

COLLEGE OF CHARLESTON

CHARLESTON, SOUTH CAROLINA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

FOR THE YEAR ENDED JUNE 30, 2007

**PREPARED BY
THE OFFICE OF THE CONTROLLER
COLLEGE OF CHARLESTON**

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CHARLESTON, SOUTH CAROLINA**



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COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2007**

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COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



INTRODUCTORY SECTION



College of Charleston

66 George St.
Charleston, South Carolina 29424-0001

November 5, 2007

Office of the President



Dear College of Charleston Family and Friends,

It is my pleasure to provide this report of the financial performance of the College of Charleston for the fiscal year ended June 30, 2007. The College continues to maintain fiscal stability as evidenced by the results of its operations. We appreciate the efforts of our faculty and staff to improve efficiency and accountability. Their work directly contributes to our fiscal soundness and the acquisition of the resources required to pursue our educational goals.

During 2006-07, we continued to transform our physical campus. At the end of the fiscal year, we neared completion on the new George St. and Liberty St. residence halls, which subsequently opened for the fall 2007 semester. The apartment-style George St. residence hall has beds for 197 upperclassmen and retail shops on the first floor. The Liberty Street Residence Hall contains 439 beds for freshmen and features common areas with kitchens, home theaters and game rooms. On the first floor of this building is our new Fresh Food Company restaurant, which serves more than 1,300 meals a day to our students, faculty and staff, as well as to members of the public. This year, the College also dedicated the new facilities for our School of Education, Health and Human Performance, while construction continued on the Carolina First Center/John Kresse Arena athletics facility and the Marion and Wayland H. Cato Jr. Center for the Arts.

Again this year, the College of Charleston ranks as one of the nation's best institutions for undergraduate education, student life and affordability in the following college

guides: *U.S. News & World Report*; Princeton Review's *The Best 366 Colleges*; Princeton Review's *America's Best Value Colleges*; Barron's *Best Buys in College Education*; *Kiplinger's Personal Finance Magazine*; and the *Fiske Guide to Colleges*.

The continued strength of our national rankings is a reflection of the College faculty and staff's passion for quality education and the public's growing awareness of the cost benefits associated with the distinctive undergraduate experience offered at the College of Charleston. As we expand and improve our academic and co-curricular offerings, the caliber of students and faculty continue to increase, along with our nationwide reputation for excellence. For the fall 2007 semester, 8,939 freshmen from nearly every state and 13 foreign countries applied for 2,020 openings, constituting the largest and most diverse number of freshmen applicants in the history of the College. Also, a record number of 821 freshmen ranking in the top 7 percent of their graduating classes applied for entrance to our prestigious Honors College. Among enrolled freshmen there are 11 National Merit Finalists and 140 South Carolina Palmetto Scholars, and 98.8 percent of entering South Carolina freshmen qualified for state scholarships.

Recent National Survey of Student Engagement (NSSE) results indicate that College of Charleston students maintain a high degree of satisfaction with regard to their relationships with faculty, rigor of academics and relevance of their undergraduate experiences to their future career goals. Recent College initiatives to expand opportunities for student-faculty research, experiential learning and study abroad were cited as particularly important to overall satisfaction. Faculty engagement in the academic enterprise also continues to expand, with intense review of the General Education curriculum, expansion of learning communities and freshman seminars. As part of the development of the First Year Experience program, the focus of a highly successful 2007 SACS accreditation review, the College currently hosts 13 learning communities for 250 students, with expansion to 15 planned for fall 2008. Additionally, 15 freshman seminars will be offered by roster faculty beginning next year. Retention rates for students engaged with faculty in learning communities have exceeded 90 percent, based on the first-year assessment of the program. As part of the interdisciplinary focus of our learning communities initiative, the College has been

selected to partner on a grant sponsored by the Washington Center for the Improvement of Undergraduate Education.

In the area of student life, the College in May 2007 partnered with the City of Charleston for the first “Town and Gown Spring Clean,” a campaign to educate outgoing students about the need to properly dispose of unwanted furniture and trash. This year, the Student Government Association has launched the Cougar Spirit Initiative to increase institutional pride and encourage greater participation by students in campus life and the community. Also, the Office of Student Life and the Stern Student Center will serve as the host for the Region 5 Conference of the Association of College Unions International, an organization dedicated to professionals and students who work in college unions and student activities. The conference will include more than 30 educational sessions, tours of campus facilities and special events. Finally, the Charleston School of Law has solicited the College of Charleston’s Crisis Assistance Response and Education (C.A.R.E.) program to serve as the victim-services provider for their 600 law students. The partnership will involve direct victim assistance as well as educational/resource materials and co-operative programming initiatives.

This fall, the College’s Career Center launched the Young Professionals Career Training Institute, a workshop series developed in response to a survey of career-related workshop programs offered by other career centers throughout the United States. The Career Training Institute allows underclassmen and graduate students an opportunity to learn from the experts. In addition, the Career Center partnered with career centers at The Citadel and Charleston Southern University to combine resources and offer the FutureQuest Career Fair for the seventh consecutive year. The event, held at the City of Charleston’s Gaillard Municipal Auditorium, gave students the opportunity to network with and gain information about career opportunities from 99 participating organizations.

Continued development of faculty resources to support teaching, student advising and research remains central to the next phase of our strategic planning process, scheduled

to commence this academic year. Re-adoption of a more participative, formal budgeting process is also under way.

Attracting and securing the resources necessary to maintain and advance our vision remains a major challenge for this institution. To that end, the development of a new strategic plan and a new, more participative formal budgeting process are under way. Private funding also is a major priority for the College, and we will continue to explore all available avenues of philanthropy and private giving. As we pursue these new opportunities, our operations will stay streamlined, our programs will maintain focus and the outstanding quality of our student experience will remain uncompromised.

In conclusion, I embrace the philosophy that the success of all units within the College should be measured in terms of both their contributions toward achievement of our academic goals and our contributions to the Lowcountry and the State of South Carolina. I appreciate the hard work and support of the people across the College of Charleston community and look forward to even more progress and opportunities in the future — for our students, faculty, staff and state.

With best wishes,

A handwritten signature in black ink, appearing to read "P. George Benson". The signature is written in a cursive style and is positioned to the left of a vertical red line.

P. George Benson
President



LETTER OF TRANSMITTAL

November 5, 2007

To President Benson,
Members of the Board of Trustees, and
Citizens of South Carolina

FORMAL TRANSMITTAL REQUIREMENTS

We proudly present to you the Comprehensive Annual Financial Report (CAFR) for the College of Charleston for the year ended June 30, 2007. This report contains the financial statements as well as other information useful to those we serve and to whom we are accountable. The annual report encompasses three major sections, the Introduction, Financial, and Statistical, as well as all disclosures necessary for the reader to gain an understanding of the College's financial operations.

The **Introductory Section**, offering insight regarding the organization, structure and scope of operations, comprises a message from the President, this transmittal letter, listings of the members of the Board of Trustees along with the Business and Finance Officers, and an organizational chart of the institution. The **Financial Section** presents management's discussion and analysis (MD&A) which, when read in conjunction with the financial statements and the notes to the financial statements, will provide a more complete picture of the financial health of the institution. In addition to the financial statements and accompanying notes, this section includes the report of the independent auditors. The **Statistical Section** is the chief source of information regarding the College's economic condition. It is organized around five objectives which cover information on financial trends, revenue capacity, debt capacity, demographics and economics, and operations.

Legal Requirement

As a lump-sum agency of the State of South Carolina, the College is required to provide a complete set of audited financial statements by October of each year for incorporation

into the state-wide Comprehensive Annual Financial Report. This report fulfills that requirement for the period ending June 30, 2007.

Assumption of Responsibility

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, is assumed by the College of Charleston. We believe that, to the best of our knowledge and based upon a strong system of internal controls, the data contained herein is accurate in all material respects and is reported in a manner designed to present fairly the College's financial position as well as revenues, expenses, changes in net assets, and cash flows.

Internal Control

The management of the College is responsible for the establishment and maintenance of internal control policies and procedures designed to safeguard the College's assets. As part of this responsibility, the management ensures that its financial statements are prepared in conformity with generally accepted accounting principles (GAAP). In addition reasonable controls are in place to ensure that: access to the College's assets is granted only with appropriate management authorization; transactions are executed in accordance with the authorization of management; transactions are recorded promptly and based on criteria applicable to state guidelines, GAAP, and as developed by the National Association of College and University Business Officers; and general ledger accounts are reconciled timely.

The College of Charleston's Office of Internal Audit periodically reviews procedures and issues reports with recommended improvements to the system. This office reports directly to the President of the College. Annual audits are conducted by independent auditors with testing to ensure the adequacy of internal controls and the College's compliance with applicable laws and regulations.

Independent Audit

Audits are conducted on an annual basis by an independent audit firm. For the fiscal year ended 2007, the audit was conducted by ElliottDavis, LLC. The audited report appears in the front of the Financial Section and expresses an unqualified opinion on the College's financial statements.

Furthermore, ElliottDavis, LLC audited the College's federal programs to ensure compliance with the requirements of the Single Audit Act of 1984 as provided under Federal Circular A-133 for federal grants and contracts. The most recent audit (Fiscal Year 2007) detected no institutional liabilities related to the College's federal programs. Finally, the College is audited on a periodic basis by the S. C. Budget and Control Board - Division of General Services to ensure compliance with the provisions of the South Carolina Procurement Code.

Reference to Management's Discussion and Analysis

The letter of transmittal complements and should be read in conjunction with the Management's Discussion and Analysis (pages 23–34), which focuses on current activities, accounting changes and currently known facts.

PROFILE OF GOVERNMENT

Basic Information

The College of Charleston is a state-supported, coeducational institution of higher education. The Board of Trustees is the governing body for the College and is responsible for the administration and management thereof. Founded in 1770, and chartered in 1785, the College is the oldest institution of higher education in South Carolina and the thirteenth oldest in the United States. Today this thriving academic institution offers a world-class liberal arts education for nearly 10,000 undergraduate and graduate students.

The College of Charleston is committed to attracting the most promising students both from South Carolina and other states. The average combined SAT scores of entering freshmen for Fall 2006 was 1220, far exceeding the state and national averages. Out-of-state and international students comprise 38% of the student enrollment with 52 states and U. S. possessions and 74 foreign countries represented.

Component Units

The College of Charleston and its graduate school are considered to be part of the State of South Carolina primary entity. The funds of the College of Charleston are included in the Comprehensive Annual Financial Report of the State of South Carolina. In addition, the College of Charleston Foundation and the Cougar Club are component units of the College whose financial statements are discretely presented in the College's CAFR.

Budget

The College prepares on an annual basis a budget that provides reasonable estimates of revenues and expenditures. The budgetary process encompasses all operating budgets of the College to include educational and general activities, the operations of auxiliary enterprises, all sponsored program activities, and all capital projects. Executive management, academic officials and department heads develop a programmatic budget and present it to the Board of Trustees for approval. Using a comprehensive account classification and tracking system, the responsibility for budgetary control rests at the departmental level with appropriate oversight provided by the executive management of the College. Any adjustments, and/or revisions to the budget, are approved by the Board on a quarterly basis.

Finally, the College prepares annual budgetary reports that are available to the General Assembly of South Carolina and the public for review. These reports provide information that demonstrates the ability of the College to accomplish its mission in a manner that ensures legislative compliance and prudent management of public funds.

INFORMATION USEFUL FOR ASSESSING THE ECONOMIC CONDITION

Local economy

During calendar year 2006 and as reported by the S. C. Employment Security Commission¹, the South Carolina economy saw the fastest rate of net job growth since 1999 while total state personal income grew at its fastest pace since 2000. These economic gains occurred at a time when several factors such as high energy prices, rising interest rates, and a significant slowdown in the housing market could have worked to derail economic expansion. The data suggest that total gross sales in South Carolina rose by 12% in 2006, perhaps the fastest growth since the late 1970s. This strong growth in spending was largely supported by a strong job market as well as lower personal savings and higher debt levels which could pose longer term problems for the economy as low personal savings rates reduce the availability of funds for private investment.

New construction slowed in South Carolina, but not as substantially as for the nation. At the national level, real residential investment fell by 4.2% in 2006 after rising by more than 8 percent each of the three previous years.

South Carolina's economy managed to post a 1.9% increase in the level of total non-farm employment in 2006. Trade, Transportation and Utilities is the largest industry sector in South Carolina, accounting for 20% of all non-farm jobs. The next largest sector is Government at 17.5%, followed by Manufacturing at 14.4%. The 1.9% increase was the fastest rate of net new job growth since the state saw jobs grow by 2.7% in 1999. The job growth in 2006 represented a gain of about 36,000 net new jobs for the state. The solid job gains are notable given the fact that the state continued to post a net decline in manufacturing jobs during 2006. The state lost 8,700 jobs in nondurable goods manufacturing, and about 500 jobs in durable goods manufacturing. Therefore, the state managed to add more than 45,000 net new jobs outside of the manufacturing sector.

Even with this positive performance in terms of jobs, income, retail sales, and other indicators, South Carolina saw only a slight improvement in its measured unemployment rate. The state's jobless rate averaged 6.5% in 2006, down from 6.7% in 2005. However, it should be noted that the rapid influx of people in the labor force which is almost double that of the U. S. as a whole has caused the unemployment rate to remain high.

¹ *Vital Signs 2007, Economic & Workforce Trends in South Carolina*, S. C. Employment Security Commission

In addition, the September 2007 edition of *Work Force Trends, Newslines*² notes that South Carolina's unemployment rate was 5.7%, well-below the year-ago rate of 6.5%. Charleston's unemployment rate was 4.6% for this same period. The number of unemployed was 123,300, an increase of 3,300 over the prior month.

The number of non-farm jobs in South Carolina rose 2,900 in September as seasonal, education-related gains in Government (+13,000) and Education and Health Services (+1,300) were partially offset by seasonal, tourist-related losses in Leisure and Hospitality (-7,000). The Manufacturing total was down 7,500 from last year. The total job count for September was 27,400 above last year's level. In particular for the Charleston and North Charleston area, the net increase for September 2007 in non-farm jobs was 7,500 in comparison to September 2006.

In summary and somewhat contrary to reports of the State of South Carolina Comptroller General's Office as well as the University of South Carolina (as noted in the MD&A), the South Carolina Employment Security Commission predicts improved South Carolina's economies as the State moves into the final quarter of the year. The Commission forecasts a more favorable economic performance based on the increased job count and significant reduction of the unemployment rate from last year.

Long-term Financial Planning

Future capital acquisition purchases for the College include the George Street residence hall and cafeteria project, the Science Facility, Simons Art Center as well as the Carolina First Center Athletic Facility. For the most part, these capital projects will be funded with Higher Education Academic and Administrative Facilities Revenue bond proceeds and built-up fund balance. In addition, the College has plans to install and implement a new enterprise resource planning system that will be funded in part with built-up fund balance.

Relevant Financial Policies

It is noteworthy to mention at least three other policies that impact the budgetary process. These policies cover debt, cash and risk management issues.

First, the College has developed a comprehensive debt management strategy to provide guidelines relative to acceptable levels of debt and to formulate a mechanism for calculating and monitoring debt while being cognizant of the effect of long-term borrowing on its credit rating. The College will manage debt on a portfolio basis. Its continuing objective to achieve the lowest cost of capital will be balanced with the goal of limiting exposure to market shifts. The College will manage its credit to maintain the highest acceptable rating which will permit the College to issue debt and finance capital projects at favorable interest rates while meeting its strategic objectives. Overall debt will be limited to a level that will maintain an acceptable credit score with the bond rating agencies.

² *Newslines*, a publication released October 19, 2007 by the S. C. Employment Security Commission

Secondly, as a state agency, the investment of funds is vested with the State Treasurer of South Carolina. Other than certain approved petty cash funds and two loan funds, all cash is held in a cash management pool administered by the State Treasurer. By law, the College is allowed to earn interest income on revenues derived from the operations of its Residence Halls, Parking, and Food Service. Certain debt service funds also managed by the State Treasurer allow interest earnings to the credit of the College. All other interest earned from the investment of College and related fees are retained by the State Treasurer and credited to the State General Fund.

Thirdly, the College participates in a statewide risk management program in which the state assumes substantially all risks for unemployment and workers' compensation benefits and claims of covered employees for health, dental, and group life insurance benefits. In addition, the College pays premiums to the South Carolina Insurance Reserve Fund to cover the risk of loss related to the assets and activities including real and personal property. The College also obtains employee fidelity bond insurance coverage from a commercial insurer.

Major Initiatives

During 2007, management began focusing on four crucial areas of programmatic enhancement as identified in its long-range strategic plan. Those areas are academic programs (with particular emphasis on the general education program and majors and multi-disciplinary programs of distinction and distinctiveness); (2) co-curricular programs; (3) student success; and (4) diversity. The budgetary requirements identified in the strategic plan are now reconciled annually to address possible "pent up" fiscal needs. In addition, the College is making significant progress toward the planning and implementation of the new enterprise resource planning system including making provisions for the financial needs of this initiative.

