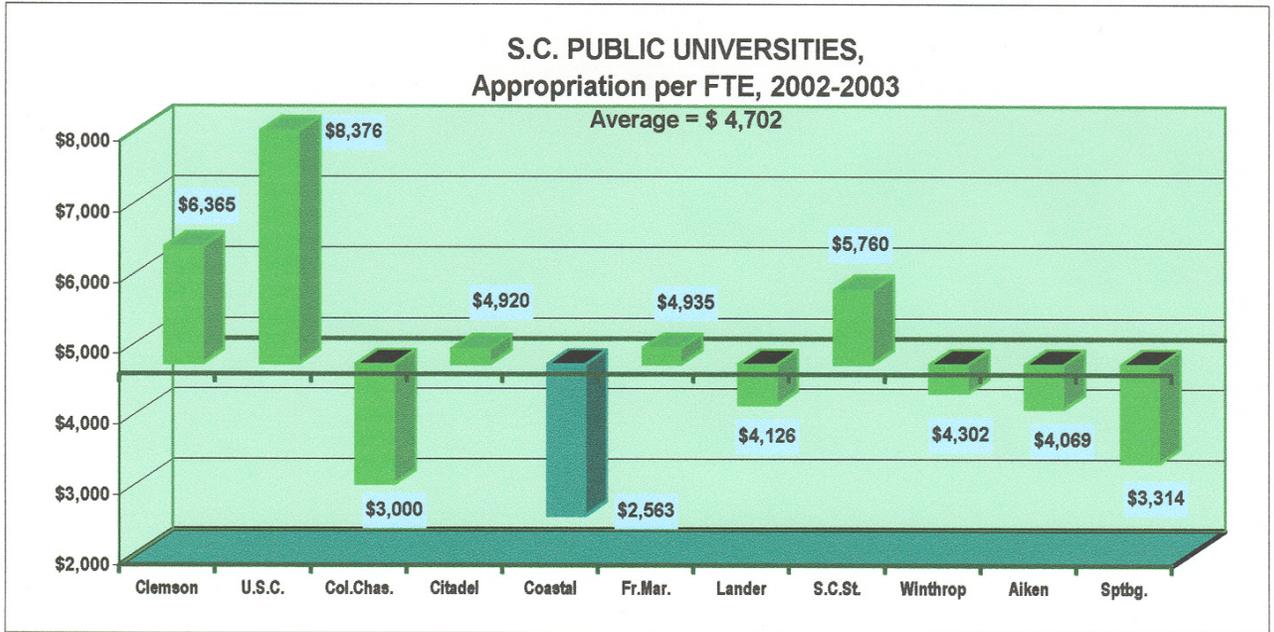


FINANCIAL COMPARISONS – STATE APPROPRIATIONS

For 2002-2003, Coastal Carolina University received the smallest appropriation per FTE student of all of the South Carolina public universities, at \$2,563 per FTE. This calculation was calculated after the December 2002 appropriation reduction, and uses total institutional appropriations divided by each institution's total FTE enrollment for fall 2003. When the 22 percent of students who were classified as out-of-state for fee payment purposes are removed from the total FTE base, Coastal still only received an average of \$3,286 per resident student.

The funding formula which has been developed by the South Carolina Commission on Higher Education (CHE) is referred to as the Mission Resource Requirement (MRR). This formula takes into account the individual institution's distribution of students and academic programs, and is intended to represent the amount of funds which should be provided by the state for an adequate educational program. State appropriations as a percent of formula have decreased significantly in recent years for all institutions.

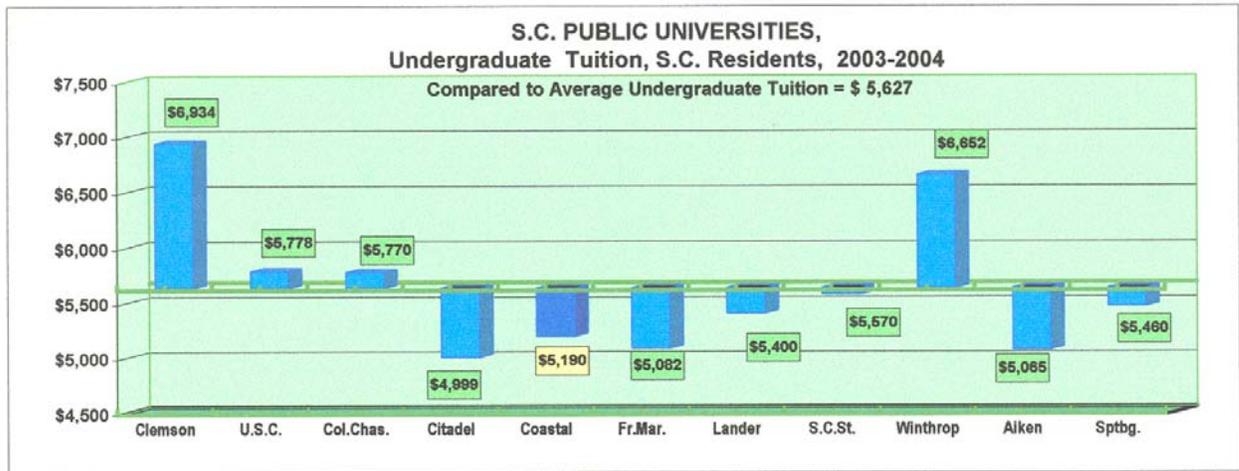
However, all institutions do not receive the same percent of the formula, due to agreements dating back before 1990, in which institutions which were decreasing in enrollment were held harmless with respect to state appropriations, while the appropriation level was not increased proportionately for institutions who were experiencing significant growth. The resulting discrepancy in percent of funding is spread over 20 percentage points.



TUITION FOR SOUTH CAROLINA RESIDENTS

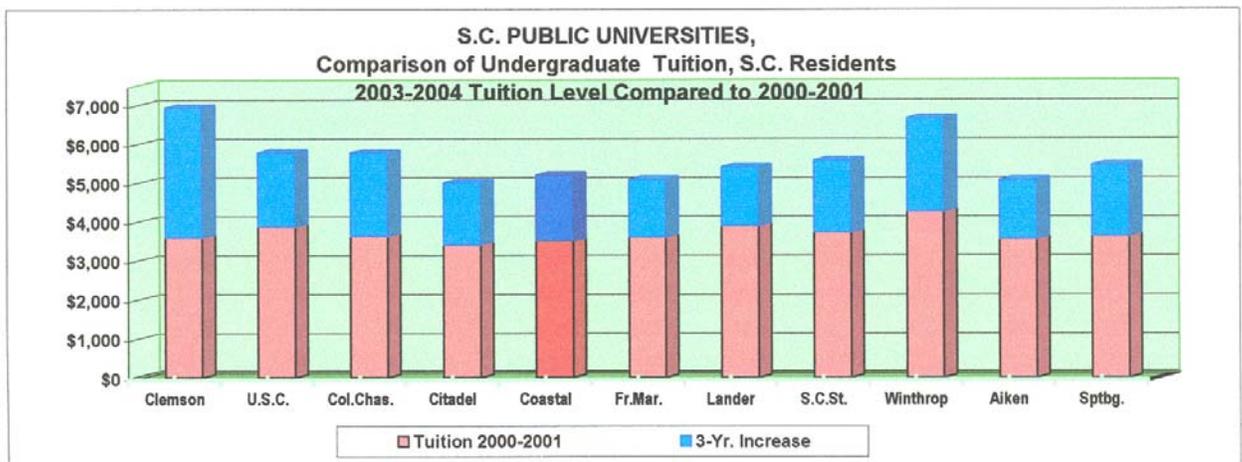
Throughout its history, Coastal has placed a high priority on keeping tuition as low as possible for its South Carolina residents. For the past decade, Coastal has ranked third or fourth lowest among the South Carolina universities in undergraduate tuition for South Carolina residents. In spite of its 19.3 percent increase for fall 2003, Coastal's tuition is still fourth lowest among the public South Carolina universities.