Furthermore, the College continues to work toward achievement of goals and objectives of its Campus Master Plan, a comprehensive study intended to guide the physical growth of the campus. The plan responds to programmatic relationships, the creation of open spaces and pedestrian connections, landscape features, parking and transit needs as well as deferred maintenance, service and utility issues. To that end, the College has entered an agreement to purchase a \$56 million complex which comprises a dormitory, an apartment, a cafeteria, and a parking garage which is scheduled to open August 2007. Other planned amenities include a Science Facility, Simons Arts Center, Dixie Plantation, Patriot's Point and the Carolina First Center Athletic Facility.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement for Excellence in Accounting Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the College of Charleston for its

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

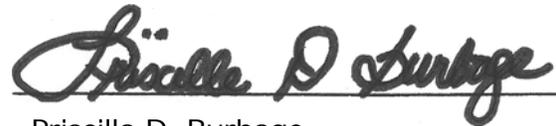
A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

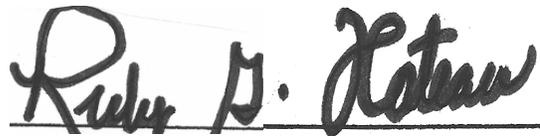
We wish to thank the Board of Trustees and the President of the College for their continued commitment to the fiscal management of the College. Likewise, we wish to thank the members of the College community whose cooperation made the successful close of the fiscal year possible.



Stephen Osborne
Senior Vice-President for Business Affairs



Priscilla D. Burbage
Vice resident for Fiscal Services



Ruby Plateau
Controller



Kenneth "Rick" Mims, C. P. A.
Accounting Fiscal Manager



Stephen Stullenbarger, C. P. A.
Accounting Fiscal Manager

**COLLEGE OF CHARLESTON
BOARD OF TRUSTEES
2006 - 2007**

Robert W. Marlowe, Chairman
Member-At-Large

James F. Hightower
Member-At-Large

Marie M. Land, Vice Chairman
Sixth District

William D. Johnson
Fifth District

J. Philip Bell, Secretary
Third District

G. Lee Mikell
Second District

Donald H. Belk
Member-At-Large

Lawrence R. Miller
Fourth District

John H. Busch
Second District

Annaliza Oehmig Moorhead
Third District

Demetria Noisette Clemons
Sixth District

Y. W. Scarborough, III
Governor's Appointee

Dr. L. Cherry Daniel
First District

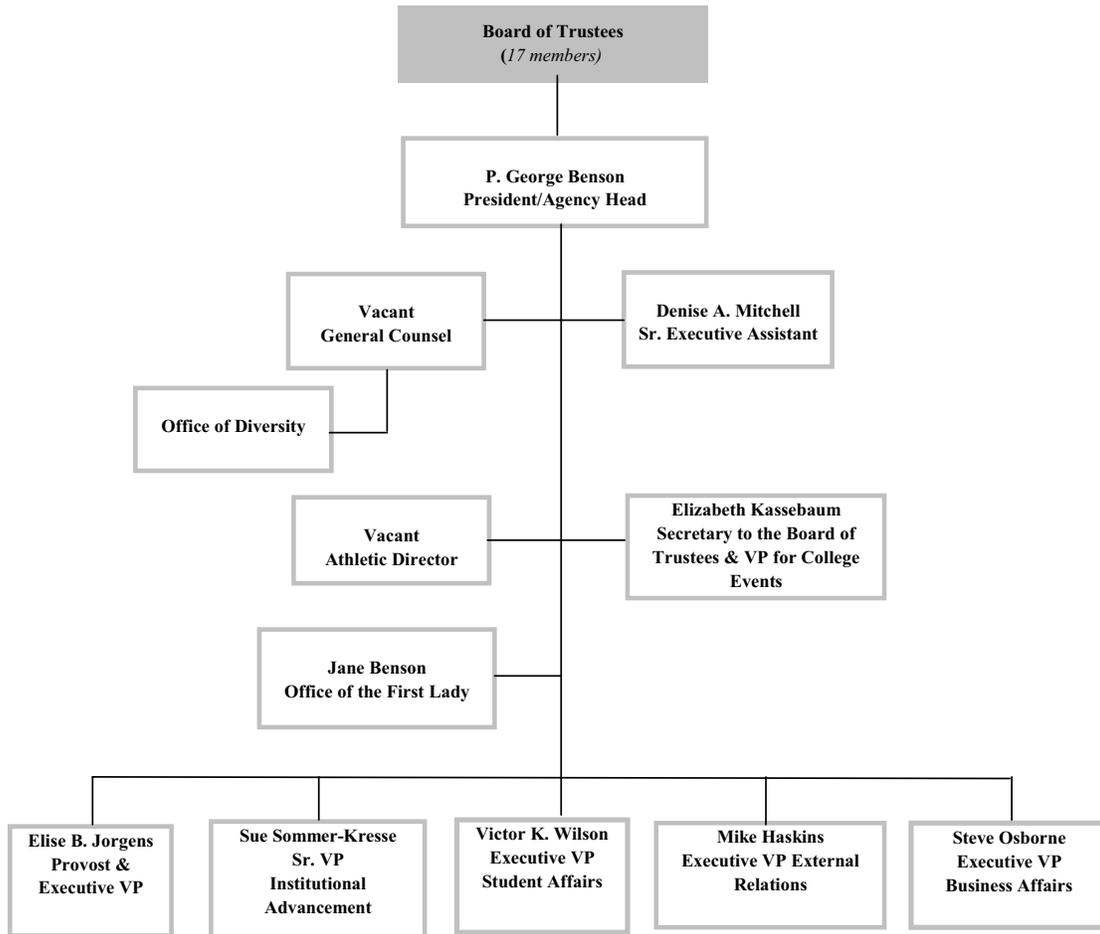
Dr. Sam Stafford, III
Governor's Designee

Frank M. Gadsden
Fifth District

Joseph F. Thompson, Jr.
First District

John B. Wood, Jr.
Fourth District

College of Charleston
President's Office
 Organizational Structure



**COLLEGE OF CHARLESTON
BUSINESS AND FINANCE OFFICERS
2006-2007**

Steve Osborne
Senior Vice President for Business Affairs

Priscilla Burbage
Vice President for Fiscal Services

Ruby Flateau
Controller

Kenneth "Rick" Mims, C.P.A.
Accounting Fiscal Manager

Stephen K. Stullenbarger, C.P.A.
Accounting Fiscal Manager

Samuel B. Jones
Director of Budgeting and Payroll Services

Gail E. Long, C.P.A.
Audits Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

College of Charleston South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Office of the State Auditor and
Members of the Board of Trustees
The College of Charleston
Charleston, South Carolina

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of The College of Charleston, a department of the State of South Carolina, as of and for the year ended June 30, 2007, which collectively comprise The College of Charleston's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The College of Charleston's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of The College of Charleston Foundation and The College of Charleston Cougar Club (both discretely presented component units). The College of Charleston Foundation's and The College of Charleston Cougar Club's financial statements reflect 100% of total assets, 100% of net assets, and 100% of total revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for these discretely presented components units, are based solely on the reports of the other auditors.

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

As discussed in Note 1, the financial statements of The College of Charleston are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of The College of Charleston. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of The College of Charleston as of June 30, 2007, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2007 on our consideration of The College of Charleston's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis as listed in the accompanying table of contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The introductory section and the statistical section as listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in blue ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Greenwood, South Carolina
October 7, 2007

**COLLEGE OF CHARLESTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Introduction

The College of Charleston's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and guides the reader toward significant financial matters for the year ended June 30, 2007. Management has prepared the discussion and recommends reading it in conjunction with the accompanying financial statements and footnotes. The responsibility for the financial statements, footnotes, and this discussion rests with management.

Financial and Other Highlights

- Net assets of \$163.8 million in fiscal year 2007 grew by \$30.7 million or 23.1% in comparison to 2006.
- State appropriations totaling \$37.8 in 2007 increased by \$7.5 million or 24.7% from the prior year's appropriations.
- Tuition and fee revenue of \$82.5 million for 2007 reflects an extra \$5.7 million, up approximately 7.4% in relation to fiscal year 2006.
- Scholarship awards of \$22.9 million in 2007 denote an augmentation of approximately 8.5% as represented in the change in discounts and allowances.
- Total operating expenses of \$163.8 million in 2007 show an added 5.1% in contrast to 2006. The changes in the growth rates of the operating expenses have remained steady at roughly 5.0% for the past two years.

Using the Annual Financial Report

The annual financial report encompasses three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These financial statements are prepared according to the Governmental Accounting Standards Board (GASB), Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – For Public Colleges and Universities*. They focus on the financial condition of the College, the results of operations, and its cash flows as a whole.

The three financial statements, similar to those of the private sector, should assist the reader of the annual report in assessing whether the College's overall financial condition (the Statement of Net Assets) has improved or deteriorated as a result of current year's financial activities (the Statement of Revenues, Expenses and Changes in Net Assets). In addition, the financial statements will help the reader ascertain whether the College can meet its financial obligations. The Statement of Cash Flows displays information related to both inflows and outflows of cash and further classifies activities by operating, non-capital financing, capital and related financing, and investing. Moreover, it answers the questions as to whether the institution is generating any extra cash that can be used to repay debt or to invest in new services, and whether the institution is generating enough cash to purchase the additional assets required for growth. The

elimination of internal service fund transactions ensures that only transactions external to the College are shown in the statements. The following discussion elaborates further on the components and relationships of the three statements.

First, the ***Statement of Net Assets*** (the balance sheet) is separated into current and non-current assets and liabilities. Current assets convert to cash within one year and for the College consist mainly of cash and receivables. Current liabilities will settle within one year and consist primarily of payables, deferred revenues and accrued compensation. This data provides information on assets available to continue the operations; amounts due to vendors, investors, lending institutions; and the net assets available for expenditure by the College. All capital assets are reported as well as depreciation expense – the cost of “using up” capital assets. The College does not report any infrastructure assets as a separate line item.

In addition, the *Statement of Net Assets* presents three major categories of net assets. The first category, invested in capital assets, net of related debt, illustrates the College’s equity in property, plant, and equipment. The next category displays the restricted net assets subdivided into expendable and nonexpendable. The amount of nonexpendable restricted resources is available solely for investment purposes. Expendable restricted net assets are available for expenditure but must be spent for purposes as determined by donors and/or external entities based on the defined restrictions. The final category is unrestricted net assets which

may be expended for any lawful purpose of the institution.

Secondly, the ***Statement of Revenues, Expenses and Changes in Net Assets*** presents the sources of revenue, types of expenses, gains or losses, and changes in net assets. Revenues and expenses are categorized as either operating or non-operating. Significant recurring sources of the College’s revenues, including state appropriations, gifts, and investment income (loss) are considered non-operating, as defined by GASB Statement No. 35. The dependence of public educational institutions on state funding, therefore, will normally result in operating deficits. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating revenues are classified in five major areas: student tuition and fees; federal, state, and local grants and contracts; auxiliary enterprises; student organization revenues; and other sources.

Scholarships and fellowships applied to student accounts are shown as a reduction of student fee revenues, while stipends and other payments made directly to students continue to be presented as scholarship and fellowship expenses.

Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Operating

expenses are mainly attributable to salaries and benefits for the faculty and staff of the College. Other elements included in operating expenses are supplies and materials, utilities, scholarships and fellowships, and depreciation.

Non-operating revenues are monies received for which goods and services are not provided. State capital appropriations as well as capital improvement bond proceeds are considered neither operating nor non-operating revenues and are reported after "Income before other revenues, expenses, gains or losses."

Lastly, the ***Statement of Cash Flows*** presents detailed information about the cash activity of the College during the year and is divided into five sections. The operating section shows the net cash used by the operating activities of the College.

The second section presents cash flows from non-capital financing activities and reflects the cash received and spent for non-capital financing purposes. Cash used for the acquisition and construction of capital and related items is detailed in the cash from capital and related financing activities section. The section on cash flows from investing activities shows the interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets. This reconciliation is detailed in the financial statements of the College and is not included in this analysis.

As required by GASB, the Statement of Cash Flows was produced using the direct method. Under the direct method, net cash is determined by adjusting each item in the income statement from the accrual basis to cash.

Statement of Net Assets

The Statement of Net Assets, which details all assets and liabilities of the College, indicates the financial position of the College at the end of the fiscal year. Net assets illustrate the difference between total assets and total liabilities.

The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the College during the year. A synopsis of the College's assets, liabilities, and net assets as of June 30, 2007 and 2006 follows.

Condensed Statement of Net Assets

Assets	2007	2006	Increase (Decrease)	Percent Change
Current assets	\$ 44,070,391	\$ 35,311,140	\$ 8,759,251	24.81%
Capital assets, net of depreciation	197,251,381	172,287,104	24,964,277	14.49%
Other non-current assets	51,808,530	55,159,473	(3,350,943)	-6.08%
Total Assets	293,130,302	262,757,717	30,372,585	11.56%
Liabilities				
Current liabilities	35,482,343	32,425,520	3,056,823	9.43%
Non-current liabilities	93,823,517	97,215,502	(3,391,985)	-3.49%
Total Liabilities	129,305,860	129,641,022	(335,162)	-0.26%
Net Assets				
Investments in capital assets, net of debt	117,272,006	93,162,474	24,109,532	25.88%
Restricted -- nonexpendable	1,098,512	1,103,151	(4,639)	-0.42%
Restricted -- expendable	36,132,746	33,395,506	2,737,240	8.20%
Unrestricted	9,321,178	5,455,564	3,865,614	70.86%
Total Net Assets	\$ 163,824,442	\$ 133,116,695	\$ 30,707,747	23.07%

The College ended fiscal year 2007 solidly strong at \$163.8 million in total net assets. Total net assets for 2007 in comparison to 2006 rose by \$30.7 million or 23.1%. The growth of \$3.9 million in unrestricted net assets, in part, effectuated the change. Increases in cash, from revenue sources including student tuition and fees, sales of auxiliary services, and state appropriations, attributed to the growth in unrestricted net assets. Unrestricted net assets provide a source of discretionary funds for whatever lawful purposes the College determines appropriate. Although these funds are not subject to external restrictions, the

College has designated these funds internally for various academic, research, student assistance and capital purposes.

In addition investments in capital assets, net of debt increased by \$24.1 million to \$117.3 million over the prior year. The expansion in capital assets stemmed from additions to projects under construction such as the Physical Education Center, the Simons Center for the Arts, and George Street Residence Halls, only to name a few.

Restricted nonexpendable net assets represent the College's permanent

endowments. The College is the recipient of two permanent endowments totaling \$1.1 million from the South Carolina Commission on Higher Education. Restricted expendable net assets refer to funds that are externally limited for specific purposes and consist of scholarships and fellowships, sponsored research, student loans, capital projects and debt service.

Total assets of \$293.1 million have increased by \$30.4 million or 11.6% from last year to the current period. The aggregate changes in current assets comprised of cash and cash equivalents, accounts receivables, grants and contracts receivables, prepaid items and inventories comprise the 24.8% jump for a total of \$44.1 million in 2007 in relation to \$35.3 million in 2006. The increase in grants and contracts receivables of \$11.1 million or 83.2% was the major reason for the change in current assets.

Increases in construction-in-progress, for projects such as the Physical Education Center, Simons Center for the Arts, Patriots Point Athletics Facility, School of Education, and George Street Residence Halls, in addition to building improvements--with assets of \$38.8 million and \$40.1 million respectively--substantially impacted total assets as well. These changes augmented capital assets, the largest component of non-current assets, by 17.0%. The College's capital assets include land and property in an area of approximately 11 city blocks in the center of downtown Charleston.

Total liabilities of \$129.3 million declined slightly by less than a half of a percent

between fiscal years 2007 and 2006. Current liabilities are comprised largely of accounts payable and accrued expenses; deferred and unearned student revenues; and accrued payroll and related liabilities. Current liabilities increased a little by \$3.1 million or 9.4% to \$35.5 million in 2007 compared to \$32.4 million in 2006. Meanwhile, non-current liabilities consisting mainly of long-term debt for bonds have decreased since the College has not issued any new bonds since 2004.

In summary, the changes in total net assets provide an important indicator of the financial health of the College but should be considered in conjunction with other non-financial factors. Non-financial factors include the quality of applicants, student retention rates, building conditions, and campus safety.

Statement of Revenues, Expenses, and Changes in Net Assets

The results of the operations of the College are shown in the Statement of Revenues, Expenses and Changes in Net Assets. The College's aggregate revenue totals \$198.4 million which includes operating and non-operating sources. It displays **operating** expenses of \$163.8 million excluding interest charges. *(The charts following the end of this section depict the revenues by source and expenses by function.)* A synopsis of the College's revenues, expenses and changes in net assets for the years ended June 30, 2007 and 2006 follows.

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

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenues:				
Tuition and fees*	\$ 82,490,608	\$ 76,836,225	\$ 5,654,383	7.36%
Federal, state, and local grants and contracts	26,484,104	25,710,666	773,438	3.01%
Auxiliary services*	28,475,737	25,028,632	3,447,105	13.77%
Other	3,028,695	2,917,867	110,828	3.80%
Total Operating Revenues	<u>140,479,144</u>	<u>130,493,390</u>	<u>9,985,754</u>	7.65%
State appropriations	37,806,055	30,328,462	7,477,593	24.66%
Gifts	5,836,035	1,814,079	4,021,956	221.71%
Auxiliary enterprises interest income	350,871	243,788	107,083	43.92%
Interest/ investment income	1,388,388	897,466	490,922	54.70%
State grants and contracts	461,585	335,700	125,885	37.50%
Non governmental grants and contract	113,885	320,154	(206,269)	-64.43%
Local grants and contracts	-	750	(750)	-100.00%
Capital improvement bond proceeds	8,992,664	3,295,604	5,697,060	172.87%
University infrastructure bond proceeds	1,829,102	-	1,829,102	100.00%
Capital appropriations	1,130,823	1,167,051	(36,228)	-3.10%
Total Non-operating Revenues	<u>57,909,408</u>	<u>38,403,054</u>	<u>19,506,354</u>	50.79%
Total Revenues	<u>198,388,552</u>	<u>168,896,444</u>	<u>29,492,108</u>	17.46%
Expenses:				
Personnel cost	79,036,976	75,603,427	3,433,549	4.54%
Benefits	19,076,761	17,925,311	1,151,450	6.42%
Services, supplies and others	44,331,624	42,581,839	1,749,785	4.11%
Utilities	5,384,461	4,777,884	606,577	12.70%
Scholarship and fellowship	9,647,951	9,138,662	509,289	5.57%
Depreciation and amortization	6,332,096	5,793,419	538,677	9.30%
Total Operating Expenses	<u>163,809,869</u>	<u>155,820,542</u>	<u>7,989,327</u>	5.13%
Interest on capital assets and related debt	3,591,422	3,721,276	(129,854)	-3.49%
Loss on sale of assets	279,514	82,666	196,848	238.12%
Total Non-operating Expenses	<u>3,870,936</u>	<u>3,803,942</u>	<u>66,994</u>	1.76%
Total Expenses	<u>167,680,805</u>	<u>159,624,484</u>	<u>8,056,321</u>	5.05%
Change in Net Assets	30,707,747	9,271,960	21,435,787	231.19%
Net Assets, Beginning	<u>133,116,695</u>	<u>123,844,735</u>	<u>9,271,960</u>	7.49%
Net Assets, Ending	<u>\$ 163,824,442</u>	<u>\$ 133,116,695</u>	<u>\$ 30,707,747</u>	23.07%

* Net of scholarship discounts and allowances

For fiscal year 2007, the Statement of Revenues, Expenses, and Changes in Net Assets reflects a balance of \$163.8 million, an augmentation of \$30.7 or 23.1% in comparison to 2006. Total revenue summed to \$198.4 million while total expenses added up to \$167.7 million. Primary streams of revenue sources consist of tuition and fees, grants and contracts, auxiliary services and state appropriations.

Tuition and related fees of \$82.5 million comprise the largest part of total operating revenues. The raised fee rates during the academic year of 2006-2007 boosted revenue by \$5.7 million. Tuition and fees increased by 8.5% for in state students and 9.5% for out of state students during this period. In addition, tuition and fees accounted for 44.3% of the total revenue of \$186.4 million (excluding capital improvement bonds and appropriations; university infrastructure bonds; and interest on capital assets and related debt) in 2007 and 45.5% in 2006.

While net student tuition and fees accounted for the majority of the total revenue at 44.3%, state appropriations followed at 20.3%. The state appropriations of \$37.8 million in 2007 reflect an increase of \$7.5 million or 24.7% when weighed against 2006. The State Legislature appropriated additional funds for the cost of living salary increases for state-funded positions as well as for a variety of programs such as the Grice Marine Biology Laboratory, Mission Resource Requirements, and Marine Genomics, just to mention a few. Federal, state, and local grant revenue at \$26.5 climbed by 3.0%.

Capital gifts of \$5.8 million soared by 221.7% or \$4.0 million. These capital gifts for the construction of the Physical Education Center and Simons Center for the Arts come from the College of Charleston Foundation.

Sales and services of auxiliary enterprises are comprised of athletics, health services, book sales, rental, student housing, food services and parking. Revenues from these sources make up 15.3% or \$28.5 million of the total revenue and show an increase of \$3.4 million, up by 13.8% in contrast to 2006. Auxiliary services generated 14.8% of the total revenue during 2006.

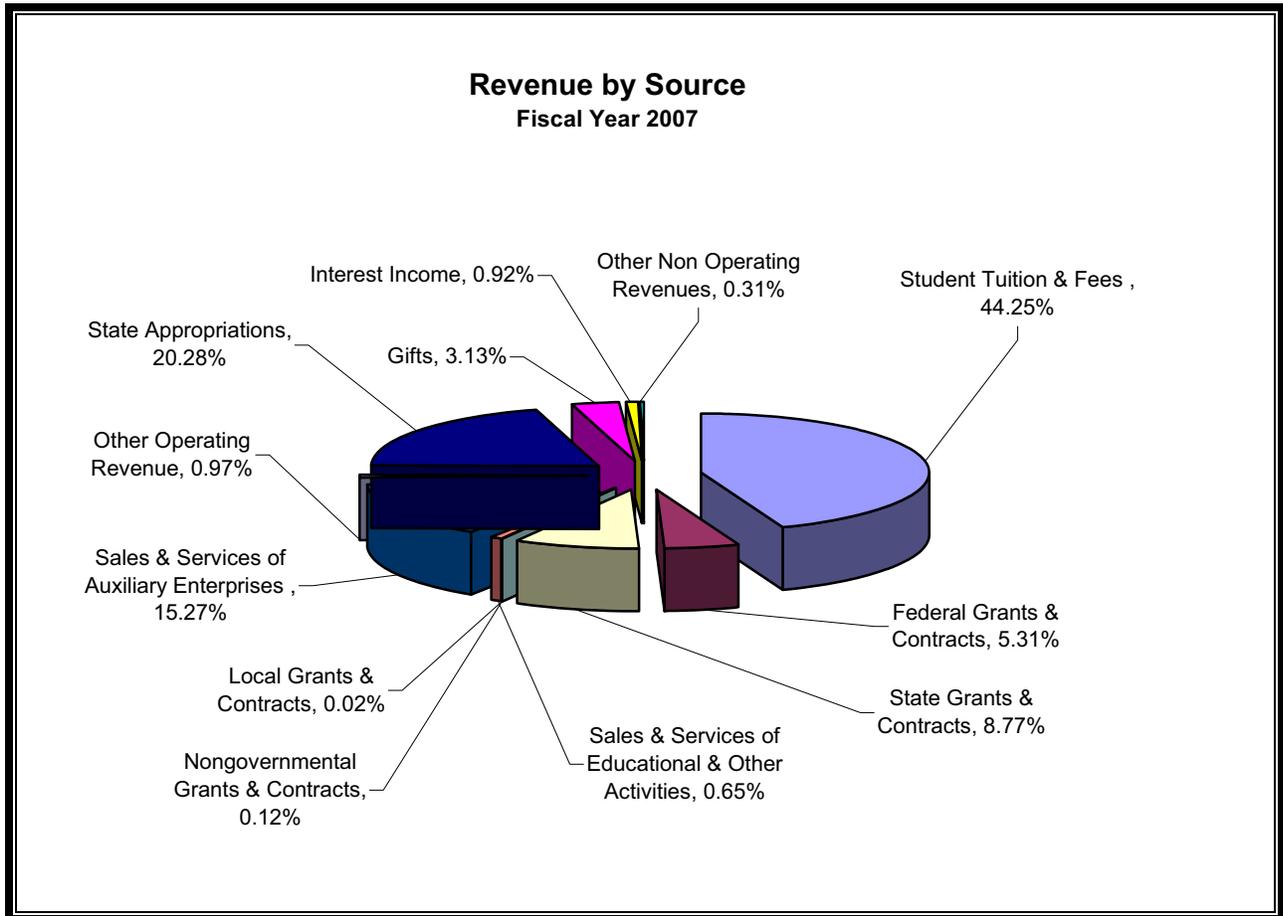
The College has maintained total operating expenses at a conservative growth rate of approximately 5.0% for the past two fiscal years. Total operating expenses reported for 2007 were \$163.8 million. Personnel costs and benefits comprise most of the operating expenses of the College. Approximately \$98.1 million or 60.0% of the total operating expenses covered employee compensation and benefits for the year ended 2007. The net increase in this category was 4.9% or \$4.6 million. Services and supplies along with utilities as well as scholarships and fellowships reflect minor increases of 4.1%, 12.7%, and 5.6%, respectively. They make up 36.2% of the operating expenses. Depreciation and amortization increased by 9.3%.

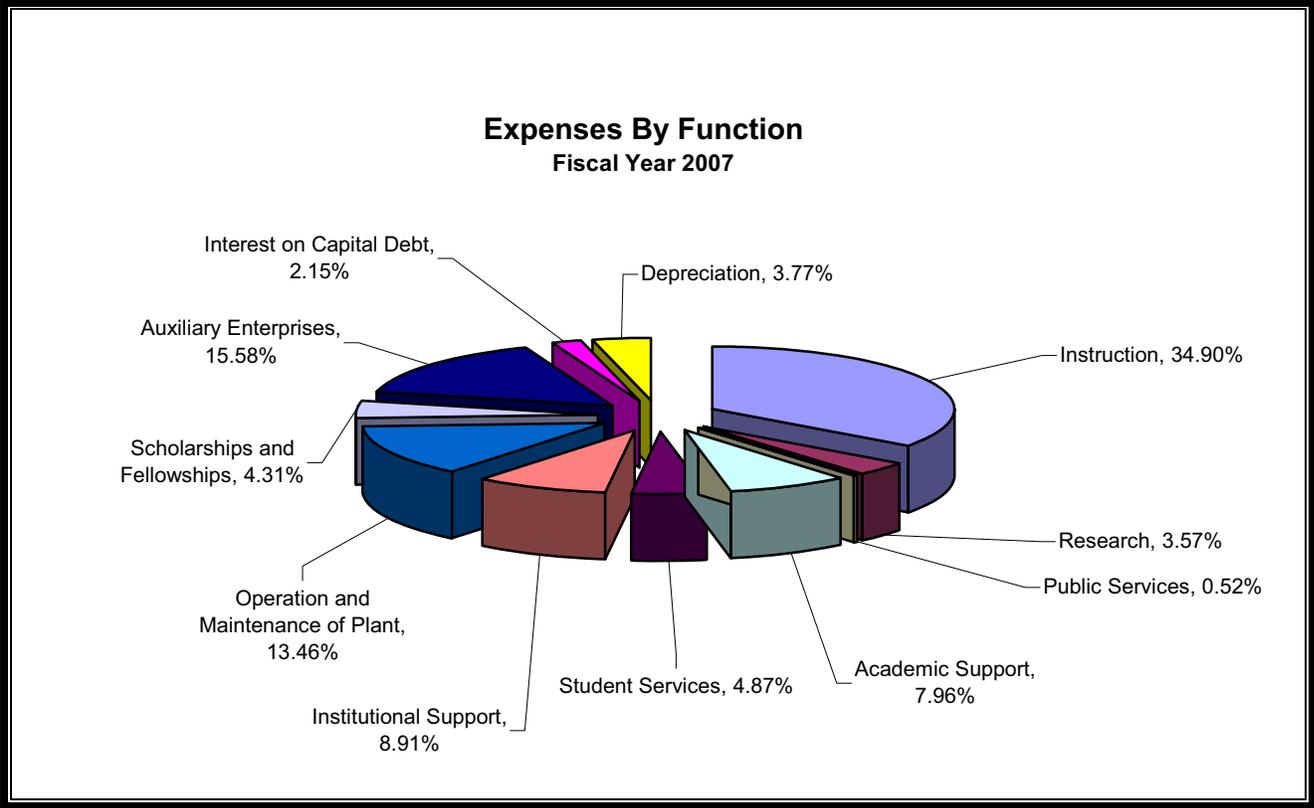
Total operating losses of \$23.3 million during 2007 and \$25.3 million during 2006 reveal a reduction in losses of \$2.0 million or 7.9%.

Finally, total other revenue, expenses, gains (losses) strengthened by 167.8% or

\$7.4 million. Capital improvement bond proceeds drawn from the State Treasurer to cover construction purchases for the Physical Education Center, the Science Center and Simons Center for the Arts

increased by \$5.7 million or 172.9%. In addition, the College received infrastructure bond money of \$1.8 million which was used for upgrading the Life Science Center and Sottile Theatre.





Statement of Cash Flows

The Statement of Cash Flows also provides information about the College's financial health by reporting the cash receipts and cash payments of the

College during the year ended June 30, 2007. A synopsis of the Statement of Cash Flows follows.

Condensed Statement of Cash Flows

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>Percent Charge</u>
Cash used by operating activities	\$ (24,397,761)	\$ (17,321,060)	\$ (7,076,701)	40.86%
Cash provided by non-capital financing activities	39,322,365	32,776,572	6,545,793	19.97%
Cash used by capital debt and related financing activities	(23,201,067)	(16,201,949)	(6,999,118)	43.20%
Cash provided by investing activities	1,795,345	1,156,187	639,158	55.28%
Net Increase (Decrease) in Cash	(6,481,118)	409,750	(6,890,868)	-1681.72%
Cash, Beginning of Year	67,156,200	66,746,450	409,750	0.61%
Cash, End of Year	60,675,082	67,156,200	(6,481,118)	-9.65%

Cash and cash equivalents of \$60.7 million dropped by \$6.5 million or 9.7% during 2007. First, the additional cash inflows of \$5.6 million (7.2%) from student tuition and fees were absorbed by increased payments to employees for non-state funded pay raises along with benefits of \$5.4 million (5.9%), payments to suppliers of \$5.0 million (11.8%), and payments for utilities of \$.61 (12.7%) Moreover, cash inflows from sales and services of auxiliary enterprises which grew by \$2.8 million offset net increases in operating expenses as well.

Secondly, cash of \$39.3 million in 2007 provided by non-capital financing activities increased by \$6.5 million from 2006. The increase of the state appropriations in 2007 of \$7.5 million principally effected this change. State appropriations accounted for \$37.8 million of cash inflows in 2007 and \$30.3 million in 2006. The decrease of gifts and grants for other than capital purposes accounts for the remainder of the \$.93 million change. Gifts and grants were \$1.5 million in 2007 as opposed to \$2.5 million in 2006.

Thirdly, cash outflows from capital debt and related financing activities increased by \$7.0 million due primarily to the net of the purchase of capital assets of \$14.5 million to proceeds received from capital improvement bonds of \$5.7 million and university infrastructure bonds of \$1.8 million. Capital purchases were made for major projects including the Physical Education Center, the Simons Center for the Arts, the Science Center, Patriot's Point Athletics Complex

Facility, and the George Street Residence Halls.

As of fiscal year end 2007, cash and cash equivalents made up 20.1% of the total asset base of the College.

Capital Asset and Debt Activity

A critical factor in continuing the quality of the College's academic and research programs and residential life experience is the acquisition, construction, and improvement of its capital assets. The College continues to implement its long-range plan to modernize its complement of older teaching and research facilities, balanced with new construction.

The College had approximately \$197.3 million invested in capital assets, net of accumulated depreciation of \$80.3 million at the end of June 30, 2007. Total capital assets in 2007 increased by \$25.1 million or 14.6% in relation to 2006.

Accumulated depreciation for the year ended June 2007 was \$80.3 million compared to \$74.8 million in 2006.

Purchases for the construction of the Physical Education Center, the Simons Center for the Arts, Patriots Point Athletic Facility, and the George Street Project attributed to the increase of \$18.6 million in the construction-in-progress account. The building improvements consisted of upgrades to the Stern Student Center, the Student Services Center, and Maybank Residence Halls.

A synopsis of the net capital assets for the years ended 2007 and 2006 further illustrates the significant changes between the periods.

	Capital Assets		Increase (Decrease)	Percent Change
	2007	2006		
Land	\$ 22,062,551	\$ 21,943,639	\$ 118,912	0.54%
Land improvements	3,930,238	3,930,238	-	
Buildings	163,673,559	163,016,332	657,227	0.40%
Building improvements	40,083,016	29,330,207	10,752,809	36.66%
Equipment	8,695,035	8,249,098	445,937	5.41%
Computer software	343,732	343,732	-	
Accumulated depreciation and amortization	(80,339,456)	(74,835,739)	(5,503,717)	7.35%
Construction in progress	38,802,706	20,209,597	18,593,109	92.00%
Total Capital Assets - Net	\$ 197,251,381	\$ 172,187,104	\$ 25,064,277	14.56%

Debt

Outstanding long-term debt as of June 30, 2007 was \$88.8 million, \$3.6 million or 3.9% less than in 2006. This debt is comprised of several bond issues that financed the construction of McAlister Hall, the School of Business, and the Addlestone Library as well as the purchase of Kelly House and the Berry Residence Hall renovation.

The remaining bond revenue is being used to cover current construction and/or renovation expenses of the Physical Education Center, and the Simons Center for the Arts. See notes 5, 10, and 11 for additional information on capital assets and long-term debt.

Economic Outlook

The economic position of the College, a state-supported higher education institution, closely relates to the State of South Carolina. To that end, a recent report of the S. C. Comptroller General's Office reveals that the State closed

fiscal year 2007 with a revenue shortfall of \$80.8 million. Consequently, \$80.8 million in contingent and supplemental appropriations, designated for expenditure in fiscal year 2008, will not be authorized for payment. The \$65.0 million of Contingency Reserve Appropriations which will not be funded includes \$50.0 million for an account to begin pre-funding health insurance benefits for public retirees (OPEB Trust Fund), \$10.0 million for the State Department of Education to supplement school district funding, and \$5.0 million for the South Carolina Research Authority for hydrogen grants. In addition, the final \$15.8 million of the \$585.5 million total in Supplemental Appropriations will not be funded.