It is an unfortunate commentary on state support for higher education throughout the nation that there has been a precipitous rise in tuition at state colleges and universities in every region in the country. Tuition for in-state students had a one-year increase of as much as 21 percent in Maryland, almost 30 percent in Virginia, New York, and Oklahoma, and approximately 40 percent in Arizona and California. Compared to these numbers, South Carolina's public universities average one-year increase of 18 percent seems relatively small. However, as shown on the facing page, within the last three years the average tuition for undergraduates at South Carolina public universities increased by 52.3 percent.



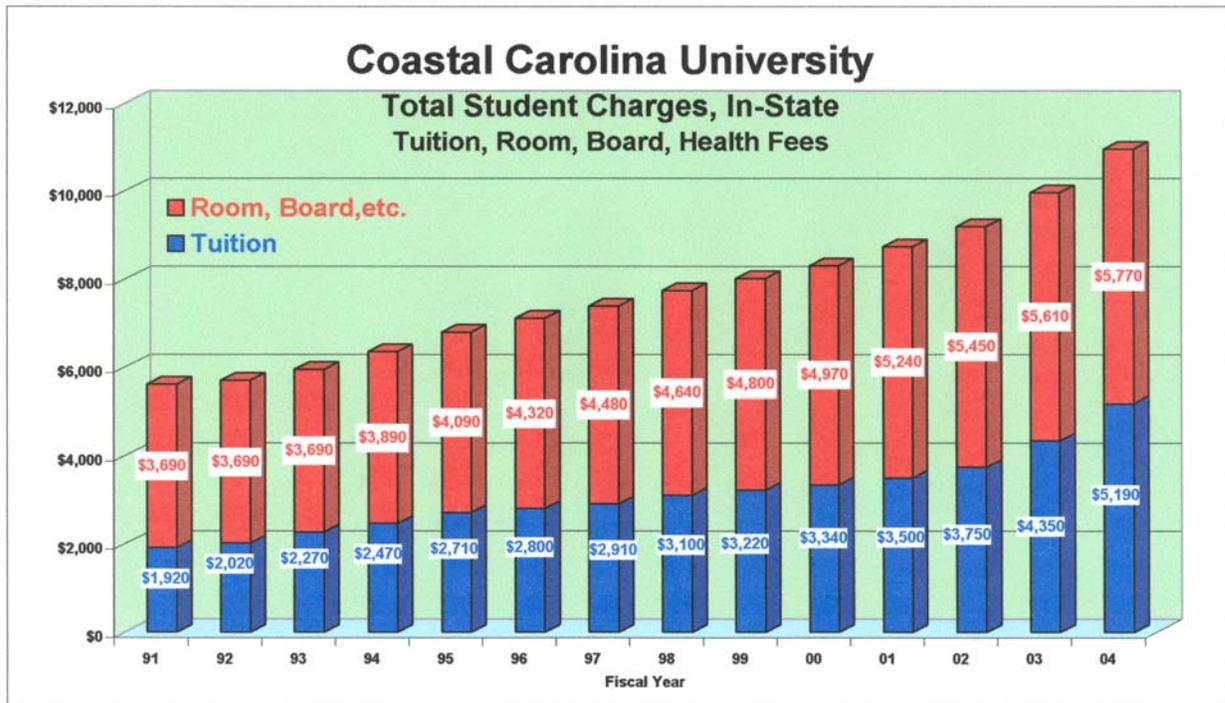
In-State Undergraduate Tuition

	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>1-yr. %</u>	<u>3-yr. %</u>
Clemson	\$3,590	\$5,090	\$5,834	\$6,934	18.9%	93.1%
U.S.C.	\$3,868	\$4,064	\$4,984	\$5,778	15.9%	49.4%
Col.Chas.	\$3,630	\$3,780	\$4,858	\$5,770	18.8%	59.0%
Citadel	\$3,404	\$3,727	\$4,067	\$4,999	22.9%	46.9%
Coastal	\$3,500	\$3,770	\$4,350	\$5,190	19.3%	48.3%
Fr.Mar.	\$3,600	\$3,790	\$4,340	\$5,082	17.1%	41.2%
Lander	\$3,888	\$4,152	\$4,704	\$5,400	14.8%	38.9%
S.C.St.	\$3,724	\$4,096	\$4,556	\$5,570	22.3%	49.6%
Winthrop	\$4,262	\$4,668	\$5,600	\$6,652	18.8%	56.1%
Aiken	\$3,558	\$3,738	\$4,404	\$5,065	15.0%	42.3%
Sptbg.	\$3,624	\$3,868	\$4,748	\$5,460	15.0%	50.7%
Average	\$3,695	\$4,068	\$4,768	\$5,627	18.0%	52.3%



SUMMARY OF STUDENT COSTS

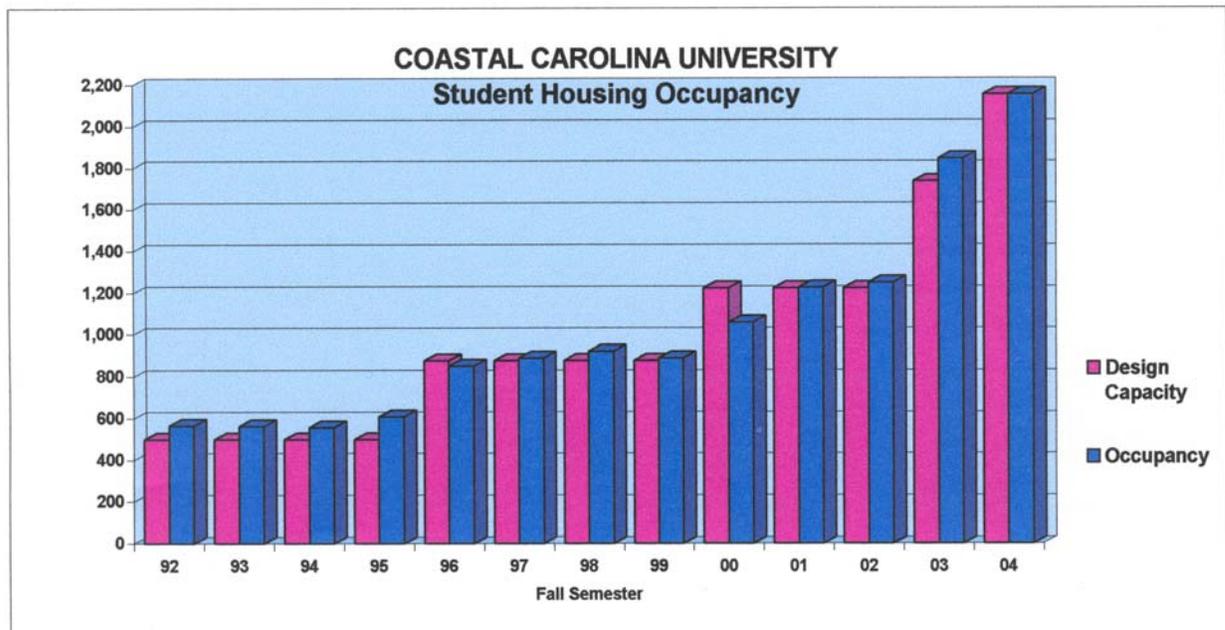
	<u>2003-2004</u>	<u>1-Yr Percent Increase</u>
Tuition		
Undergraduate In-State Tuition	\$2,595/semester	19.31%
Undergraduate Out-of-State Tuition	\$6,435/semester	9.44%
Graduate, In-State Tuition	\$ 215/credit hour	6.44%
Graduate, Out-of-State Tuition	\$ 545/credit hour	6.86%
Room, Board, & Health Services		
Housing Fee	\$1,850/semester	
Board Fee	\$ 970/semester	
Health Fee	<u>\$ 65/semester</u>	
Total Room, Board, & Health Svcs.	\$2,885/semester	2.85%



STUDENT HOUSING

The nature of campus life for students has changed dramatically since the first residence halls opened in 1987. As a commuter college viewed by many as only a stepping stone to transferring to the University of South Carolina, Coastal was historically sadly lacking in attributes which caused students to identify with the institution as their alma mater. The impact of this climate created poor student retention and drastically lessened potential of alumni activity. The campus essentially become empty of life by 3 p.m. daily, and had no weekend activity. The advent of on-campus residence halls made a significant impact and began a wave of change which continues to build in size and scope.

The history of student residence halls include the original construction of six residence halls with approximately 400 beds in 1987 and the purchase of two additional apartment-style buildings adjacent to the campus, containing 100 beds, two years later. Two large traditional on-campus residence halls, each containing nearly 400 beds, were added in 1996 and 2000, respectively. Beginning in 2003, through an agreement with a private developer, nearby private housing managed by the university added 500 beds. Phase II of this project is planned for fall 2004, adding another 500 beds.



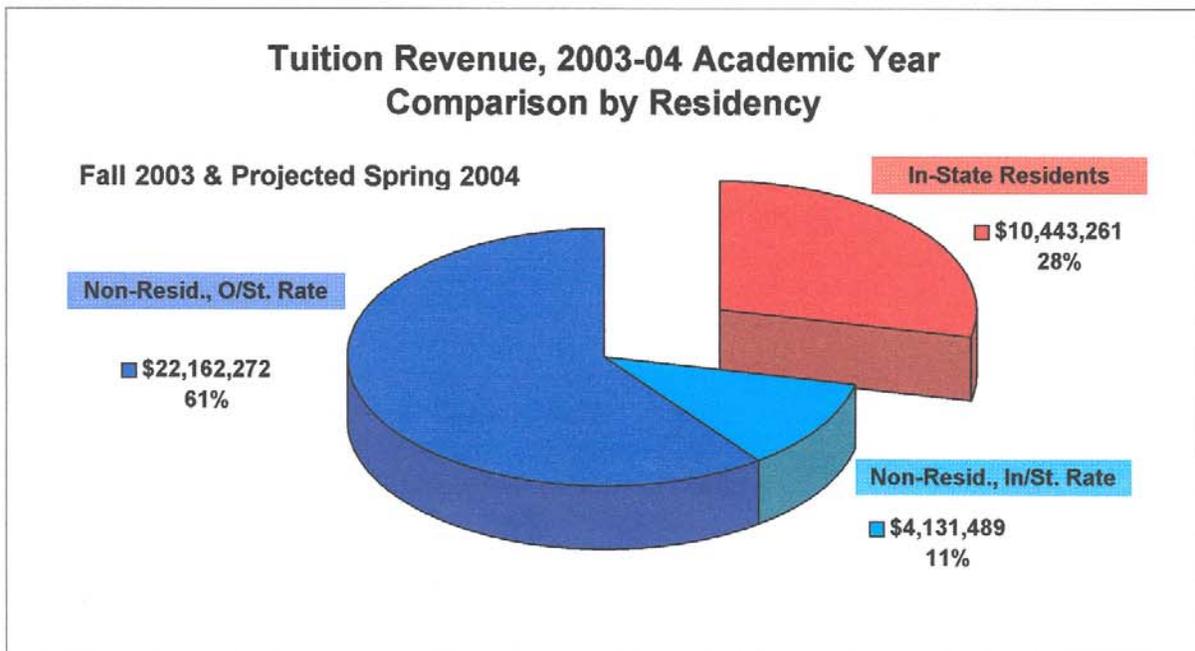
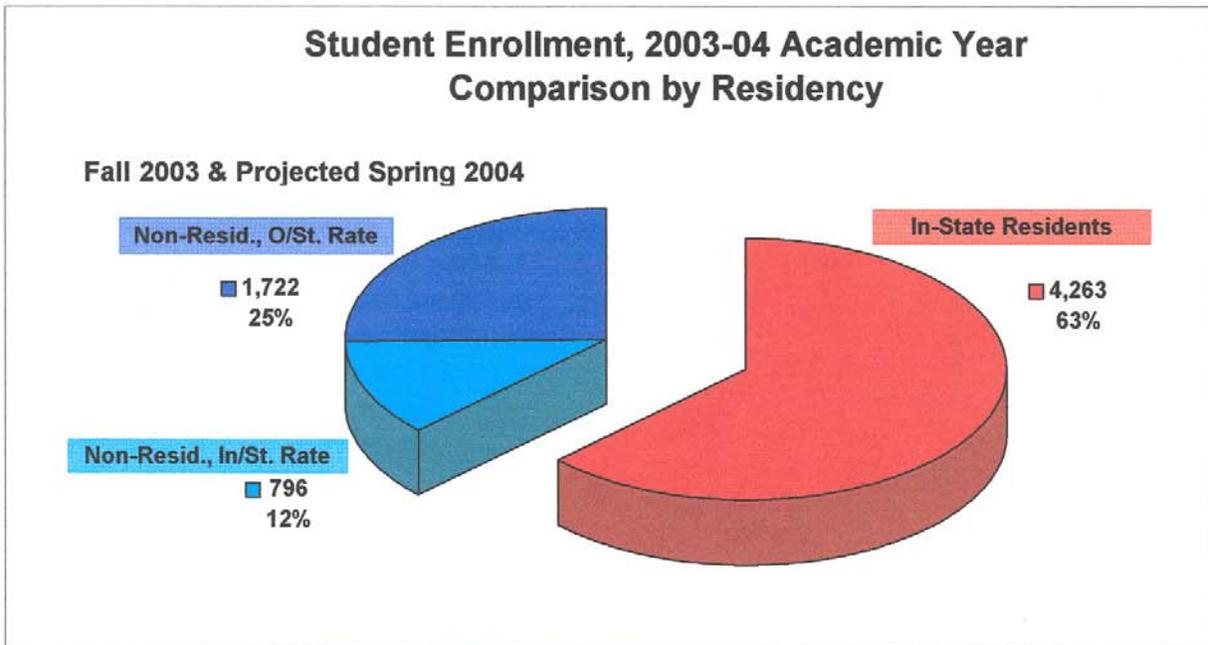
REVENUE FROM OUT-OF-STATE STUDENTS

Coastal Carolina University's largest single revenue stream is derived from the tuition paid by its out-of-state students. The university observes the spirit as well as the letter of the law which requires that out-of-state students pay the full cost of their education.

During the 2003-2004 academic year, the actual tuition projected to be collected from out-of-state students will significantly exceed the amount of state appropriations, with \$22.2 million received from out-of-state revenues, compared to less than \$11.3 million from state appropriations. The 25 percent of students who pay the out-of-state rate provided 61 percent of tuition revenues. The 12 percent of students who are from out-of-state and also receive scholarships, therefore paying in-state tuition, provide another 11 percent of tuition revenues.

The total revenue from all sources was approximately \$64 million for the 2002-2003 fiscal year, and projected at \$77 million for 2003-2004. Out-of-state students are responsible for more than half of the auxiliaries, which include residence halls and food service. When other assorted fees are added to the tuition revenues, it is clear that Coastal is heavily dependent on revenues from its out-of-state students.

Comparisons of In-State and Out-of-State Enrollments Numbers of Students and Tuition Revenues Realized