Although the State's economy shows continual signs of weakening, the financial growth during the past two to three years afforded the opportunity to prepare for the economic slowdown that might be emerging. The Budgetary General Reserve Fund has fund balances on hand of \$1.1 billion, including \$167.7 million in the General

Reserve Fund and \$111.8 million in the Capital Reserve Fund, both of which are at their full funding requirements.

Further supporting the State Comptroller General's economic outlook is a report (Second Quarter 2007) published by the Division of Research of the University of South Carolina - Moore School of Business. Both the U. S. and South Carolina's economies will experience a period of moderate growth during 2007. For the U. S., real Gross Domestic Product is expected to grow about 2.0%. The housing sector will continue to slow the economic expansion in the coming months. To keep growing, the U. S. economy will have to keep relying on personal consumption expenditures.

As for South Carolina the major measures of household spending, retail sales, new home construction, and sales tax collections, all signal that consumers are spending at a slower pace than they were last year. Housing starts for the first three months of 2007 decreased 21.7% compared with the same period last year. Retail sales and sales tax for the first trimester, up .70% and 5.2% respectively, are quite different from a year ago. Even though the labor market continues to show strong readings -- total employment in South Carolina is expected to grow by 1.8% in 2007 for a net gain of 37,000 jobs, the unemployment rate will hover around 6.0%. The national unemployment rate hovers around 4.5% and is expected to remain at about the same level.

Nonetheless, the College remains committed to the challenge and to its overall mission of providing excellence in education, research, and service.

Even if the State's economy shows signs of weakening, executive management believe a continued focus on maintaining a diversified revenue stream such as state appropriations, grants and private gifts balanced with prudent spending will build the solid financial structure necessary to limit tuition increases in the future. In addition, the College's high degree of accessibility to capital funds through the issuance of long-term bonds will enable it to provide the array of facilities required to support its mission.

More Information

This financial report is designed to provide a general overview of the College of Charleston's finances and demonstrate the College's accountability for the money it receives. Any questions regarding this report or requests for information may be addressed to: Ruby Fleteau, Controller; College of Charleston; 66 George Street; Charleston, South Carolina, 29424.

COLLEGE OF CHARLESTON
STATEMENT OF NET ASSETS
June 30, 2007

Assets

Current Assets

Cash and cash equivalents	\$ 13,687,903
Accounts receivable	3,112,750
Allowances for bad debts	(225,000)
Grants and contracts receivable	24,427,256
Component unit receivable	600,000
Interest income receivable	137,686
Prepaid items	2,074,373
Inventories	255,423
Total Current Assets	\$ 44,070,391

Non-Current Assets

Restricted cash and cash equivalents	\$ 46,987,179
Component unit receivable	1,000,000
Student loans receivable	2,158,773
Prepaid items	413,465
Land	22,062,551
Land improvements	3,930,238
Buildings	163,673,559
Building improvements	40,083,016
Equipment	8,695,035
Computer software	343,732
Accumulated depreciation	(80,339,456)
Construction in progress	38,802,706
Bond issue costs (net)	1,249,113
Total Non-Current Assets	\$ 249,059,911

Total Assets **\$ 293,130,302**

Liabilities And Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 9,695,562
Accrued payroll and related liabilities	4,977,811
Retainage payable	646,069
Deferred and unearned student revenues	13,945,385
Deposits held for others	355,311
Student deposits	133,948
Compensated absences payable	1,178,744
Accrued interest payable	1,000,978
Bonds payable	3,548,535
Total Current Liabilities	\$ 35,482,343

Non-Current Liabilities

Compensated absences payable	\$ 2,515,116
Bonds payable	88,843,451
Federal capital contribution	2,464,950
Total Non-Current Liabilities	\$ 93,823,517

Total Liabilities **\$ 129,305,860**

Net Assets

Invested in capital assets, net of related debt \$ 117,272,006

Restricted for:

Nonexpendable	
Endowed professorship	98,512
Endowment other	1,000,000
Expendable	
Scholarships and fellowships	183,575
Research	178,026
Loans	119,876
Capital projects	34,840,110
Debt service	811,159

Unrestricted **9,321,178**

Total Net Assets **\$ 163,824,442**

See Accompanying Notes to Financial Statements.

**COLLEGE OF CHARLESTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

Operating Revenues	
Tuition and related fees (\$3,586,998 pledged for debt service; net of scholarship allowance of \$17,510,535)	\$ 82,490,608
Federal grants and contracts	9,903,406
State grants and contracts	16,346,614
Local grants and contracts	8,335
Non governmental grants and contracts-restricted	225,749
Educational activities revenues	528,767
Student organizations generated revenues	683,362
Sales and Services of Auxiliary Enterprises	
Revenues not pledged for debt service	
Athletics (net of scholarship allowance of \$1,404,448)	6,854,082
Health services (net of scholarship allowance of \$175,838)	797,513
Bookstore	399,964
Rental, vending, and debit card	172,977
Revenues pledged for debt service	
Housing (net of scholarship allowance of \$2,764,194)	12,516,849
Food service (net of scholarship allowance of \$1,092,453)	5,452,452
Parking	2,281,900
Other sources	1,816,566
Total Operating Revenues	\$ 140,479,144
Operating Expenses	
Personnel cost	\$ 79,036,976
Benefits	19,076,761
Services, supplies and others	44,331,624
Utilities	5,384,461
Scholarships and fellowships	9,647,951
Depreciation and amortization	6,332,096
Total Operating Expenses	\$ 163,809,869
Operating Loss	\$ (23,330,725)
Non-Operating Revenues (Expenses)	
State appropriations	\$ 37,806,055
Gifts	5,836,035
Auxiliary enterprises interest income	350,871
Interest/investment income	1,388,388
Interest on capital assets and related debt	(3,591,422)
State grants and contracts	461,585
Non governmental grants and contracts	113,885
Loss on sale of assets	(279,514)
Total Net Non-Operating Revenues (Expenses)	\$ 42,085,883
Income Before Other Revenues, Expenses, Gains (Losses)	\$ 18,755,158
Other Revenues, Expenses, Gains, and Losses	
Capital improvement bond proceeds	\$ 8,992,664
University infrastructure bond proceeds	1,829,102
Capital appropriations	1,130,823
Total Other Revenue, Expenses, Gains (Losses)	\$ 11,952,589
Increase In Net Assets	\$ 30,707,747
Net Assets, Beginning Of Year	133,116,695
Net Assets, End Of Year	\$ 163,824,442

See Accompanying Notes to Financial Statements.

**COLLEGE OF CHARLESTON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

Cash Flow From Operating Activities	
Tuition and fees	\$ 83,200,202
Grants and contracts	19,766,361
Sales and services of education and other activities	1,212,129
Sales and services of auxiliary enterprises	28,413,695
Other operating revenues	2,058,930
Payments to employees for salaries and benefits	(97,052,015)
Payments to suppliers	(47,158,158)
Payments for utilities	(5,384,461)
Payments to students for scholarships and fellowships	(9,647,955)
Loans issued to students	(409,898)
Collection of loans to students	482,020
Deposits held for others	121,388
Student direct lending receipts	39,082,179
Student direct lending disbursements	(39,082,178)
Net Cash Used By Operating Activities	\$ (24,397,761)
Cash Flows From Non-Capital Financing Activities	
State appropriations	\$ 37,806,055
Gifts and grants for other than capital purpose	1,516,310
Net Cash Provided by Non-Capital Financing Activities	\$ 39,322,365
Cash Flows From Capital And Related Financing Activities	
Proceeds from capital improvement bonds	\$ 8,992,664
Proceeds from capital appropriations	1,130,823
Proceeds from university infrastructure bonds	1,829,102
Purchases of capital assets	(28,129,230)
Principal paid on capital debt	(3,437,581)
Interest paid on capital related debt	(3,586,845)
Net Cash Used by Capital Debt And Related Financing Activities	\$ (23,201,067)
Cash Flows From Investing Activities	
Interest on investments	\$ 1,795,345
Net Cash Provided by Investing Activities	\$ 1,795,345
Net change in cash and cash equivalents	\$ (6,481,118)
Cash and cash equivalents - Beginning of the Year	67,156,200
Cash and Cash Equivalents - End of the Year	\$ 60,675,082
Reconciliation of net operating revenue (expenses) to net cash provided (used) by operating activities	
Operating loss	\$ (23,330,725)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization expense	6,332,096
Changes in assets and liabilities:	
Deposits held for others	121,388
Account receivable, net	(5,799,764)
Inventories	(38,307)
Student loan receivable	68,655
Prepaid expenses	(1,332,843)
Accounts payable and accrued expenses	(573,863)
Accrued compensated absences and related liabilities	168,474
Deferred revenue	151,251
Student and other deposits	(164,123)
Net Cash Used by Operating Activities	\$ (24,397,761)
Reconciliation of Cash and Cash Equivalent Balances:	
Current Assets:	
Cash and cash equivalents	\$ 13,687,903
Noncurrent assets:	
Restricted cash and equivalents	46,987,179
Total Cash and Cash Equivalents	\$ 60,675,082

See Accompanying Notes to Financial Statements.

COLLEGE OF CHARLESTON FOUNDATION
 COMPONENT UNIT
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2006

Assets

Cash and cash equivalents	\$ 7,688,476
Accounts receivable	81,217
Accrued interest receivable	158,375
Prepaid expenses	22,950
Inventories	14,198
Unconditional promises to give, net	8,317,229
Investments	46,340,493
Contributions receivable from remainder trusts	356,438
Cash value of life insurance	60,083
Property and equipment, net	9,683,229
Total Assets	\$ 72,722,688

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 219,196
Annuities payable	383,138
Deferred revenue	198,932
Marine Genomics grant payable	1,195,747
Total Liabilities	\$ 1,997,013

Net Assets

Unrestricted:	
Undesignated	\$ 11,340,847
Designated	38,803
Temporarily restricted:	
Restricted for:	
Program expenses	24,142,128
Investment in property	942,338
Permanently restricted:	
Permanent endowments	34,261,559
Total Net Assets	\$ 70,725,675
Total Liabilities and Net Assets	\$ 72,722,688

See Accompanying Notes to Financial Statements.

**COLLEGE OF CHARLESTON FOUNDATION
COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Contributions	\$ 1,238,921	\$ 2,128,700	\$ 2,983,659	\$ 6,351,280
Net interest and dividend income	323,306	1,834,945	-	2,158,251
Rental income	837,321	-	-	837,321
Net realized and unrealized gains (losses) on long-term investments	21,187	2,708,202	-	2,729,389
Other income	14,589	493,074	22,850	530,513
Gain (loss) on sale of equipment	(145,740)	12,635	-	(133,105)
Changes in value of split interest agreements	-	57,493	-	57,493
Subtotal	2,289,584	7,235,049	3,006,509	12,531,142
Net assets released from restrictions:				
Program restrictions satisfied	2,894,314	(2,894,314)	-	-
Payment of administrative surcharges	369,499	(369,499)	-	-
Transfer of funds	(21,178)	(715,553)	736,731	-
Total revenue, gains (losses), and other support	5,532,219	3,255,683	3,743,240	12,531,142
Expenses:				
Program:				
Student aid and recognition	1,627,957	-	-	1,627,957
Faculty/ community enrichment	2,349,515	-	-	2,349,515
Total program expenses	3,977,472	-	-	3,977,472
Supporting Services:				
General and administrative	446,039	-	-	446,039
Fundraising	654,824	-	-	654,824
Total supporting services	1,100,863	-	-	1,100,863
Change in allowance for uncollectible promises to give	33,347	(107,088)	40,127	(33,614)
Total Expenses	5,111,682	(107,088)	40,127	5,044,721
Change in net assets	420,537	3,362,771	3,703,113	7,486,421
Net Assets, Beginning of Year	10,959,113	21,721,695	30,558,446	63,239,254
Net Assets, End of Year	\$ 11,379,650	\$ 25,084,466	\$ 34,261,559	\$ 70,725,675

See Accompanying Notes to Financial Statements.

**COLLEGE OF CHARLESTON COUGAR CLUB
 COMPONENT UNIT
 STATEMENT OF FINANCIAL POSITION
 June 30, 2007**

Assets

Cash and cash equivalents	\$	694,934
Investments		122,033
Accounts receivable		4,540
Due from related organizations		5,127
Property and equipment, net		6,957
Total Assets	\$	833,591

Liabilities and Net Assets

Liabilities

Accounts payable	\$	2,225
Deferred revenue		12,840
Incentive compensation contract		122,033
Total Liabilities	\$	137,098

Net Assets

Unrestricted	\$	301,401
Temporarily restricted		395,092
Total Net Assets	\$	696,493
Total Liabilities and Net Assets	\$	833,591

See Accompanying Notes to Financial Statements.

COLLEGE OF CHARLESTON COUGAR CLUB
COMPONENT UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Contributions and memberships	\$ 810,214	\$ 930,444	\$ -	\$ 1,740,658
Season ticket sales	-	-	-	-
Sponsorship sales	-	-	-	-
Special events net of direct expenses of \$39,411	59,856	-	-	59,856
Interest	14,683	-	-	14,683
Other income	122,573	-	-	122,573
Subtotal	<u>1,007,326</u>	<u>930,444</u>	<u>-</u>	<u>1,937,770</u>
Net assets released from restrictions	999,922	(999,922)	-	-
Total revenue, gains (losses), and other support	<u>2,007,248</u>	<u>(69,478)</u>	<u>-</u>	<u>1,937,770</u>
Expenses:				
Program:				
Grants and support	1,171,738	-	-	1,171,738
Membership activities	382,471	-	-	382,471
Incentive compensation contract	-	-	-	-
Total program expenses	<u>1,554,209</u>	<u>-</u>	<u>-</u>	<u>1,554,209</u>
Supporting Services:				
General and administrative	55,228	-	-	55,228
Fundraising	118,723	-	-	118,723
Total supporting services	<u>173,951</u>	<u>-</u>	<u>-</u>	<u>173,951</u>
Change in allowance for uncollectible promises to give	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>1,728,160</u>	<u>-</u>	<u>-</u>	<u>1,728,160</u>
Change in net assets	279,088	(69,478)	-	209,610
Net Assets, Beginning of Year	<u>22,312</u>	<u>464,571</u>	<u>-</u>	<u>486,883</u>
Net Assets, End of Year	<u>\$ 301,400</u>	<u>\$ 395,093</u>	<u>\$ -</u>	<u>\$ 696,493</u>

See Accompanying Notes to Financial Statements.

**THE COLLEGE OF CHARLESTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The College of Charleston is a state-supported institution of higher education. The College's main purpose is to provide a world-class liberal arts education to undergraduate and graduate students. It is committed to attracting the most promising students from South Carolina, other states in the nation, and from around the world.

The accompanying basic financial statements present the statement of net assets, statement of revenue, expenses and changes in net assets, and the statement of cash flows of the College of Charleston. The financial statements include individual schools and departments. The College includes all funds and account groups, and all entities over which the College exercises or has the ability to exercise oversight authority for financial reporting purposes.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationships with the primary government are such that exclusion

would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of the College, as the primary government, and the accounts of its component units, the College of Charleston Foundation and the Cougar Club. The College is part of the primary government of the State of South Carolina.

The College of Charleston Foundation is a separately chartered corporation formed primarily to provide financial assistance and scholarships to the College. The Foundation reports under the Financial Accounting Standards Board (FASB) and operates on a calendar year basis.

The Cougar Club is a separately chartered corporation organized exclusively to solicit and provide funds to the Athletic Department. The Cougar Club reports under the Financial Accounting Standards Board (FASB), and its fiscal year runs concurrent with the College.

Financial Statement Presentation

The financial statement presentation for the College meets the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic*

Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. The financial statement presentation provides a comprehensive, entity-wide perspective of the College's net assets, revenues, expenses and changes in net assets and cash flows. In addition and as per GASB Statement No. 39, its component units are discretely presented in the report.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements reflect 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 fees and auxiliary enterprise fees are presented net of scholarship discounts and allowances 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 College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

The amounts shown in the financial statements in the College funds as "cash and cash equivalents" represent petty cash, cash on deposits in banks, cash on deposit with the State Treasurer, cash invested in various

instruments by the State Treasurer as part of the State's internal cash management pool as well as cash invested in various short-term investments by the State Treasurer and held in separate agency accounts.

Most State agencies including the College participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit and certain corporate bonds.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on the account are credited to the General Fund of the State. The College records its deposits in the general deposit account at cost. It records and reports its special deposit account at fair value.

For purposes of the Statement of Cash Flows, the College 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.

Investments

The College accounts for its investments at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students, gift receivables, and auxiliary enterprise services provided to students and other outside entities. 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 College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. Student loans receivable consist of amounts due from the Federal Perkins Loan Program.

Inventories

The College reports inventories using the consumption approach for which goods are recorded as assets at the time of purchase and recognition of the expenditures are deferred until the goods are actually consumed. Inventories are carried at the lower of cost or market. The cost of inventory is reported on a first-in, first-out basis. Items accounted for as the College

inventories include maintenance, janitorial, housing and office supplies.

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 College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes moveable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year; 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 life of the asset, generally 15 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 during 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits include dormitory room deposits, advance tuition payments, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee to which the deposit relates is applicable, and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Rebatable Arbitrage

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

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

expense incurred are recorded at year-end to accrued accounts payable in the Statement of Net Assets and as an expense in the Statement of Revenue, Expenses and Changes in Net Assets.