EDUCATIONAL & GENERAL EXPENDITURES AND STUDENT COSTS

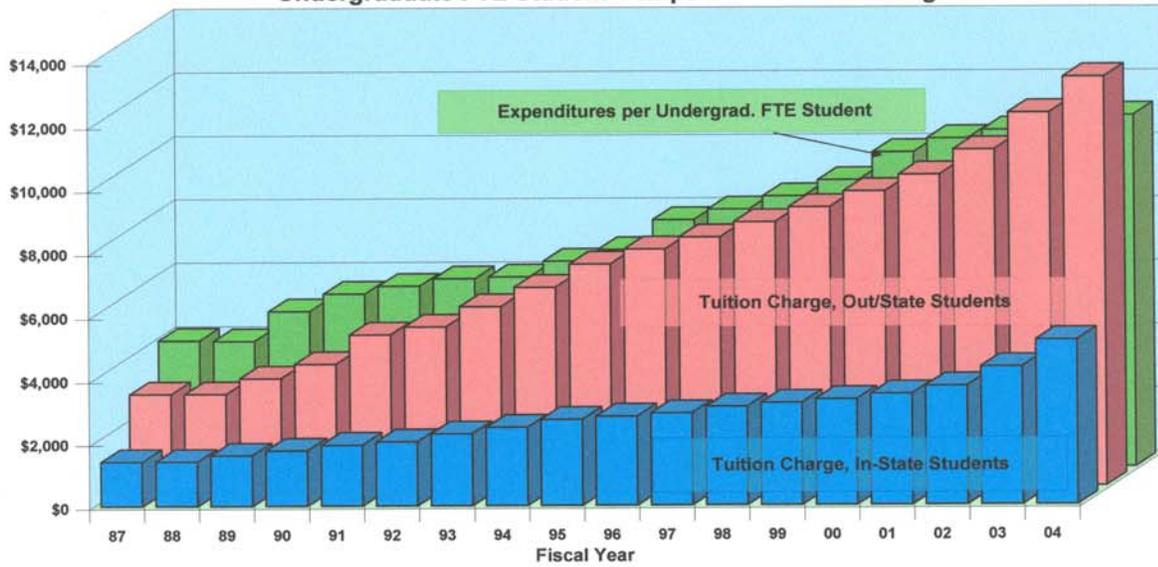
Educational Costs Compared to Tuition Charges

In ensuring that out-of-state students pay the full cost of their education, Coastal calculates and projects the unrestricted Education & General (E & G) expenditures per FTE, and uses this projected cost as a benchmark for setting out-of-state tuition. The graph on the facing page shows that, since 1994, the amount charged to out-of-state students has been approximately equal to the actual dollars expended per student. The amount charged in-state students is approximately 39 percent of the actual cost expended per student.

E & G Expenditures per FTE: Administrative Costs vs. Other Educational Costs

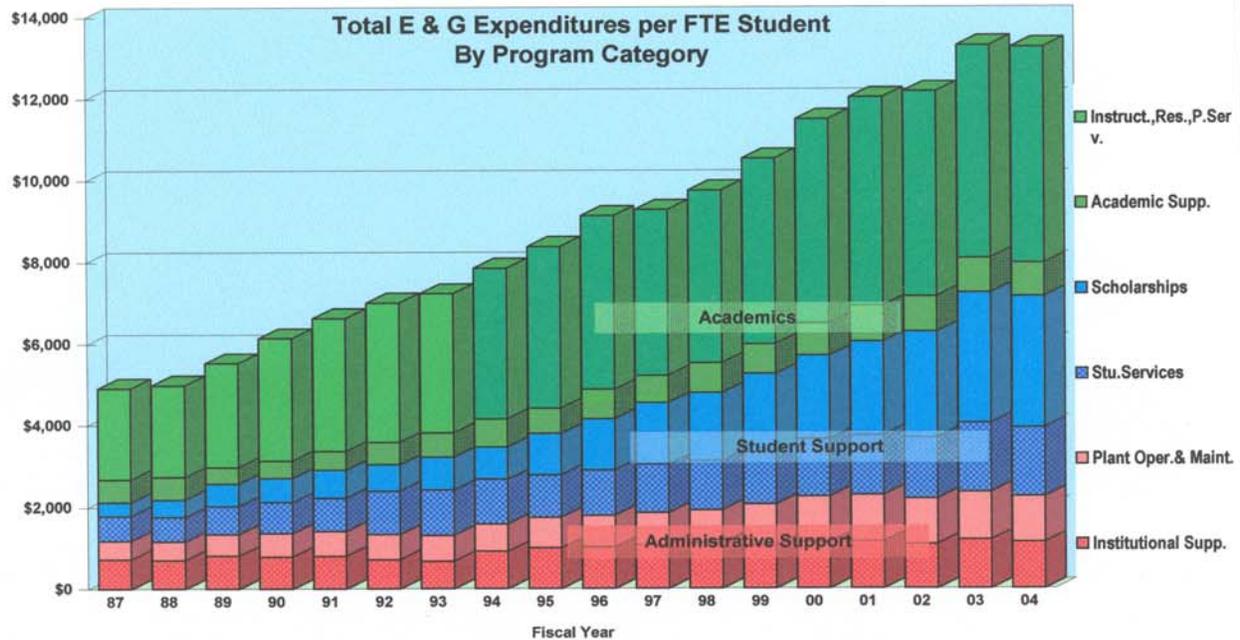
The most significant measure of how an institution spends money in educating the student is the total E & G expenditures per FTE student. Theoretically, the total amount expended per FTE student should increase only as a measure of inflation. The graph on the opposite page shows that, in the two administrative areas of institutional support and plant operation and maintenance, Coastal's expenditures have remained relatively flat. The largest growth areas have been in scholarships and in instruction.

COASTAL CAROLINA UNIVERSITY
Tuition Compared to Educational Cost
Unrestricted Educational & General (E&G) Expenditures per Undergraduate FTE Student Compared to Tuition Charged



COASTAL CAROLINA UNIVERSITY

Total E & G Expenditures per FTE Student By Program Category



ATHLETICS

Coastal Carolina University has 17 athletic programs which compete in the Big South Conference at the NCAA Division I level. The programs are:

Women's

Basketball, Cross Country, Golf, Indoor Track, Outdoor Track and Field, Soccer, Softball, Tennis, and Volleyball

Men's

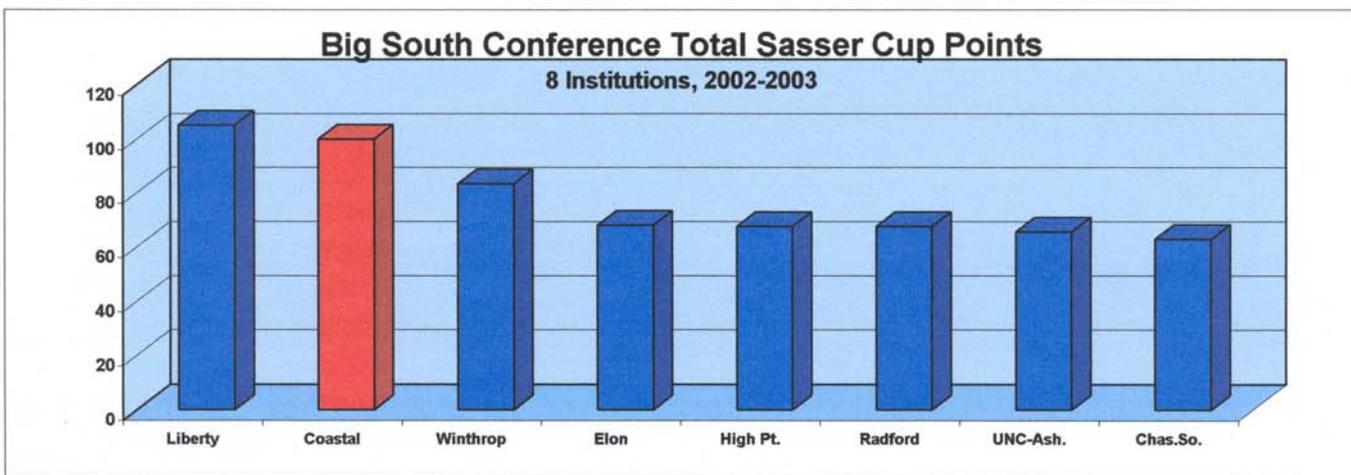
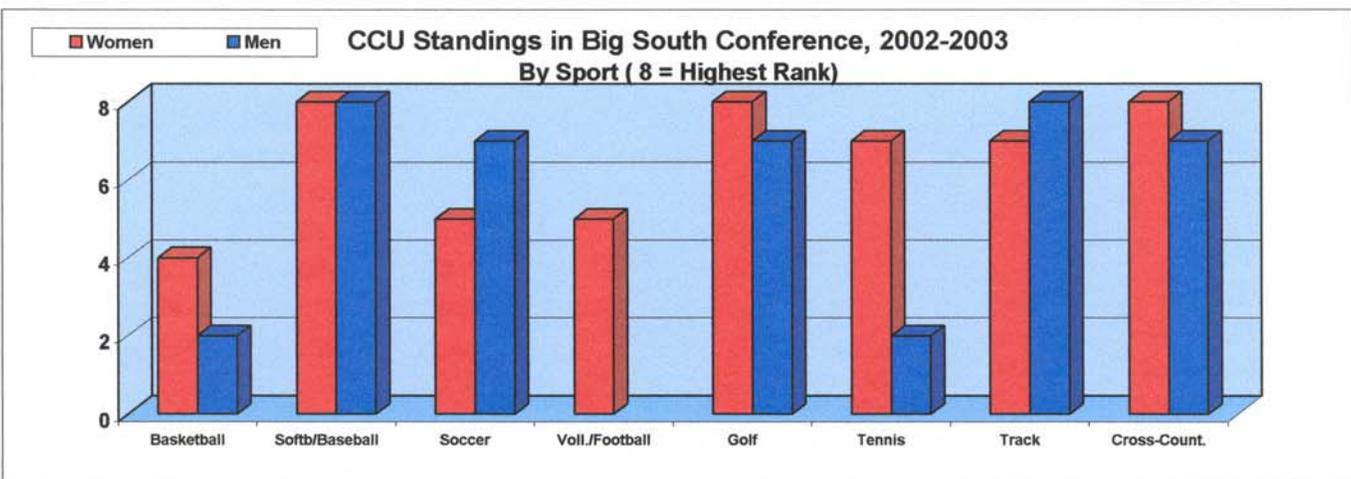
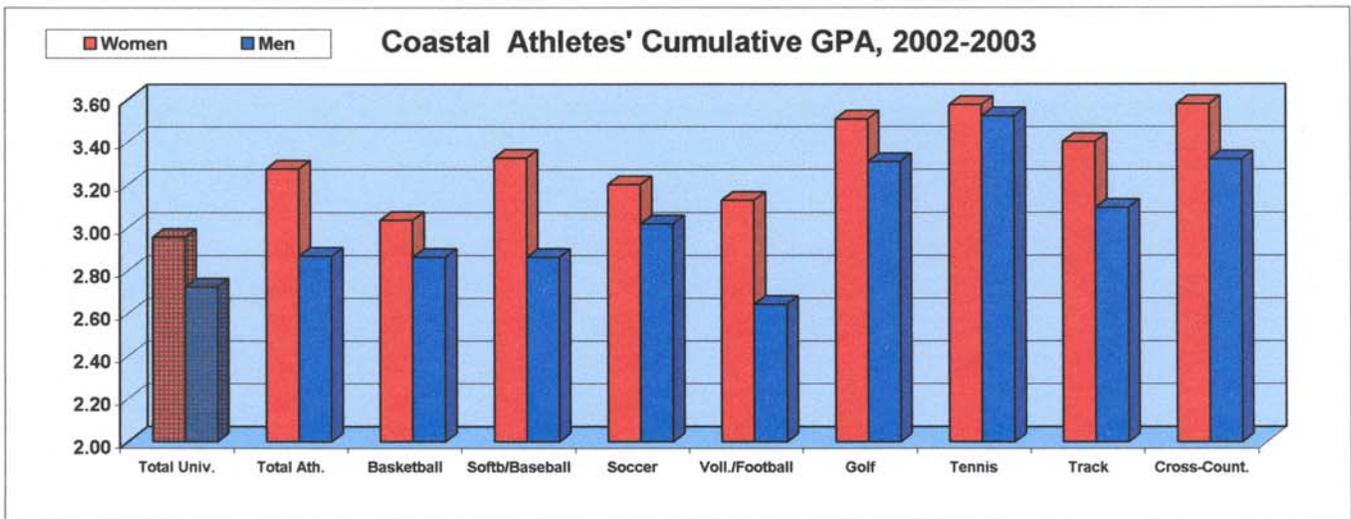
Baseball, Basketball, Cross Country, Golf, Soccer, Tennis, and Outdoor Track and Field, and Football (Fall 2003, Division I-AA)

Coastal Carolina University is especially proud of the academic performance of its student athletes. As the graph indicates, student athletes consistently perform at a higher grade point level than the overall average of Coastal's degree-seeking undergraduate students. This is related to the dedication of coaches in supervising students and emphasizing academic performance.

Coastal's athletes are highly competitive within the Big South Conference, which consists of eight universities: Liberty, Winthrop, Elon, High Point, Radford, UNC-Asheville, Charleston Southern, and Coastal Carolina University.

The overall conference championship in all sports combined is represented by the award of the George F. Sasser Cup. Institutions receive points toward the Sasser Cup by the rankings of each of the individual sports in which they compete. Coastal's rankings by sport for both men and women are shown on the facing page, as well as the total overall points for each institution. For 2002-2003, Coastal ranked second in the conference in total performance in all of its sports programs.

Coastal Carolina University



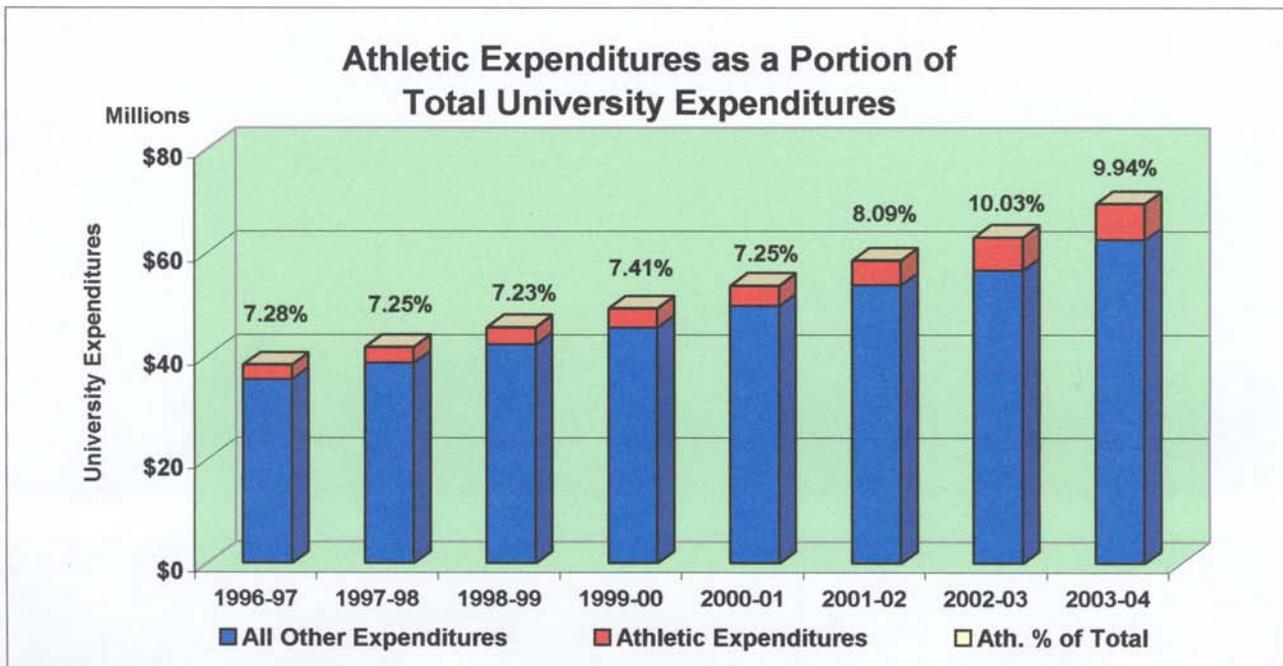
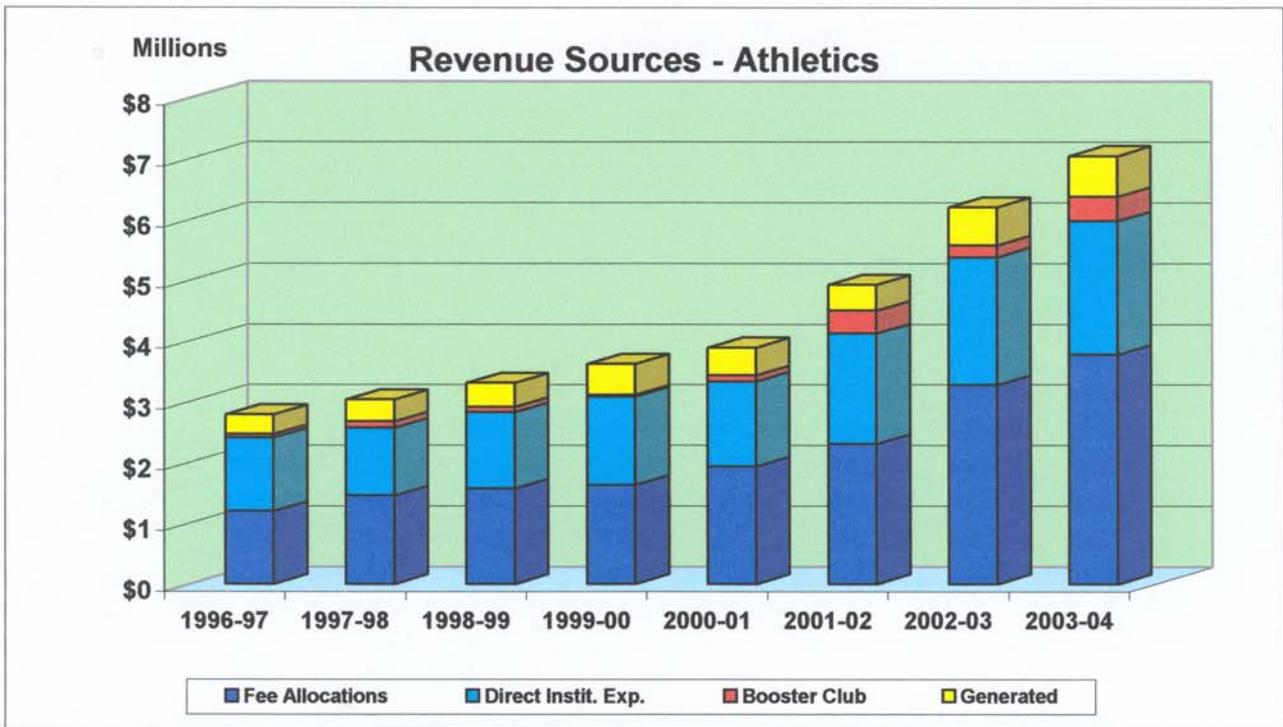
ATHLETICS – FINANCIAL RESOURCES