Compensated Absences

Generally, all permanent full-time State employees and certain part-time employees scheduled to work at least one half of the agency's workweek are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave. The College calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through cash payments at termination. That liability is inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments.

The net change in the liability is recorded in the current year in the applicable functional expenditure categories. The liability and expense incurred are recorded at year-end as compensated absences 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.

Perkins Loans Receivable and Related Liability

The loans receivable on the balance sheet is due to the College under the Perkins Loan Program. This program is funded primarily by the federal government with the College 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 require repayment to the federal government if the College ceases to participate in the program. The College recognizes as revenue and expenses only the portion attributable to its matching contribution.

Net Assets

The College's net assets are classified as follows:

Invested in capital assets, net of related debt: This category represents the College'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 which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type

funds 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. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services to students, faculty and staff.

The College policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Income Taxes

The College, 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.

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or non-operating according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of

scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) federal, state and local grants and contracts for services that finance programs the College would not otherwise undertake, (4) receipts for scholarships where the provider has identified the student recipients, and (5) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College. Operating expenses include all expense transactions incurred other than those related to investing, capital or non-capital financing activities.

Non-operating revenues and expenses: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes. Non-operating expenses include interest paid on capital asset related debt, losses on the disposal of capital assets, and refunds to grantors.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College 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 non-governmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and 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 College receives such revenues primarily from the general public.

Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics, parking, bookstore, food services, housing, health services, debit card, and vending. Revenues of internal auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

Use of Estimates in Accounting

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/expenses, and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Estimates are used to determine the useful lives of long-lived assets such as buildings, improvements, and

equipment. The College has used approximations as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives.

In addition, the College has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for bad debts. The College uses an aging analysis to estimate this allowance.

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

All deposits and investments of the College are under the control of the State Treasurer, who, by law, has sole authority for investing State funds. Information pertaining to the reported amounts, fair values and credit risk of the State Treasurer's deposits and investments is disclosed in the

Comprehensive Annual Financial Report of the State of South Carolina.

The following schedule reconciles deposits and investments in the footnotes to the Statement of Net Assets amounts:

Schedule of Deposits and Investments

Statement of Net Assets

Current assets	
Cash and cash equivalents	\$ 13,687,903
Noncurrent assets	
Restricted assets:	
Cash and cash equivalents	46,987,179
	<u>\$ 60,675,082</u>

Disclosure, Deposits, and Investments

Cash on hand	\$ 8,340
Deposits held by State Treasurer	47,713,063
Wachovia operating checking account	12,826,559
Bank of America payroll checking account	41,689
Wachovia Perkins loan accounts	85,431
	<u>\$ 60,675,082</u>

Deposits Held by State Treasurer

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the deposits of the College of Charleston may not be returned to the College. For deposits held by the 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, 2007, 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.

With respect to the College's other deposits at year-end, all of these deposits are either insured or collateralized with securities held by the entity or by its agent in the entity's name, or collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Restricted cash deposits include a restricted endowment fund of \$163,159; \$425,855 for Perkins Loan Fund; \$98,860 held for others; and \$46,299,305 for capital projects.

Other Deposits

The College owns approximately \$12,953,679 of the total other deposits which are held in checking accounts used to pay payroll and operating expenses and to handle Perkins Loans collections. Federal Depository Insurance Corporation (FDIC) covers the deposits of the College's checking and Perkins Loans accounts up to the FDIC limit of \$100,000, and the balance is collateralized by government securities.

Investments

The College of Charleston Foundation, a component unit of the College, has investments consisting of money funds, marketable debt, equity securities, mutual funds and U. S. government securities which are carried at fair market value based on quoted market prices determined at the date of the Statement of Financial Position.

Investments donated to the Foundation are initially recorded at market value on the date of the gift. Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

The Foundation maintains master investment accounts for its donor-restricted and board-designated endowments. Investment income and expenses, including unrealized gains and losses from securities in the master investment accounts, are allocated semi-annually to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

The Foundation maintains its cash accounts in three different commercial banks and two investment firms located in South Carolina. Accounts held at each bank are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) as provided by law. The majority of investments other than bank accounts are held by one local investment firm. This investment firm provides up to \$500,000 protection, including \$100,000 for cash, through Securities Investor Protection Corporation (SIPC). In addition, the firm purchases additional insurance to apply to losses above the SIPC protection level up to \$1,000,000 for cash and bearer securities and up to the net equity value for other securities. At December 31, 2006 cash held at the other investment company has zero to minimum credit risk.

The Foundation is also subject to concentration of credit risk related to its

unconditional promises to give—receivables. Contributions and unconditional promises to give consist of gift amounts from individuals and businesses predominantly located in the State of South Carolina. At December

31, 2006, promises from two donors represented 28% of the total promises to give balance. At December 31, 2005, promises from three donors represented 56% of the total promises to give balance.

Investments – Non-Governmental Discretely Presented Component Units

The College of Charleston Foundation investments as of December 31, 2006 are as follows:

Investment Carried at Fair Value

	Cost (in thousands)	Fair Value (in thousands)
Cash	\$ 80	\$ 80
Money Funds	3,054	3,054
Debt securities	6,707	6,620
Equity securities	8,663	9,766
Mutual funds	15,925	20,333
U. S. Government securities	6,500	6,487
	<u>\$ 40,929</u>	<u>\$ 46,340</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2007, are summarized as follows:

Accounts Receivable	
As of June 30, 2007	
Student accounts	\$ 1,410,101
Other	635,303
Auxiliary enterprise	1,067,346
Total Accounts Receivable	<u>3,112,750</u>
Allowance for doubtful accounts	(225,000)
Federal grants and contracts	13,897,956
State grants and contracts	9,691,547
Non governmental grants and contracts	837,753
Total Grants and Contracts	<u>24,427,256</u>
Component units	1,600,000
Interest income	137,686
Perkins loan receivable	<u>2,158,773</u>
Net Accounts Receivable	<u><u>\$ 31,211,465</u></u>

Allowances for losses on student accounts receivable are established based upon actual losses expended in prior years and/or evaluations of the

current account portfolio. At June 30, 2007, the allowance for uncollectible student accounts is valued at \$225,000.

NOTE 4 – LOANS RECEIVABLE

Student loans made through the federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2007. The Perkins Loan Program provides various repayment options. Students have the right to repay the loans over periods up to 10 years depending on the amount of the loan

and loan cancellation privileges the student may exercise. These loans are classified as non-current receivables. As the College determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education.

NOTE 5 - CAPITAL ASSETS

	Beginning Balance 7/1/2006	Increases	Decreases	Ending Balance 6/30/2007
Capital assets not being depreciated:				
Land	\$ 21,943,639	\$ 118,912	\$ -	\$ 22,062,551
Construction in progress	20,209,597	30,123,211	11,530,102	38,802,706
Total capital assets not being depreciated	<u>\$ 42,153,236</u>	<u>\$ 30,242,123</u>	<u>\$ 11,530,102</u>	<u>\$ 60,865,257</u>
Other capital assets:				
Land improvements	\$ 3,930,238	\$ -	\$ -	\$ 3,930,238
Buildings	163,016,332	657,227	-	163,673,559
Building improvements	29,330,207	10,752,809	-	40,083,016
Machinery, equipment, and other	7,652,226	1,386,099	950,721	8,087,604
Computer software	343,732	-	-	343,732
Motor vehicle	696,872	36,216	125,657	607,431
Total other capital assets at historical cost	<u>\$ 204,969,607</u>	<u>\$ 12,832,351</u>	<u>\$ 1,076,378</u>	<u>\$ 216,725,580</u>
Less accumulated depreciation for:				
Land improvements	\$ 3,083,084	\$ 65,165	\$ -	\$ 3,148,249
Buildings	48,486,930	3,961,747	-	52,448,677
Buildings improvements	17,963,371	1,468,751	-	19,432,122
Machinery, equipment, and other	4,395,290	721,194	664,071	4,452,413
Computer software	343,732	-	-	343,732
Motor vehicle	563,332	65,885	114,954	514,263
Total accumulated depreciation	<u>\$ 74,835,739</u>	<u>\$ 6,282,742</u>	<u>\$ 779,025</u>	<u>\$ 80,339,456</u>
Other capital assets, net	<u>\$ 130,133,868</u>	<u>\$ 6,549,609</u>	<u>\$ 297,353</u>	<u>\$ 136,386,124</u>
Capital assets, net	<u>\$ 172,287,104</u>	<u>\$ 36,791,732</u>	<u>\$ 11,827,455</u>	<u>\$ 197,251,381</u>

During fiscal year 2007, capitalized interest was \$706,178. The depreciation expense computed to \$6,282,742. In addition, the College sold assets with original purchase costs

(net of depreciation) of \$297,353 for which it received proceeds of \$17,839. The loss incurred from the sale of assets totaled \$279,514.

NOTE 6 – RETIREMENT PLAN (S)

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

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

South Carolina Retirement System

The majority of employees of the College 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 permanent 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 adjustments, death, and group life insurance benefits to eligible employees and retirees.

Since July 1, 2006, employees participating in the SCRS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2006, the employer contribution rate became 11.4 percent, which includes a 3.35 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ended June 30, 2007, 2006, and 2005, were \$3,168,637; \$2,849,868; and \$2,829,226 respectively, and equaled the required contributions of 8.05 percent (excluding the surcharge) for each year. Also, the College paid employer group life insurance contributions of \$59,043 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 permanent full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required

to participate in and contribute to the system as a condition of employment. This plan provides annuity benefits as well as disability and group life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2006, the employer contribution rate became 13.65 percent, which, as for the SCRS, includes the 3.35 percent surcharge. The College's actual contributions to the PORS for the years ended June 30, 2007, 2006, and 2005, were \$181,871; \$182,047; and \$180,705 respectively, and equaled the required contribution of 10.30 percent (excluding the surcharge) for each year. Also, the College paid employer group life insurance contributions of \$3,531 and accidental death insurance contributions of \$3,531 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

Certain permanent 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 elect membership within their first thirty days of employment. Under State law and effective fiscal year 2006, contributions to the ORP are required at the same rate as for the SCRS, 8.05 percent plus the retiree surcharge of 3.35 percent from the employer.

Certain College employees have elected to be covered under optional retirement plans. For the fiscal years 2007, 2006, and 2005, total contribution requirements to the ORP were \$2,279,349, \$1,879,220, \$1,565,711 (excluding the surcharge) from the College as employer and \$1,829,377, \$1,533,727, \$1,246,889 from its employees as plan members. In addition and for the current fiscal year, the College paid \$42,472 for group life insurance coverage for these employees. All amounts were remitted to the Retirement Division of the State Budget and Control Board for distribution to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple employer plans, created under Internal Revenue Code Sections 457, and 401 (k), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina.

Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans.

Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost-of-living adjustments granted during the TERI period.

Participants who have entered the TERI period on or after July 1, 2005 are required to contribute 6.5 percent of gross earnings to the South Carolina Retirement System. Effective July 1, 2006, the employer contribution rate became 11.4 percent, which includes a 3.35 percent surcharge to fund the retiree health and dental insurance coverage.

NOTE 7 – 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 the College are eligible to receive these benefits. The

State provides post employment health and dental benefits to employees who retire from State service or who terminate with at least 20 years of State service 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, with the last 5 years being continuous and consecutive service in a

permanent, full-time position, to qualify for these State funded benefits. Benefits are effective at the date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College 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 College 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. Currently, approximately 29,000 State retirees meet these eligibility requirements. The College recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$4,737,073 for the year ended June 30, 2007. As discussed in Note 6, the College paid \$2,326,326

applicable to the 3.35 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 College retirees is not available. By State law, the College 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 System to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from the Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund for the SCRS and PORS benefits.

NOTE 8 – CONTINGENCIES, LITIGATION, PROJECT COMMITMENTS, AND SUBSEQUENT EVENTS

The College entered into an "Agreement of Purchase and Sale" on October 20, 2005 with McAlister Development Company. This purchase agreement for \$55,800,000 includes a 440-bed dormitory, 198-bed apartment complex, a 24,000-square foot cafeteria and the underlying land. It also includes the underlying land for a 550-car parking garage. The estimated completion date of the project is August 1, 2007. No monies are due to the developer until the completion of the project.

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

The College participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead

to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The College had outstanding commitments under construction contracts of approximately \$54,028,904 at June 30, 2007. Of this total, \$51,947,418 is attributable to capital projects and the balance of \$2,081,486 is for non-capital repairs and maintenance. The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and State Capital Improvement Bond proceeds. The State has issued Capital Improvement Bonds to fund improvements and expansion of State facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once the State authorities have given approval to begin specific projects and project expenditures have been incurred. The College has \$7,888,374 of authorized State Capital Improvement Bond proceeds and \$519,452 of

University Infrastructure Bonds available to draw at June 30, 2007.

Lastly, on July 17, 2007 the College sold bonds "Series 2007C Bonds" College of Charleston Higher Education Facilities Revenue Bonds in the amount of \$55,320,000 and "Series 2007D Bonds" College of Charleston Academic and Administrative Facilities Revenue Bonds in the amount of \$40,610,000.

The Series 2007C Project provides for the acquisition of the George Street Residence Halls. See the first paragraph of this section for additional discussion of this project.

The Series 2007D Project provides for the expansion and renovation of the School of the Arts Building for the purpose of reconfiguring certain portions of the existing facility; the acquisition, construction and equipping of a new Physical Education/Arena Complex to include classroom facilities and administration facilities; and the acquisition, construction and equipping of certain portions of a new Science Center.

NOTE 9 – LEASE OBLIGATIONS

Future commitments for operating leases having remaining non-cancelable terms in excess of one year as of June 30, 2007 are as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>		
	<u>Equipment</u>	<u>Real Property</u>	
		<u>External Parties</u>	<u>Other State Agencies</u>
2008	\$ 186,287	\$ 2,242,481	\$ 457,434
2009	157,302	1,966,210	464,059
2010	116,272	1,893,570	226,458
2011	36,725	1,831,285	127,821
2012	-	1,822,587	127,821
2013-17	-	9,112,935	639,105
2018-22	-	5,955,719	639,105
2023-27	-	2,396,528	639,105
2028-32	-	500,000	639,105
2033-37	-	500,000	639,105
2038-42	-	100,000	639,105
2043-47	-	-	639,105
2048-52	-	-	639,105
2053-57	-	-	639,105
2058-62	-	-	543,239
Total minimum lease payments	<u>\$ 496,586</u>	<u>\$ 28,321,315</u>	<u>\$ 7,698,777</u>

Operating Leases

The College's non-cancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2008 through 2062. The various operating leases provide for renewal options for periods of one to five years at their fair rental values at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis for equipment and on a quarterly basis, in advance, for property. In addition, the College has copier leases on a per copy basis.

In 2005, the College renewed real property operating leases with the

College of Charleston Foundation, a component unit, for seventeen different locations. The leases cover office space, student housing, and parking, with annual rentals beginning in fiscal year 2007 of \$828,327. The agreements contain bargain renewal options for five years with three renewal options of five years each. Under the agreements, the College paid the Foundation \$1,019,092 in the current fiscal year of which \$211,415 represents prepaid rents. These leases provide that the College assume responsibility for the maintenance, insurance, property taxes and special assessments of the property. There are escalation clauses based on the Consumer Price Index (CPI). In the case of operating leases

for real property from commercial vendors, there exist several leases with escalation clauses limited to the cost of living. The leased properties consist of classrooms, parking lots, and a warehouse. Moreover, the College pays the commercial vendor property taxes. The College performs routine maintenance on these properties. These costs are not included in the schedule of lease commitments.

In August 2004, the College entered into a nine-year lease for Warren Place, residential apartments and parking spaces, with Brumley, Meyer and Kapp. The current year lease payments totaled \$1,091,712.

Additionally, the College leases a sports complex field from Patriots Point Development Authority, a state agency, with rents of \$10,000 per month, lease terms effective April 1, 2002 through March 31, 2062, and annual increases equal to the Consumer Price Index beginning April 1, 2003. A one-time payment of \$500,000 was paid in fiscal year 1998 with a corresponding charge to prepaid expenditures. It is being amortized ratably over the 65-year lease term utilizing the straight-line method of

calculation. The lease agreements make no provisions beyond the 65-year period. The unamortized balance at June 30, 2007 is \$421,157. Amortization of the prepaid rent balance for fiscal year 2007 was \$7,692 and is reported in operating expenses. The College provides maintenance to the tax-exempt property. The College paid the Patriots Point Development Authority \$133,738 in rent in fiscal year 2007.

The College leases the Low Country Graduate Center building from the S. C. Research Authority with annual rents of \$323,155 (with annual increases equal to the Consumer Price Index), lease terms effective October 15, 2004 through October 14, 2009. For fiscal year 2007, the total payment was \$447,723 which includes a prepayment of \$121,739. The College also has other miscellaneous small leases.

Finally, the total operating lease expenditures for fiscal year 2007 were \$3,783,948 of which \$411,010 is for the per copy charge on the copy machines. The College reports all of these operating lease costs in operating expenses.

NOTE 10 – BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2007:

Interest Maturity June 30, 2007				
	Interest Rates	Maturity Dates	Balance	Debt Retired FY 2007
Revenue Bonds				
Higher Education Facilities Revenue Bond, Series 2002 C-McAlister	3.0-5.0%	2032	\$ 19,815,000	\$ 450,000
Higher Education Facilities Revenue Bond, Series 2002 A-Kelly	3.0-5.25%	2032	9,665,000	205,000
Higher Education Facilities Revenue Bond, Series 2003 D				
Parking Garage	2.0-4.5%	2033	11,555,000	270,000
Dorm Renovation	2.0-4.5%	2033	5,910,000	455,000
Higher Education Facilities Revenue Refunding Bond, Series 2002B	4.0-5.0%	2012	8,350,000	1,190,000
Higher Education Facilities Revenue Bond, Series 2004A	3.0-5.0%	2019	4,425,000	295,000
Higher Education Facilities Revenue Bond, Series 2004B	3.0-5.375%	2034	26,430,000	315,000
Total Revenue Bonds			\$ 86,150,000	\$ 3,180,000
State Institution Bonds				
Series 2003 A - School of Business	3.0-5.0%	2023	\$ 6,260,000	\$ 255,000
Sub-total Bonds Payable			\$ 92,410,000	\$ 3,435,000
Less: Unamortized Bond Discount			\$ (18,014)	
Total Bonds Payable			\$ 92,391,986	

Bonds issued by the College include certain restrictive covenants. Auxiliary Revenue Bonds are payable solely from and secured by a pledge of revenues of the College's residence halls, food service, and parking, and from

additional funds from the plant improvement fee imposed by the Board of Trustees.

State Institution Bonds are general obligation bonds of the State backed by

the full faith, credit, and taxing power of the State of South Carolina. Tuition revenue is pledged up to the annual debt requirements for the payment of principal and interest on State Institution Bonds. S.C. Code of Laws Section 59-107-90 states 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 for the preceding fiscal year. Tuition fees for the year ended June 30, 2006 were \$1,229,931 which results in a legal debt margin at June 30, 2007, of \$1,106,938.

Bond discounts/premiums and other bond issuance costs are capitalized and amortized throughout the life of the bonds. The amount amortized was \$49,354 in fiscal years 2007 and 2006.

The College of Charleston capitalizes as a component of construction-in-progress interest costs in excess of earnings on debt associated with capital projects; therefore, asset values in capital assets include such interest costs. Total interest expense incurred for fiscal year 2007 was \$4,297,600 of which \$706,178 was capitalized and \$3,591,422 was expensed.

The College purchased a bond insurance policy payable to the bond trustee for the individual revenue bonds outstanding. The insurance guarantees payment of principal and interest until all debt has been retired. All of the bonds are payable in semi-annual installments plus interest. Amounts including interest required to complete payment of the Auxiliary Revenue Bonds as of June 30, 2007 are as follows:

Revenue Bonds	Principal	Interest	Total
Year Ending June 30,			
2008	\$ 3,285,000	\$ 3,903,328	\$ 7,188,328
2009	3,390,000	3,788,629	7,178,629
2010	3,520,000	3,660,816	7,180,816
2011	3,650,000	3,521,354	7,171,354
2012	3,805,000	3,368,329	7,173,329
2013-2017	14,555,000	14,914,890	29,469,890
2018-2022	13,200,000	12,012,898	25,212,898
2023-2027	15,890,000	8,656,115	24,546,115
2028-2032	20,250,000	4,295,261	24,545,261
2033-2034	4,605,000	333,781	4,938,781
Total Revenue Bonds	\$ 86,150,000	\$ 58,455,401	\$ 144,605,401

Amounts including interest required to complete payment of the State Institution Bonds as of June 30, 2007 are as follows:

State Institution Bonds	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2008	\$ 265,000	\$ 222,700	\$ 487,700
2009	275,000	214,750	489,750
2010	295,000	206,500	501,500
2011	305,000	197,650	502,650
2012	320,000	188,500	508,500
2013-17	1,870,000	776,875	2,646,875
2018-22	2,380,000	404,775	2,784,775
2023	550,000	22,688	572,688
Total State Institutional Bonds	<u>\$ 6,260,000</u>	<u>\$ 2,234,438</u>	<u>\$ 8,494,438</u>

In prior years the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the College's financial statements. At June 30, 2007, \$1,955,000 of bonds outstanding is considered defeased. The College was in compliance with all applicable bond covenants as of June 30, 2007.

During the fiscal year 2005, the College received Higher Education and Academic and Administrative Facilities Revenue Bond proceeds of \$32,450,000 to fund various campus projects. Proceeds of \$5,065,000 from the Series 2004 A Bonds were used to provide for major renovation of all interior spaces

and the replacement/enhancement of fire and life safety systems for McConnell and Craig Residence Halls as well as address other deferred maintenance needs, such as roofs, HVAC systems, and exterior repairs on other residence hall facilities. Approximately \$13,000,000 of the proceeds from the Series 2004 B Bonds were used to cover expenditures for the addition of roughly 25,000 square feet of new construction for the School of Education, to renovate portions of the Stern Student Center, and to construct a new School of Business. The remainder of the Series B Bonds of approximately \$13,750,000 is being used to expand and renovate the School of the Arts Building, an existing building. The balance of bond proceeds remaining at June 30, 2007 for this project was \$8,750,000.

NOTE 11 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2007 was as follows:

Long-Term Liabilities Roll-forward					
	July 1, 2006	Additions	Reductions	June 30, 2007	Due Within One Year
Bonds Payable					
State Institution Bonds	\$ 6,515,000	\$ -	\$ 255,000	\$ 6,260,000	\$ 265,000
Unamortized premiums	(1,437)	4,027	48	2,542	48
Total State Institution Bonds	\$ 6,513,563	\$ 4,027	\$ 255,048	\$ 6,262,542	\$ 265,048
Total Revenue Bonds					
Total Revenue Bonds	\$ 89,330,000	\$ -	\$ 3,180,000	\$ 86,150,000	\$ 3,285,000
Unamortized discounts, net	(13,996)	(8,073)	1,513	(20,556)	(1,513)
Total Revenue Bonds	\$ 89,316,004	\$ (8,073)	\$ 3,178,487	\$ 86,129,444	\$ 3,283,487
Total Bonds Payable	\$ 95,829,567	\$ (4,046)	\$ 3,433,535	\$ 92,391,986	\$ 3,548,535
Other liabilities					
Accrued compensated					
Absences	\$ 3,525,386	\$ 1,178,744	\$ 1,010,270	\$ 3,693,860	\$ 1,178,744
Total Other Liabilities	\$ 3,525,386	\$ 1,178,744	\$ 1,010,270	\$ 3,693,860	\$ 1,178,744
Total Long-Term Liabilities	\$ 99,354,953	\$ 1,174,698	\$ 4,443,805	\$ 96,085,846	\$ 4,727,279

NOTE 12 – DONOR RESTRICTED ENDOWMENTS

The College is the recipient of two restricted endowments from the Commission of Higher Education. One is an endowed professorship in the amount of \$100,000 with a stipulation that only earnings can be used to fund endowed chairs at the College. At June 30, 2007, the net appreciation of interest income of \$5,262 was available to be spent, of which \$5,262 is restricted to specific purposes.

The other endowment funded through the South Carolina Research Centers of

Economic Excellence Act of 2002 in the amount of \$1,000,000 was received during fiscal year 2005 through a Memorandum of Understanding between the College and the Medical University of South Carolina (MUSC). The College has joined with MUSC to raise non-state matching funds of \$2,000,000 for collaborative research, the Research Center in Applied Marine Genomics. Through an agreement between the College of Charleston and the College of Charleston Foundation and permissible under South Carolina

Code of Laws Section 59-101-410, the College loaned the funds to the Foundation for the specific purpose of maximizing the College's investment yield. The collaborative research project is intended to be a permanent program;

however, in the event the program is discontinued, the Foundation must return the grant funds plus any earnings less any authorized program spending and customary administrative fees.

NOTE 13 – COMPONENT UNITS

Certain separately chartered legal entities whose activities are related to those of the College exist primarily to provide financial assistance and other support to the College and its educational programs. They include the College of Charleston Foundation and the Cougar Club. Independent auditors retained by the organizations audit the financial statements of these entities.

The financial report of the College of Charleston Foundation may be obtained by writing to the Financial Services Office of the College of Charleston Foundation, Wilson-Sottile House, Charleston, South Carolina, 29424. The financial report of the College of Charleston Cougar Club can be obtained by writing to the Finance Director, Cougar Club, 66 George

Street, Charleston, South Carolina, 29424.

Effective fiscal year June 30, 2004 and as a result of the GASB 39 implementation guidelines, the College began recognizing the College of Charleston Foundation and the Cougar Club as component units and displaying a discrete presentation format of their financial statements. Both entities report under guidelines established by the Financial Accounting Standards Board (FASB).

The College of Charleston Foundation is a separately chartered entity, which exists exclusively to benefit the College. The following schedule details transactions between the College and the Foundation during the year ended June 30, 2007.

Transactions between the College and the Foundation For Fiscal Year 2007

The College paid the Foundation for the rental of certain real property. The amount is reported as part of the operating expense. In addition, see Note 9 regarding lease transactions with the Foundation. \$ 1,019,092

This figure represents scholarships awarded by the College and reimbursed by the Foundation. The amount is reported as part of gifts under non-operating revenue. \$ 1,624,634

The Foundation reimbursed the College for certain expenditures that were paid by the College for the benefit of the Foundation. \$ 1,456,540

The component unit receivable (Foundation) as of June 30, 2007, is as follows:

Total due from the Foundation	\$ 6,050,256
Less Capital Projects Receivable	<u>(4,450,256)</u>
Net due for operating expenses	<u><u>\$ 1,600,000</u></u>

Independent auditors examined the financial statements of the Foundation as of December 31, 2006 and for the year then ended.

The Cougar Club is a separately chartered corporation organized exclusively to solicit and provide funds to the athletic department in the form of scholarships and general revenues from

season ticket sales and fund raising activities. Season basketball tickets are only available through Cougar Club membership. The College received \$241,164 for basketball ticket sales, which is reported as sales and services of Auxiliary Enterprises in operating funds. The financial statements of the Cougar Club as of June 30, 2007 and for the fiscal year then ended, were examined by independent auditors.

NOTE 14 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains state or commercial insurance coverage for each of these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The costs of settled claims and claim losses have not exceeded this coverage in any of the past three years. The College pays insurance premiums to certain other state agencies and commercial insurers to cover risks that may occur in normal operations.

The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with the insurance policy and benefit program limits.

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 risks for the following:

1. Claims of State employees for unemployment compensation benefits. (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job related illnesses or injuries (State Accident Fund);
3. Claims of covered public employees for health and dental insurance benefits. (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group life insurance benefits. (Office of Insurance Services).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other types of coverage listed above are through the applicable State's self-insured plan except dependent and optional life premiums, which are remitted to commercial carriers.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following College assets, activities, and/or events:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles and watercraft (inland marine);

4. Torts;
5. Business interruptions;
6. Natural disasters; and
7. Medical malpractice claims against covered employees.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in certain areas. The IRF rates

are determined actuarially. The College obtains commercial crime coverage through a commercial insurer for losses arising from employee theft.

NOTE 15 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2007 are summarized as follows:

	Compensation and Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 52,768,231	\$ 5,678,776	\$ -	\$ -	\$ -	\$ 58,447,007
Research	3,498,807	2,474,815	-	-	-	5,973,622
Public Service	593,591	271,529	-	-	-	865,120
Academic Support	9,006,329	4,315,951	-	-	-	13,322,280
Student Services	6,319,960	1,831,556	-	-	-	8,151,516
Operation and Maintenance of Plant	7,581,704	11,635,869	3,308,183	-	-	22,525,756
Institutional Support	11,142,061	3,770,643	-	-	-	14,912,704
Scholarships and Fellowships (net of discounts and allowances)	195,143	-	-	7,016,736	-	7,211,879
Auxiliary Enterprises	7,007,911	14,352,485	2,076,278	2,631,215	-	26,067,889
Depreciation and Amortization	-	-	-	-	6,332,096	6,332,096
Total Operating Expense	\$ 98,113,737	\$ 44,331,624	\$ 5,384,461	\$ 9,647,951	\$ 6,332,096	\$ 163,809,869

NOTE 16 – STATE APPROPRIATIONS AND TRANSACTIONS WITH STATE ENTITIES

The College is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. The original appropriation is the College's base budget amount presented in the General Funds column

of Section 5E of the 2006-2007 Appropriation Act. The following schedule is a reconciliation of the original appropriation as enacted by the General Assembly to State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2007.

Non-capital Appropriations	
Current year's appropriations:	
Original appropriations per annual Appropriations Act	\$ 30,317,308
Supplemental appropriations (Act# 73.8 & 73.14)	6,290,002
From Commission on Higher Education:	
Academic endowment	32,119
Access and Equity	26,626
Other - Low Country Graduate Center	1,140,000
Total non-capital appropriations recorded as current year revenue	<u><u>\$ 37,806,055</u></u>
Capital Improvement Bond Proceeds	
Proceeds drawn during the current fiscal year	\$ 8,992,664
Total capital improvement bond proceeds recorded as current year revenue	<u><u>\$ 8,992,664</u></u>
Research Infrastructure Bond Proceeds	
Proceeds drawn during the current fiscal year	\$ 1,829,102
Total research infrastructure bond proceeds recorded as current year revenue	<u><u>\$ 1,829,102</u></u>
Capital Appropriations	
Current year's appropriations:	
From SC Education Lottery Fund	\$ 1,130,823
Total capital appropriations recorded as current year revenue	<u><u>\$ 1,130,823</u></u>

The College received substantial funding from the Commission on Higher Education (CHE) for scholarships on

behalf of students that are accounted for as operating state grants and contracts.

Additional amounts received from CHE are accounted for as both operating and non-operating revenues, depending upon the requirement of deliverables with a current or potential future economic value. The College also receives state funds from various other

public service projects. Following is a summary of amounts received from state agencies for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2007.

Other Amounts

Received from CHE:	
Hope scholarships	\$ 215,975
LIFE scholarships	11,115,461
Palmetto scholarships	2,968,758
Need-based grants	1,291,821
SC Teaching Fellows	528,768
Various other CHE amounts	147,111
Received from Department of Education	432,630
Winthrop University	23,960
Received from various state agencies	84,558
	<u>\$ 16,809,042</u>

Finally, services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; banking, bond trustee and investment services from the State Treasurer; legal services from the Attorney General; and grant services from the Office of the Governor.

Other services received at no cost from various offices of the State Budget and Control Board include pension plan administration, insurance plan administration, audit services, personnel management, assistance in the preparation of the budget, review and approval of certain budget amendments, procurement services and other centralized functions.

NOTE 17 – STATEMENT OF ACTIVITIES

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

	2007	2006	Increase/(Decrease)
Charges for services	\$ 140,479,144	\$ 130,493,390	\$ 9,985,754
Operating grants and contributions	8,150,764	3,611,937	4,538,827
Capital grants and contributions			
Less: Expenses	167,680,805	159,624,484	8,056,321
Net program revenue (expense)	<u>\$ (19,050,897)</u>	<u>\$ (25,519,157)</u>	<u>\$ 6,468,260</u>
Transfers:			
State appropriations	\$ 37,806,055	\$ 30,328,462	\$ 7,477,593
Capital improvement bond proceeds	8,992,664	3,295,604	5,697,060
University infrastructure bonds	1,829,102	-	1,829,102
Capital appropriations	1,130,823	1,167,051	(36,228)
Total transfers	<u>\$ 49,758,644</u>	<u>\$ 34,791,117</u>	<u>\$ 14,967,527</u>
Change in net assets	30,707,747	9,271,960	21,435,787
Net assets – beginning	133,116,695	123,844,735	9,271,960
Net assets – ending	<u>\$ 163,824,442</u>	<u>\$ 133,116,695</u>	<u>\$ 30,707,747</u>

COLLEGE OF CHARLESTON COMPREHENSIVE ANNUAL FINANCIAL REPORT



STATISTICAL SECTION

STATISTICAL SECTION

This section of the College of Charleston's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information conveys about the College's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the College's financial performance has changed over time.	74 - 78
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the College's ability to generate tuition income.	79
Debt Capacity These schedules present information to help the reader assess the affordability of the College's current levels of outstanding debt and its ability to issue additional debt in the future.	80
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the College's financial activities take place and to help make comparisons over time and with other colleges.	81 - 86
Operating Information These schedules contain information about the College's operations and resources to help the reader understand how the College's financial information relates to the services it provides.	87 - 90

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant years.