The growth in athletic financial activity has generally mirrored the overall growth in the university's operational expenditures. The financial impact of the decision to add football created a steeper rise in the need for institutional resources and in corresponding expenditures. The beginning of this impact was felt in startup costs during the 2001-2002 year, primarily funded by a large increase in CINO Club donations for that particular year. After surveys of student opinions and with the approval of the Board of Trustees, a one-time sharp increase in allocation from tuition and fees was implemented in 2002-2003 (a \$75 per semester increase for in-state students). The subsequent growth in revenues from tuition and fee allocations reflects not only the increased cost per student, but primarily the steep increase in enrollments for fall 2002 and 2003.

The direct institutional expenditures include scholarships which are awarded in the form of waivers of out-of-state tuition (slightly over \$1 million) and salaries of athletic administrative personnel and senior coaches who are paid directly from the university operating budget (approximately \$900,000). Generated funds include gate receipts, advertising, guarantees, etc.

For the last several years, expenditures on athletics constituted approximately 7 to 8 percent of total institutional expenditures. With the advent of football, this percentage appears to be increasing to approximately the 10 percent range. In view of the increased student interest and institutional image which has helped to lead to dramatic enrollment increases for the last two years, an early analysis would indicate that football brings more value to the university than the percentage of dollars expended for its ongoing operation.

Coastal Carolina University



AUXILIARY ENTERPRISES

The university operates five activities as auxiliary enterprises: student housing, the campus bookstore, food services, vending and health services. Student housing revenues are generated by approximately 1,300 beds on campus, and operations are managed internally. In addition, in the fall of 2003, the university entered into an agreement with the Coastal Carolina University Student Housing Foundation to manage 517 beds close to campus at the newly-constructed University Place apartments for upperclassmen.

The university outsources bookstore operations to Folletts and food service operations to Aramark, while managing its own vending activities. Health services are provided under a contract with Conway Medical Center at a campus clinic built and maintained by the Center.

The table on the facing page gives a history of auxiliary activity over the past five years.

Coastal Carolina University
Auxiliary Funds
1999-2003

	1999	2000	2001	2002	2003
Housing					
Beginning balance	\$ 299,463	\$ 289,009	\$ 672,374	\$ 964,044	\$ 1,336,454
Revenue	2,992,990	2,973,923	3,826,487	4,567,335	4,654,899
Expenditures	1,877,467	1,529,182	1,933,806	1,880,751	2,186,832
Transfers out	1,125,977	1,061,376	1,601,011	2,314,174	2,334,766
Ending balance	289,009	672,374	964,044	1,336,454	1,469,755
Increase (decrease) in balance	(10,454)	383,365	291,670	372,410	133,301
Bookstore					
Beginning balance	1,005,143	999,447	1,012,221	1,080,877	1,059,152
Revenue	1,436,250	1,499,479	1,496,716	224,807	286,000
Expenditures	1,230,479	1,322,918	1,282,510	46,177	54,929
Transfers out	211,467	163,787	145,550	200,355	199,387
Ending balance	999,447	1,012,221	1,080,877	1,059,152	1,090,836
Increase (decrease) in balance	(5,696)	12,774	68,656	(21,725)	31,684
Food Service					
Beginning balance	234,213	343,729	404,789	336,035	637,964
Revenue	354,577	384,768	490,975	596,613	578,566
Expenditures	95,061	87,449	183,823	122,715	119,030
Transfers out	150,000	236,259	375,906	171,969	485,534
Ending balance	343,729	404,789	336,035	637,964	611,966
Increase (decrease) in balance	109,516	61,060	(68,754)	301,929	(25,998)
Vending					
Beginning balance	74,701	102,773	162,735	194,571	232,108
Revenue	260,263	279,659	249,521	409,277	356,377
Expenditures	164,918	186,447	196,292	211,852	200,713
Transfers out	67,273	33,250	21,393	159,888	243,280
Ending balance	102,773	162,735	194,571	232,108	144,492
Increase (decrease) in balance	28,072	59,962	31,836	37,537	(87,616)
Health Services					
Beginning balance	1,984	5,086	5,614	6,575	18,850
Revenue	105,300	101,795	118,390	162,615	163,435
Expenditures	102,198	101,267	117,429	150,340	133,632
Transfers out	-	-	-	-	3,000
Ending balance	5,086	5,614	6,575	18,850	45,653
Increase (decrease) in balance	3,102	528	961	12,275	26,803
Total Auxiliaries fund balances	\$ 1,740,044	\$ 2,257,733	\$ 2,582,102	\$ 3,284,528	\$ 3,362,702

FACILITIES

Among public institutions of higher education, Coastal Carolina University ranks as fourth lowest in the State of South Carolina in the total dollars it has received from State Capital Improvement Bonds (CIB's) to be applied to capital projects. The Capital Bond Bill was established in 1968, and the dollars received by each institution in the table below refer to the total CIB's received since that time. The State has not issued capital bonds since the 2000 legislative session. Coastal's total of \$42.3 million includes \$9.6 million received in the 1988 Bond Bill for the Wall School of Business Building and \$17.2 million received in the 1991, 1997 and 1999 Bond Bills for the Edwards Humanities and Fine Arts Building.

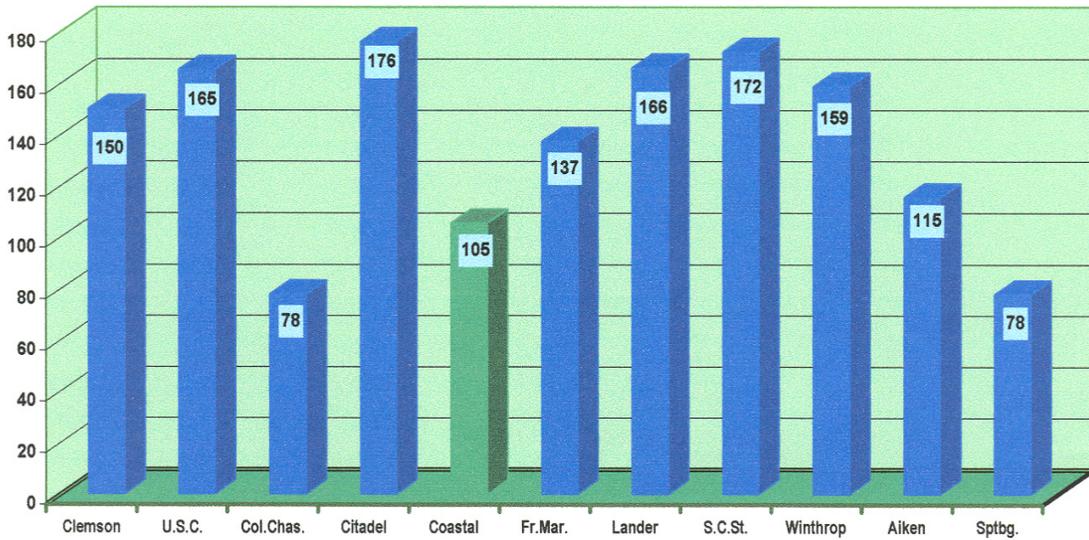
Coastal Carolina University has built a number of its campus buildings without the aid of state capital improvement bonds. Using a combination of private funds, county funded bond issues, institutional bonds, and institutional revenue bonds, Coastal's buildings, including residence halls, now total more than one million square feet, with a replacement cost of \$130 million. These statistics illustrate Coastal's attempt at self-sufficiency, rather than undue dependence upon the state.

The South Carolina Commission on Higher Education (CHE) regularly collects data on the number of campus square feet providing educational space per FTE student. The most recent data published by CHE is for fall 2002. The institutions experiencing a recent growth clearly suffer from inadequacy of educational space. Coastal ranks third lowest among South Carolina public institutions.

S.C. PUBLIC UNIVERSITIES
Total Capital Improvement Bonds, 1970-2003
 In Millions (Average = \$ 48.8 Million)



S.C. PUBLIC UNIVERSITIES
Assignable E & G Sq.Ft. per FTE - Fall 2002



SCHEDULE OF BOND COVERAGE Last Nine Fiscal Years

State Institution Bonds

Note: Coastal Carolina University became independent of the University of South Carolina July 1, 1993. Figures from the transition years of 1993 and 1994 are not readily available.

Fiscal Year Ended June 30,	Tuition Pledged for Debt Service	Principal	Interest	Total	Coverage Ratio
2003	864,426	-	175,647	175,647	4.92
2002	841,252	325,000	10,969	335,969	2.50
2001	603,631	315,000	25,020	340,020	1.78
2000	577,234	300,000	38,160	338,160	1.71
1999	585,013	290,000	50,302	340,302	1.72
1998	574,413	275,000	61,732	336,732	1.71
1997	538,760	265,000	72,698	337,698	1.60
1996	490,194	255,000	83,256	338,256	1.45
1995	540,785	245,000	93,404	338,404	1.60

Revenue Bonds

Fiscal Year Ended June 30,	Designated* Net Revenues Available for Debt Service	Bond Proceeds and Interest Available for Debt Service	Principal	Interest	Total	Coverage Ratio
2003	3,158,675		710,000	1,484,949	2,194,949	1.44
2002	3,351,989		675,000	1,520,460	2,195,460	1.53
2001	2,414,040	712,834	635,000	1,553,845	2,188,845	1.43
2000	1,918,622	956,379	320,000	1,572,755	1,892,755	1.52
1999	1,375,038		265,000	822,884	1,087,884	1.26
1998	1,370,197		245,000	874,733	1,119,733	1.22
1997	1,017,724	391,060	230,000	888,898	1,118,898	1.26
1996	780,895	241,194	125,000	897,089	1,022,089	1.00
1995	956,345	468,426	731,227	693,544	1,424,771	1.00

*Please see Note 9 to the financial statements for a discussion of the actual funds legally pledged for repayments. The net revenues displayed represent housing operations in 1995 and 1996, the addition of food service beginning in 1997, and the addition of the bookstore in 2000.

COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



SINGLE AUDIT SECTION

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROLS OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

September 5, 2003

Mr. Thomas L. Wagner Jr., CPA
State Auditor, State of South Carolina
Columbia, South Carolina

I have audited the financial statements of the Coastal Carolina University (the University) as of and for the year ended June 30, 2003, and have issued my report thereon dated September 5, 2003. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the University's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the University management and Board of Trustees and the Office of the South Carolina State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Walda Wildman, LLC

WALDA WILDMAN, LLC
Certified Public Accountant

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

September 5, 2003

Mr. Thomas L. Wagner Jr., CPA
State Auditor, State of South Carolina
Columbia, South Carolina

Compliance

I have audited the compliance of Coastal Carolina University (the University) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The University's major federal programs are identified in the summary of auditor's 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 the University's management. My responsibility is to express an opinion on the County's compliance based on my audit.

I 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 I 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 the University's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the University's compliance with those requirements.

In my opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the 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 my audit, I considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the management and Board of Trustees of Coastal Carolina University, the Office of the South Carolina State Auditor, 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.

Walda Wildman, LLC

WALDA WILDMAN, LLC
Certified Public Accountant

**COASTAL CAROLINA UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

- (I.) An unqualified opinion was issued on the financial statements of Coastal Carolina University.
- (ii.) The audit of the basic financial statements disclosed no reportable conditions in internal control.
- (iii.) The audit disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements which were material to the financial statements.
- (iv.) The audit disclosed no reportable conditions in internal control over major programs.
- (v.) An unqualified opinion was issued on compliance for major programs.
- (vi.) The audit disclosed no findings related to federal awards.
- (vii.) Major federal programs for Coastal Carolina University for the fiscal year ended June 30, 2003 are:

<u>Program Name</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-study Program	84.033
Federal Pell Grant Program	84.063

- (viii.) The threshold for determining Type A programs for Coastal Carolina was \$300,000 for the year.
- (ix.) Coastal Carolina did not qualify as a low-risk auditee under Section .530 of Circular No. A-133.

2. FINDINGS RELATED TO THE AUDIT OF THE BASIC FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS:

None.

3. FINDINGS AND QUESTIONED COSTS RELATED TO THE AUDIT OF FEDERAL AWARDS:

None.

**COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003**

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
Forestry Research			
Effects of Timber Thinning on Bat Diversity, Abundance & Habitat use in the Francis Marion Forest	10.652	03-PA-11081209-040	\$ 1,167
DEPARTMENT OF COMMERCE			
Sea Grant Support			
<i>Passed through South Carolina Sea Grant Consortium</i>			
Geologic Framework of the Beach and Shoreface of the Northern SC Coast, Linking the Beach and Inner Shelf	11.417	NA97RG0431	54,662
Stratigraphy and Development of the North Island and Other Holocene Structures in the Grand Strand: Implications for Sediment Deposit Along the Coastline	11.417	NA97RG0431	31,959
South Carolina - Georgia Coastal Erosion Study: GIS Data Compilation, Data Management and Shoreline Change Study	11.417	NA97RG0431	32,634
Geologic Framework of the Grand Strand Region: Distribution and Character of Near Surface Geologic Strata at the Active Coast	11.417	NA97RG0431	24,143
Stratigraphy and Development of the North Island and other Holocene Structures in the Grand Strand Year 3	11.417	NA97RG0431	20,104
Geologic Framework of the Grand Strand Region: Distribution and Character of Near-Surface Geologic Strata at the Active Coast	11.417	00HQAG0208	3,115
South Carolina - Georgia Coastal Erosion Study: GIS Data compilation and Shoreline Change Study	11.417	00HQAG0208	8,488
			175,105
Unallied Science Program			
<i>Passed through South Carolina Department of Natural Resources</i>			
Contributions to the Biology of the Red Drum, <i>Sciaenops Ocellatus</i> , in South Carolina	11.472	NA97FL0359	24,815
DEPARTMENT OF DEFENSE			
OFFICE OF THE CHIEF OF ENGINEERS, DEPARTMENT OF THE ARMY			
Beach Erosion Control Projects			
<i>Passed through South Carolina Department of Natural Resources</i>			
Construction of Habitat and Sand Resource. Inventory Maps of the Inner Continental Shelf	12.101	0073083515 0200	47,962
Charleston ODMS Index Reef and Inshore Side Scan Sonar Characterization	12.101	73083527	20,325
Monitoring Studies at the Charleston ODMS	12.101	00700-83527	2,787
			71,074