SCHEDULE OF REVENUES BY SOURCE

For the Year Ended June 30,

	(amounts expressed in thousands)							(percent of total revenue)						
	2007	2006	2005	2004	2003	2002	2001	2007	2006	2005	2004	2003	2002	2001
Revenues														
Operating Revenues:														
Student Tuition and Fees (net of scholarship allowance)	\$ 82,491	\$ 76,836	\$ 70,209	\$ 64,584	\$ 53,187	\$ 47,825	\$43,771	44.25%	46.73%	45.37%	45.29%	40.25%	38.61%	37.38%
Federal Grants and Contracts	9,903	9,568	9,351	9,787	9,597	8,530	7,183	5.31%	5.82%	6.04%	6.86%	7.26%	6.89%	6.13%
State Grants and Contracts	16,347	16,136	15,398	14,715	13,311	7,210	8,623	8.77%	9.81%	9.95%	10.32%	10.07%	5.82%	7.36%
Local Grants and Contracts	8	7	23	-	-	15	4	0.00%	0.00%	0.01%	0.00%	0.00%	0.01%	0.00%
Nongovernmental Grants and Contracts	226	300	341	283	208	217	418	0.12%	0.18%	0.22%	0.20%	0.16%	0.18%	0.36%
Sales and Services of Educational and Other Activities	1,212	1,057	991	1,050	1,025	1,544	1,167	0.65%	0.64%	0.64%	0.74%	0.78%	1.25%	1.00%
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	28,476	25,029	24,412	20,206	19,157	20,216	19,424	15.27%	15.22%	15.78%	14.17%	14.50%	16.32%	16.59%
Other Operating Revenue	1,817	1,561	1,255	1,561	1,342	1,111	1,325	0.97%	0.95%	0.81%	1.09%	1.02%	0.90%	1.13%
Total Operating Revenues	\$ 140,480	\$ 130,494	\$ 121,980	\$ 112,186	\$ 97,827	\$ 86,668	\$ 81,915	75.35%	79.36%	78.83%	78.68%	74.03%	69.98%	69.96%
Non Operating Revenues:														
State Appropriations	37,806	30,328	28,896	27,354	29,682	32,764	33,339	20.28%	18.44%	18.67%	19.18%	22.46%	26.45%	28.47%
Gifts	5,836	1,814	1,768	1,517	1,738	1,671	1,483	3.13%	1.10%	1.14%	1.06%	1.32%	1.35%	1.27%
Interest Income	1,739	1,141	1,503	59	1,579	1,327	353	0.93%	0.69%	0.97%	0.04%	1.19%	1.07%	0.30%
Other Non Operating Revenues	576	657	587	1,473	1,316	1,425	-	0.31%	0.40%	0.38%	1.03%	1.00%	1.15%	0.00%
Total Non Operating Revenues	\$ 45,957	\$ 33,940	\$ 32,754	\$ 30,403	\$ 34,315	\$ 37,187	\$ 35,175	24.65%	20.64%	21.17%	21.32%	25.97%	30.02%	30.04%
Total Revenues	\$ 186,437	\$ 164,434	\$ 154,734	\$ 142,589	\$ 132,142	\$ 123,855	\$ 117,090	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for fiscal years 2001-2007 is available.

Source: College of Charleston Comprehensive Annual Financial Reports

SCHEDULE OF EXPENSES BY FUNCTION

For the Year Ended June 30,

	(amounts expressed in thousands)							(percent of total expenses)						
	2007	2006	2005	2004	2003	2002	2001	2007	2006	2005	2004	2003	2002	2001
Expenses:														
Instruction	\$ 58,447	\$ 55,232	\$ 51,228	\$ 48,051	\$ 45,435	\$ 43,997	42,413	34.86%	34.60%	33.84%	34.45%	33.20%	36.30%	34.45%
Research	5,974	5,662	4,650	4,750	4,356	3,867	3,569	3.56%	3.55%	3.07%	3.41%	3.20%	3.20%	3.41%
Public Services	865	889	955	1,120	1,299	1,180	1,192	0.52%	0.56%	0.63%	0.80%	1.00%	1.00%	0.80%
Academic Support	13,322	13,061	12,022	10,123	9,682	9,535	9,226	7.94%	8.18%	7.94%	7.26%	7.10%	7.90%	7.26%
Student Services	8,152	7,687	7,122	6,254	6,058	5,752	5,239	4.86%	4.82%	4.70%	4.48%	4.40%	4.80%	4.48%
Institutional Support	14,913	13,081	11,435	11,529	11,194	9,506	8,615	8.89%	8.19%	7.55%	8.27%	8.20%	7.90%	8.27%
Operation and Maintenance of Plant	22,526	22,845	24,348	22,526	21,001	12,517	12,309	13.43%	14.31%	16.08%	16.15%	15.40%	10.30%	16.15%
Scholarships and Fellowships	7,212	6,794	5,585	8,072	9,452	8,456	7,916	4.30%	4.26%	3.69%	5.79%	6.90%	7.00%	5.79%
Auxiliary Enterprises	26,068	24,776	24,087	19,321	20,979	21,395	21,723	15.55%	15.52%	15.92%	13.85%	15.30%	17.70%	13.85%
Interest on Capital Debt	3,591	3,721	3,929	2,993	2,501	1,144	1,076	2.14%	2.33%	2.60%	2.15%	1.80%	0.90%	2.15%
Loss on sale of assets	280	83	-	-	-	-	-	0.17%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation	6,332	5,793	6,020	4,727	4,752	3,758	3,188	3.78%	3.63%	3.98%	3.39%	3.50%	3.10%	3.39%
Total Expenses	\$ 167,682	\$ 159,624	\$ 151,381	\$ 139,466	\$ 136,709	\$ 121,107	116,465	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Note: Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for fiscal years 2001-2007 is available.

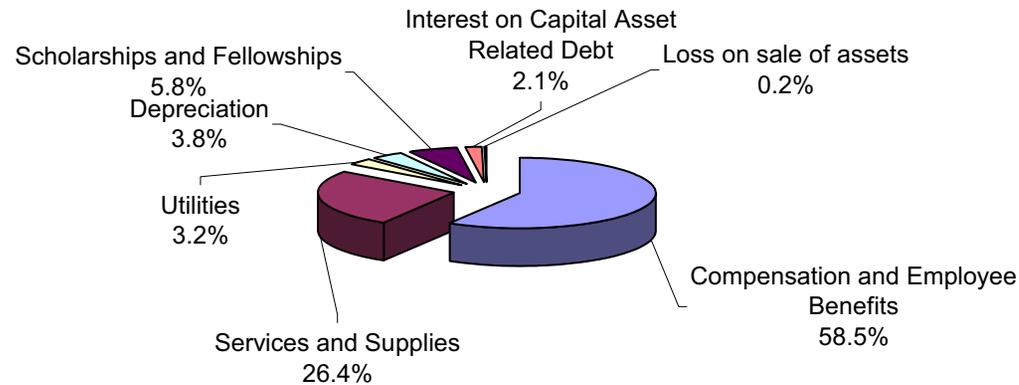
Source: College of Charleston Comprehensive Annual Financial Reports

SCHEDULE OF EXPENSES BY USE

For the Year Ended June 30,

	(amounts expressed in thousands)							(percent of total expenses)						
	2007	2006	2005	2004	2003	2002	2001	2007	2006	2005	2004	2003	2002	2001
Expenses:														
Operating Expenses:														
Compensation and Employee Benefits	\$ 98,115	\$ 93,528	\$ 85,847	\$ 80,533	\$ 76,082	\$ 71,754	\$ 68,716	58.5%	58.6%	56.7%	57.7%	55.7%	59.3%	61.8%
Services and Supplies	44,332	42,582	42,170	37,192	38,871	32,995	27,404	26.4%	26.7%	27.8%	26.7%	28.4%	27.2%	24.6%
Utilities	5,384	4,778	4,648	4,105	3,471	2,999	3,428	3.2%	3.0%	3.1%	2.9%	2.5%	2.5%	3.1%
Depreciation	6,332	5,793	6,020	4,727	4,752	3,758	3,188	3.8%	3.6%	4.0%	3.4%	3.5%	3.1%	2.9%
Scholarships and Fellowships	9,648	9,139	8,767	9,916	11,032	8,457	7,292	5.8%	5.7%	5.8%	7.1%	8.1%	7.0%	6.6%
Total Operation Expenses	\$ 163,811	\$ 155,820	\$ 147,452	\$ 136,473	\$ 134,208	\$ 119,963	\$ 110,028	97.7%	97.6%	97.4%	97.8%	98.2%	99.1%	99.0%
Non Operating Expenses:														
Interest on Capital Asset Related Debt	\$ 3,591	\$ 3,721	\$ 3,929	\$ 2,993	\$ 2,501	\$ 1,144	\$ 1,076	2.1%	2.3%	2.6%	2.2%	1.8%	0.9%	1.0%
Loss on sale of assets	280	83	-	-	-	-	-	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Non Operating Expenses	\$ 3,871	\$ 3,804	\$ 3,929	\$ 2,993	\$ 2,501	\$ 1,144	\$ 1,076	2.3%	2.4%	2.6%	2.2%	1.8%	0.9%	1.0%
Total Expenses	\$ 167,682	\$ 159,624	\$ 151,381	\$ 139,466	\$ 136,709	\$ 121,107	\$ 111,104	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**Expenses By Use
Fiscal Year 2007**



Note: Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for fiscal years 2001-2007 is available.

Source: College of Charleston Comprehensive Annual Financial Reports

SCHEDULE OF NET ASSETS AND CHANGES IN NET ASSETS

For the Year Ended June 30,
(amounts expressed in thousands)

	2007	2006	2005	2004	2003	2002	2001
Total revenues (from schedule of revenues by source)	\$ 186,437	\$ 164,434	\$ 154,734	\$ 142,589	\$ 132,142	\$ 123,855	\$ 117,090
Total expenses (from schedule of expenses by use and function)	(167,682)	(159,624)	(151,381)	(139,466)	(136,709)	(121,107)	(116,465)
Income before other revenues, expenses, gains or losses	18,755	4,810	3,353	3,123	(4,567)	2,748	625
Capital improvement bond proceeds	8,992	3,295	1,670	8,098	4,831	-	-
Capital gifts	-	-	-	-	1,092	538	-
Capital appropriations	1,131	1,167	-	-	-	262	-
Additions to permanent endowments	-	-	1,000	-	-	-	-
Uncollectible capital gifts	-	-	-	(2,465)	-	-	-
Transfers to other state funds	-	-	-	-	-	-	(22)
University infrastructure bond proceeds	1,829	-	-	-	-	-	-
Net assets, beginning	133,117	123,845	117,822	109,066	107,710	104,162	103,559
Net assets, ending	\$ 163,824	\$ 133,117	\$ 123,845	\$ 117,822	\$ 109,066	\$ 107,710	\$ 104,162
Invested in capital assets, net of related debt	\$ 117,272	\$ 93,162	\$ 101,222	\$ 80,912	\$ 82,002	\$ 68,457	\$ 61,766
Restricted - expendable	36,133	33,396	11,304	26,391	17,163	25,231	32,810
Restricted - nonexpendable	1,098	1,103	1,103	100	104	101	102
Unrestricted	9,321	5,456	10,216	10,419	9,797	13,921	9,484
Total	\$ 163,824	\$ 133,117	\$ 123,845	\$ 117,822	\$ 109,066	\$ 107,710	\$ 104,162

Note: Due to reporting format and definition changes prescribed by Governmental Standards Statement No. 34 and 35, only information for fiscal years 2001-2007 is available.

Source: College of Charleston Comprehensive Annual Financial Reports

SCHEDULE OF RATIOS OF OUTSTANDING DEBT

For the Year Ended June 30,
(dollars expressed in thousands except for outstanding debt per student)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenue bonds	\$ 86,132	\$ 89,316	\$ 92,381	\$ 62,896	\$ 64,810	\$ 27,265	\$ 18,055	\$ 19,385	\$ 20,635	\$ 22,015
State institution bonds	6,260	6,514	6,753	6,983	7,200	-	-	-	-	-
Capital lease obligations	-	-	-	-	-	-	-	56	134	40
Total Outstanding Debt	\$ 92,392	\$ 95,830	\$ 99,134	\$ 69,879	\$ 72,010	\$ 27,265	\$ 18,055	\$ 19,385	\$ 20,635	\$ 22,015
Full-time equivalent students	a	9,802	9,883	9,942	9,860	9,947	9,732	9,450	9,480	9,270
Outstanding debt per student	a	\$ 9,777	\$ 10,031	\$ 7,029	\$ 7,303	\$ 2,741	\$ 1,855	\$ 2,051	\$ 2,177	\$ 2,375

a: Data is not yet available

Note: Outstanding debt per student calculated using full-time equivalent enrollment data for the last ten years. Data for 2007 was not yet available.

Source: College of Charleston Comprehensive Annual Financial Reports, College of Charleston Office of Institutional Research

TUITION AND FEES
Last Ten Academic Years

Academic Year Beginning in Fall	Undergraduate (a)		Graduate (b)	
	Resident	Nonresident	Resident	Nonresident
2006	\$ 7,234	\$ 16,800	\$ 301	\$ 700
2005	6,668	15,342	276	637
2004	6,202	14,140	256	587
2003	5,770	13,032	238	541
2002	4,556	10,290	200	455
2001	3,780	8,540	155	354
2000	3,630	7,910	149	328
1999	3,520	7,210	145	298
1998	3,390	6,880	139	285
1997	3,290	6,580	135	270

Notes:

(a) These amounts are averages for undergraduate first-time, full-time students with an academic year of 24 semester hours.

(b) Per credit-hour

Source: College of Charleston Office of Institutional Research, Graduate School Office

SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years
(amounts in thousands)

Revenue Bonds

Fiscal Year Ended June 30,	Defined Net Revenue Available for Debt Service	Total Revenue Available for Debt Service	Debt Service Payment Requirements			Coverage Ratio
			Principal	Interest	Total	
2007	\$ 10,487	\$ 17,683	\$ 3,180	\$ 4,008	\$ 7,188	2.46
2006	9,993	14,492	3,070	4,085	7,155	2.03
2005	9,550	13,522	2,815	4,193	7,008	1.93
2004	8,459	8,913	2,050	2,748	4,798	1.86
2003	3,802	4,177	1,160	2,147	3,307	1.26
2002	1,817	2,959	1,410	1,005	2,415	1.23
2001	2,411	2,916	1,330	1,074	2,404	1.21
2000	2,350	3,446	1,250	1,140	2,390	1.44
1999	2,800	3,824	1,380	1,092	2,472	1.55
1998	2,169	2,249	1,330	1,275	2,605	0.86

State Institutional Bonds

2007	\$ 534	\$ 534	\$ 255	\$ 230	\$ 485	1.10
2006	529	656	240	240	480	1.37
2005	563	653	225	287	512	1.28
2004	522	3,582	220	254	474	7.33

Source: College of Charleston Controller's Office

Notes: The State of South Carolina first issued State Institutional Bonds on behalf of the College in 2003 with debt service payment requirements beginning in 2004.

In addition, each year's figures for revenue available for debt service were recalculated during fiscal year 2006 and consequently, resulted in a revised schedule for that period. The 2007 schedule reflects those revisions.

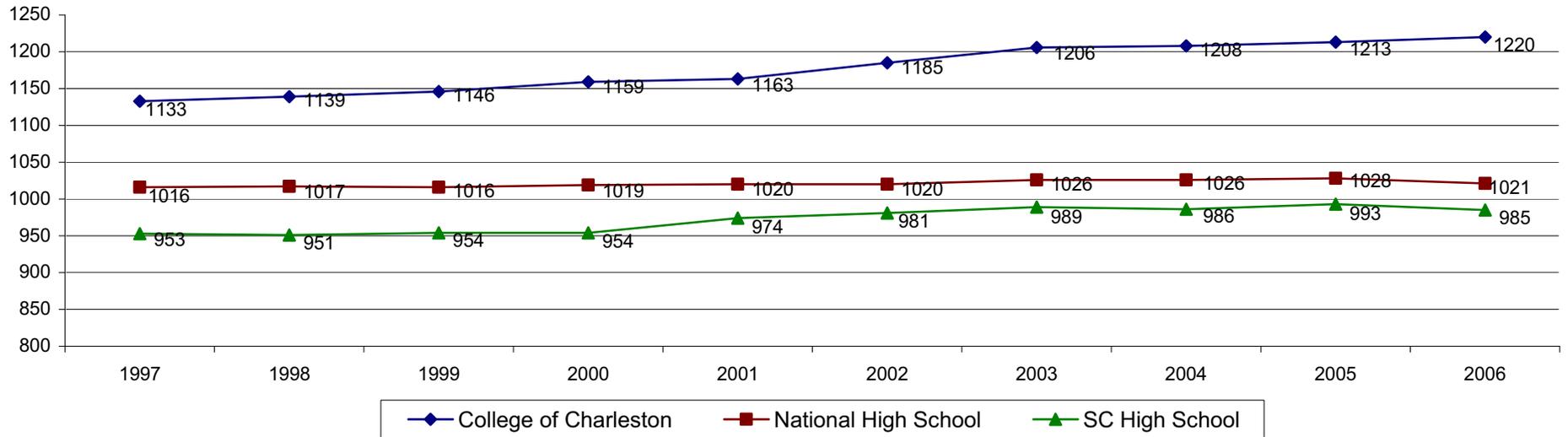
ADMISSIONS, ENROLLMENT AND DEGREE STATISTICS

Last Ten Academic Years

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Admissions - Freshman										
Applications	8,673	8,217	8,076	7,606	8,635	8,356	7,957	7,313	6,945	6,292
Applications accepted	5,311	5,436	5,238	4,560	5,144	5,471	5,323	4,859	4,497	4,068
Accepted as a percentage of applications	61.2%	66.2%	64.9%	60.0%	59.6%	65.5%	66.9%	66.4%	64.8%	64.7%
Students enrolled	1,968	1,993	1,944	1,874	2,003	1,974	2,001	2,074	1,939	1,574
Enrolled as a percentage of accepted	37.1%	36.7%	37.1%	41.1%	38.9%	36.1%	37.6%	42.7%	43.1%	38.7%
SAT scores - total	1,220	1,213	1,208	1,206	1,185	1,163	1,159	1,146	1,139	1,133
Verbal	610	609	607	605	595	584	585	579	576	573
Math	610	604	601	601	590	579	574	567	563	560
South Carolina average SAT score - total	985	993	986	989	981	974	954	954	951	953
U.S. average SAT score - total	1,021	1,028	1,026	1,026	1,020	1,020	1,019	1,016	1,017	1,016
Enrollment										
Undergraduate and graduate FTE	9,802	9,883	9,942	9,860	9,947	9,732	9,450	9,480	9,270	8,948
Undergraduate and graduate headcount	11,218	11,332	11,607	11,536	11,716	11,617	11,129	11,624	11,552	10,854
Percentage of Men	34.0%	33.9%	33.3%	34.1%	33.8%	33.5%	34.9%	33.2%	33.4%	34.0%
Percentage of Women	66.0%	66.1%	66.7%	65.9%	66.2%	66.5%	65.1%	66.8%	66.6%	66.0%
Percentage of African-American	7.2%	7.7%	8.5%	9.0%	8.7%	8.8%	7.9%	8.8%	8.3%	8.6%
Percentage of White	82.5%	82.0%	83.0%	83.5%	84.9%	84.9%	85.7%	85.3%	86.3%	86.3%
Percentage of Other	10.3%	10.3%	8.4%	7.4%	6.4%	6.3%	6.4%	5.8%	5.4%	5.1%
Degrees Earned										
Bachelor's	2,209	2,098	2,162	2,162	1,870	1,798	1,830	1,742	1,597	1,556
Master's	204	207	192	174	154	165	141	155	158	151