Continued

**COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003**

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
DEPARTMENT OF THE INTERIOR			
Partners for Fish and Wildlife	15.631	2003-0063-000	6,857
U. S. Geological Survey - Research & Data Acquisition			
<i>Passed through South Carolina Sea Grant Consortium</i>			
Geologic Framework of the Beach and Shoreface of the North Carolina Coast:			
Lining the Beach and Inner Shelf	15.808	00HAAG0208USGS	65,321
<i>Passed through South Carolina Department of Natural Resources</i>			
Side Scan Sonar Surveys at Charleston ODMDS	15.808	03-030557	15,102
<i>Passed through South Carolina Department of Health and Environment</i>			
South Carolina Coastal Erosion Monitoring: Conversion of Berm to DGPS-Based Survey and Integration into Coastal Erosion Study	15.808	N/A	47,438
<i>Passed through South Carolina Sea Grant Consortium</i>			
PROJECT BERM: Beach Erosion Monitoring and Research	15.808	00HQAG0208	77,735
			205,596
U. S. Geological Survey - National Spatial Data Infrastructure Cooperative Agreements Program			
EDMAP Project: Myrtle Beach South Carolina. Geological Mapping of Portions of Myrtle Beach and Ocean Forest 7.5-minute Quadrangles			
	15.809	02HQAG0218	7,370
US DEPARTMENT OF JUSTICE			
Drug-free Communities Support Program Grants			
<i>Passed through the South Carolina Department of Alcohol and Drug Abuse</i>			
Enforcing Underage Drinking Laws (EUDL)	16.729	2001-AH-FX-0045	4,869
NATIONAL AERONAUTICS & SPACE ADMINISTRATION			
Aerospace Education Services Program			
<i>Passed through College of Charleston</i>			
Development of Remote Sensing & Image Analysis Curricula for Integration into Selected Marine Science Courses			
	43.001	NGT5-40099	2,288
New Course: Remote Sensing of the Environment	43.001	NGT5-40099	4,000
			6,288

Continued

**COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003**

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Promotion of the Humanities Research			
<i>Passed through SC Humanities Council</i>			
The Establishment and Evolution of Religious Institutions in Horry and Georgetown Counties	45.161	2-0882-2	1,191
NATIONAL SCIENCE FOUNDATION			
Geosciences			
Acquisition of Equipment for Comprehensive Marine and Sciences Research Training Laboratory at Coastal Carolina University	47.050	NSF99-168	25,257
Rising Tide Project: Changing How University Researchers and Secondary Educators Work Together	47.050	Geo-0122020	32,604
Large-Scale Dynamic Meteorology Climate Dynamics Program	47.050	ATM-0213248	51,353
<i>Passed through SUNY College at Brockport</i>			
Regional Workshop: Assessing Biogeochemical Impacts of Non-point Source Pollution on Riverine Ecosystems Subcontract Under NSF CCL0-ND Proposal	47.050	N/A	15,298
			<u>124,512</u>
Biological Sciences			
<i>Passed through Medical University of South Carolina</i>			
Biomedical Research Infrastructure Network Proposal	47.074	1 P20-RR16461-01	45,674
Education and Human Resources			
Integration of Research and Education at CCU	47.076	STI-9873758	1,161
Acquisition of Equipment for the Establishment of a Microbial Ecology Laboratory at Coastal Carolina University	47.076	OCE-0116536	130,366
<i>Passed through Saint Xavier University</i>			
Peer-Led Team Learning in Introductory Biology 121 and 122	47.076	402570001 D 51	4,968
<i>Passed through South Carolina Department of Education</i>			
Math Science Hub	47.076	02 GA 310	3,656
Waccamaw Math & Science Hub Federal Funds 2002-2003	47.076	03 GA 310	19,515
			<u>159,666</u>
US DEPARTMENT OF ENERGY			
State Energy Program Special Projects			
EPSOR: Thermodynamic and X-ray Studies of Electrically-Ordered Adsorbed Phases	81.119	DEFG0201ER45895	44,169
			<i>Continued</i>

**COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003**

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
US DEPARTMENT OF EDUCATION			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	PO7A027401	* 211,326
Overseas Group Projects Abroad	84.021	PO21A020073	70,722
Federal Work Study Program	84.033	PO33A027401	* 225,876
Federal Pell Grant Program			
Pell Grant Program	84.063	PO63P011555	23,506
Pell Grant Program	84.063	PO63P022202	3,500,701
			<u>* 3,524,207</u>
Business and International Education Projects			
Internationalizing the Business Curriculum at the E. Craig Wall College of Business Administration: A Three-Part Process	84.153	P153A010032	24,381
Eisenhower Professional Development Grant			
<i>Passed through SC Commission of Higher Education</i>			
Eisenhower Professional Development Program Best Practices-Summer Institute	84.281	N/A	2,623
Standards-Based Content and Methods Courses for Middle School Mathematics	84.281	N/A	<u>22,015</u>
			<u>24,638</u>
Innovation Education Program Strategies			
<i>Passed through National Writing Project</i>			
Coastal Area Writing Project 2002-2003	84.298	94-SC03	25,000
Teacher Quality Enhancement Grants			
<i>Passed through South Carolina Department of Education</i>			
Title II Standards and Assessment Project	84.336	02F1310-01	3,023
Standards and Assessment Project: Implementation and Evaluation	84.336	03-F1310	<u>8,007</u>
			<u>11,030</u>
Learning Anytime Anywhere Partnerships			
<i>Passed through Association for Gerontology In Higher Education</i>			
Generations Together Grant: a Service-Learning Project to Assist Older Persons with AIDS	84.339	N/A	2,632

Continued

**COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2003**

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Research Infrastructure			
<i>Passed through USC/EPSCOR</i>			
Characterizing the Thermal Ecology of Fiddler Crabs	93.389	#02-723	4,730
Community Services Block Grant - Discretionary Awards			
<i>Passed through National Youth Sports Corporation</i>			
National Youth Sports Summer Program at Coastal Carolina University	93.570	03-302	12,384
HIV Demonstration, Research, Public and Professional Education Projects			
<i>Passed through Waccamaw Regional Prevention Collaboration</i>			
HIV Prevention Mini-grant	93.941	N/A	8
Geriatric Education Centers			
<i>Passed through Medical University of South Carolina</i>			
SC Consortium of Geriatric Education Centers Grant	93.969	HRS#1D31HP70148	6,782
TOTAL FEDERAL EXPENDITURES			\$ 5,022,069

*Denotes major program.

COASTAL CAROLINA UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2003

Note 1. Summary of Significant Accounting Policies

Basis of Accounting

The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.

Note 2. Sub-recipients

Of the federal expenditures presented in this schedule, Coastal Carolina University provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided</u>
Sea Grant Support	11.417	\$34,340

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AUDITOR'S COMMENTS

September 5, 2003

Mr. Thomas L. Wagner Jr., CPA
State Auditor, State of South Carolina
Columbia, South Carolina

During my engagement to audit the financial statements of Coastal Carolina University as of and for the year ended June 30, 2003, no matters came to my attention on which I wish to comment.

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STATUS OF PRIOR YEAR'S FINDINGS

September 5, 2003

Mr. Thomas L. Wagner Jr., CPA
State Auditor, State of South Carolina
Columbia, South Carolina

During my audit of Coastal Carolina University's financial statements for the year ended June 30, 2002 no matters came to my attention on which I commented.

Walda Wildman, LLC

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