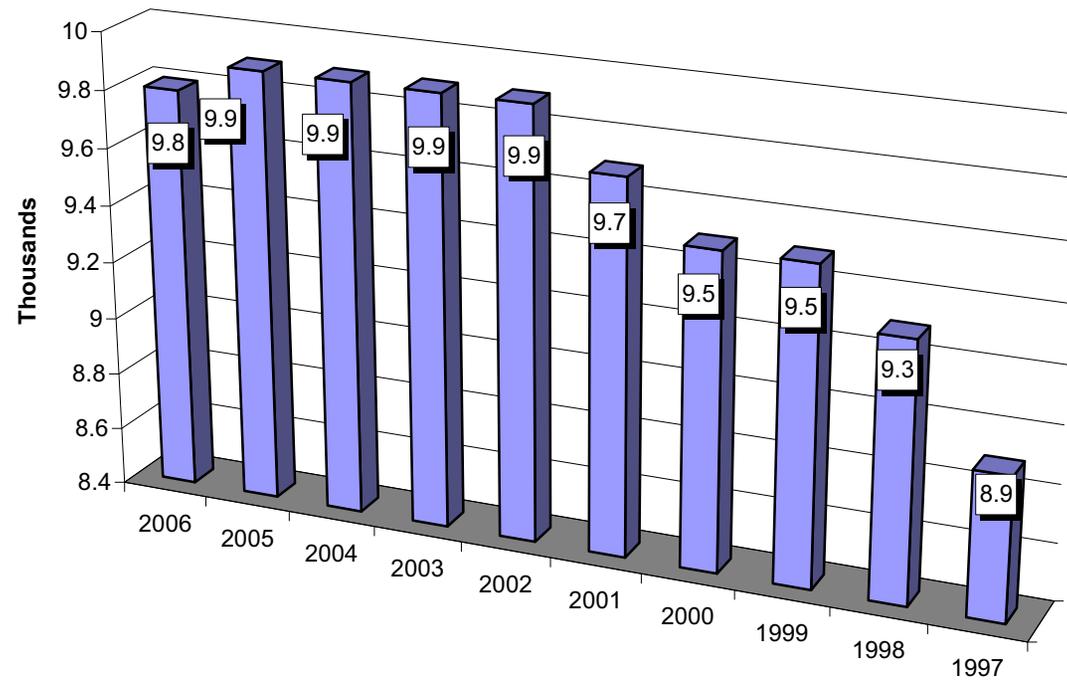
Source: College of Charleston Office of Institutional Research

College of Charleston Average Combined SAT Scores For The Last 10 Years



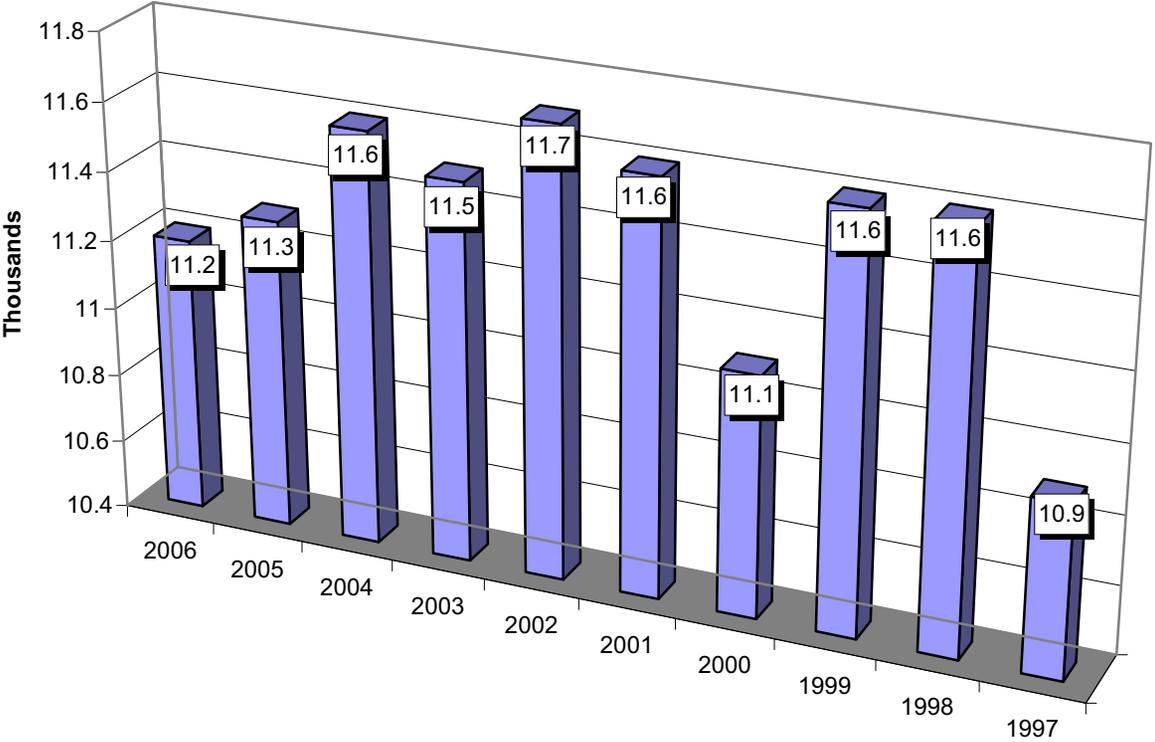
Source: College of Charleston Office of Admissions

**College of Charleston
Student Full Time Equivalents
For The Last 10 Years**



Source: College of Charleston Office of Institutional Research

**College of Charleston
Student Head Count
For The Last 10 Years**



Source: College of Charleston Office of Institutional Research

DEMOGRAPHIC STATISTICS

State of South Carolina
Last Ten Calendar Years

Year	Population as of June 30	Total Personal Income	Per Capita Income	Average Annual Unemployment Rate
2006	4,321,249	128,289,240	29,688	6.4%
2005	4,246,933	120,727,564	28,427	6.5%
2004	4,194,694	113,349,021	27,022	6.8%
2003	4,142,356	107,204,173	25,880	6.4%
2002	4,101,122	104,045,465	25,370	6.2%
2001	4,060,728	101,465,411	24,987	5.7%
2000	4,023,565	98,271,552	24,424	3.5%
1999	3,974,682	91,715,787	23,075	3.5%
1998	3,919,235	86,854,167	22,161	3.4%
1997	3,859,696	81,003,440	20,987	3.1%

Source: South Carolina Comptroller General's Office

TEN LARGEST EMPLOYERS

State of South Carolina

Latest Completed Calendar Year and Four Years Prior (a)

(Listed alphabetically)

2006

Bi-Lo, Inc.
Blue Cross/ Blue Shield of South Carolina
Greenville County School District
Michelin Tire Corporation
Palmetto Health Alliance, Inc.
University of South Carolina
U.S. Department of Defense
U.S. Postal Service
Wal-Mart Associates, Inc.
Washington Savannah River Company

2001

Bi-Lo, Inc.
Blue Cross/ Blue Shield of South Carolina
Greenville County School District
Michelin Tire Corporation
Springs Industries, Inc.
University of South Carolina
U.S. Department of Defense
U.S. Postal Service
Wal-Mart Associates, Inc.
Westinghouse Savannah River

(a) The ten largest employers prior to calendar year 2001 are unavailable

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Comptroller General's Office

FACULTY AND STAFF STATISTICS

Last Ten Fiscal Years

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Instructional Faculty										
Part-time	227	230	210	214	245	223	206	201	189	203
Full-time	550	546	528	512	485	481	476	455	440	421
Percentage tenured	59%	61%	60%	59%	58%	60%	61%	63%	64%	65%
Staff and administrators with faculty rank										
Part-time	206	212	214	203	154	165	220	201	228	229
Full-time	841	845	819	824	861	794	717	659	596	576
Total employees										
Part-time	433	442	424	417	399	388	426	402	417	432
Full-time	1,391	1,391	1,347	1,336	1,346	1,275	1,193	1,114	1,036	997
FTE Students per full-time										
Instructional Faculty	a	18.0	18.7	19.4	20.3	20.7	20.4	20.8	21.5	22.0
Staff member	a	11.6	12.1	12.1	11.5	12.5	13.6	14.3	15.9	16.1
Average annual faculty salary	\$ 59,600	\$ 57,965	\$ 55,057	\$ 52,582	\$ 51,630	\$ 50,535	\$ 49,481	\$ 47,419	\$ 44,496	\$ 43,677

a: Data is not available yet

Source: College of Charleston Office of Institutional Research

SCHEDULE OF CAPITAL ASSET INFORMATION

	2007	2006	2005	2004	2003	2002	2001
Academic buildings							
Net assignable square feet (in thousands)	705	703	605	604	611	597	641
Administrative and support buildings							
Net assignable square feet (in thousands)	168	160	174	174	164	157	157
Laboratories							
Net assignable square feet (in thousands)	122	121	126	126	125	123	123
Auxiliary and independent operations buildings							
Net assignable square feet (in thousands)	918	922	920	933	535	532	532
Libraries							
Number of volumes (in thousands)	720	702	680	662	643	620	602
Volumes per student	64	62	59	57	55	53	54
Student Housing:							
Residence Halls	7	7	7	7	7	6	6
Apartments	2	2	2	1	1	-	-
Other housing options	30	30	31	21	23	23	23
Units available	2,840	2,842	2,770	2,550	2,644	1,958	1,989
Units in use	2,860	2,834	2,778	2,567	2,488	2,008	2,056
	100.7%	99.7%	100.3%	100.7%	94.1%	102.6%	103.4%
Dining facilities							
Locations	6	6	4	4	4	3	3
Average daily customers	5,574	4,991	3,688	3,725	2,528	1,807	a
Parking facilities:							
Parking spaces available	2,232	2,372	2,534	2,550	2,675	2,592	a
Parking permits issued to students	1,181	1,101	1,324	1,408	1,373	1,441	a
Parking permits issued to faculty/ staff	1,053	1,030	1,004	995	1,071	939	a

Note: Prior fiscal year data is not readily available

a: Data not readily available

Sources:

Student Housing

College of Charleston Residence Life and Housing

Parking Facilities

College of Charleston Business and Auxiliary Services

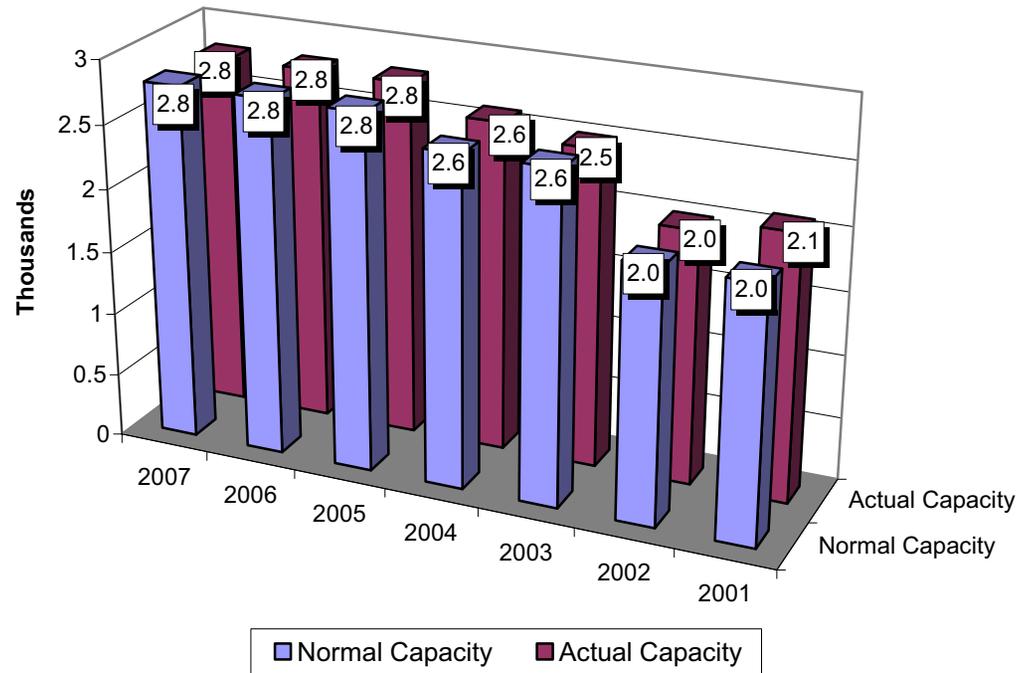
Dining Facilities

College of Charleston Dining Services

Building Square Footage

College of Charleston Office of Institutional Research

**College of Charleston
Fall Residence Hall Occupancy
For The Last 6 Years**



Source: College of Charleston Office of Institutional Research /Dean of Residence Life

ACADEMIC SUBJECT AREAS AND DEGREES OFFERED

Spring 2007

UNDERGRADUATE				GRADUATE			
Accounting	A.B., B.S.	History	A.B., B.A.	Accounting	M.S.	Environmental Studies	M.S.
Anthropology	A.B., B.S.	Hospitality and Tourism Management	A.B., B.S.	Bilingual Legal Interpreting	M.A., CER	Historic Preservation	M.S.
Art History	A.B., B.A.	International Business	A.B., B.S.	Communication	M.A.	History	M.A.
Arts Management	A.B., B.A.	Latin American and Caribbean Studies	A.B., B.A.	Organizational and Corporate Communication	CER	Languages	M.Ed.
Athletic Training	A.B., B.S.	Marine Biology	A.B., B.S.	Computer and Information Sciences	M.S.	Marine Biology	M.S.
Biochemistry	A.B., B.S.	Mathematics	A.B., B.S.	Elementary Education	M.Ed., M.A.T.	Mathematics	M.S., CER
Biology	A.B., B.A., B.S.	Middle Level Education	A.B., B.S.	Early Childhood Education	M.Ed., M.A.T.	Bilingual Medical and Health Care Interpreting	CER
Business Administration	A.B., B.S.	Music	A.B., B.A.	English	M.A.	Middle Level Education	M. Ed.
Chemistry	A.B., B.A., B.S.	Philosophy	A.B., B.A.	English to Speakers of Other Languages	CER	Public Administration	M.P.A.
Classical Studies	A.B., B.A.	Physical Education and Health	A.B., B.S.			Science and Math for Teachers	M. Ed.
Communications	A.B., B.A.	Physics	A.B., B.A., B.S.			Special Education	M. Ed., M.A.T.
Computer Science	A.B., B.A., B.S.	Political Science	A.B., B.A.				
Computer Information Systems	A.B., B.S.	Psychology	A.B., B.S.				
Discovery Informatics	A.B., B.S.	Religious Studies	A.B., B.A.				
Early Childhood Education	A.B., B.S.	Sociology	A.B., B.S.				
Economics	A.B., B.S.	Spanish	A.B., B.A.				
Elementary Education	A.B., B.S.	Special Education	A.B., B.S.				
English	A.B., B.A.	Studio Arts	A.B., B.A.				
French	A.B., B.A.	Theatre	A.B., B.A.				
Geology	A.B., B.A., B.S.	Urban Studies	A.B., B.A.				
German	A.B., B.A.	Bachelor of Science - Denistry Emphasis	B.S.D.				
Historic Preservation and Community Planning	A.B., B.A.	Bachelor of Science - Medicine Emphasis	B.S.M.				

A.B. - Artium Baccalaureatus (Classical Studies)
 B.A. - Bachelor of Arts
 B.S. - Bachelor of Science
 CER - Master's Certificate
 M.A. - Master of Arts

M.A.T. - Master of Arts in Teaching
 M.Ed.-Masters of Education
 M.P.A. - Master of Public Administration
 M.S. - Master of Science