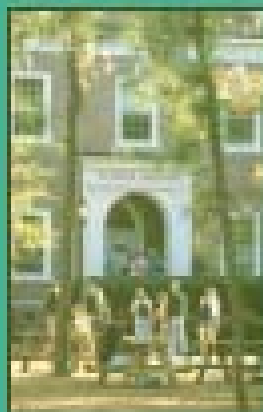
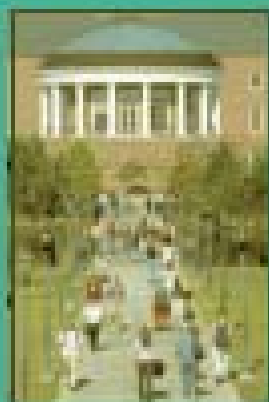


Coastal Carolina University

Conway, South Carolina



Comprehensive Annual Financial Report

Included in the Higher Education Funds of the State of South Carolina
For the Fiscal Year Ended June 30, 2005



Comprehensive Annual Financial Report

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

For the Fiscal Year Ended June 30, 2005

Prepared by the Office of the Associate Vice President of Finance/Controller

and the

Office of the Executive Vice President

COASTAL CAROLINA UNIVERSITY
FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

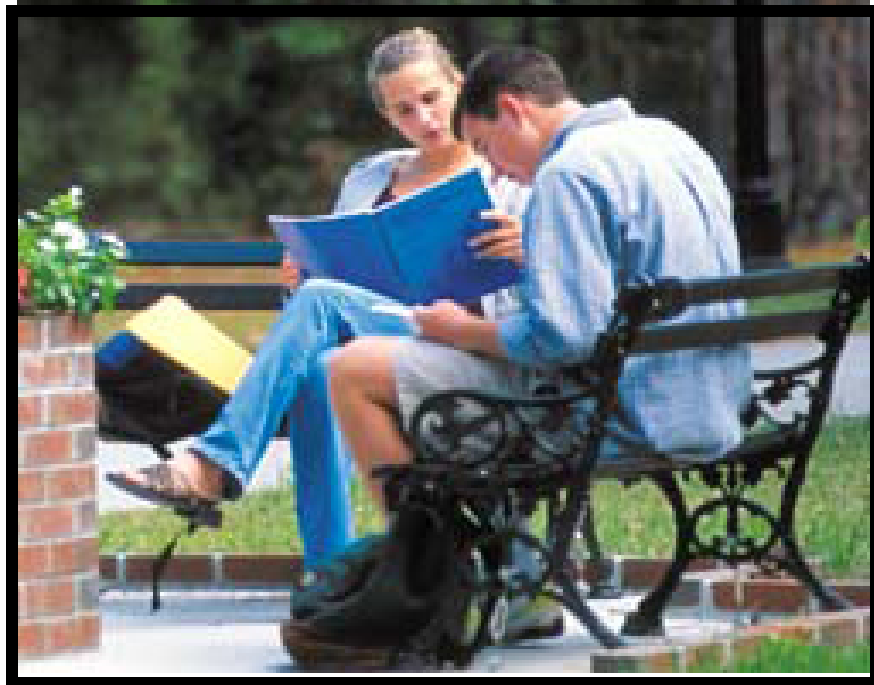
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COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



INTRODUCTORY SECTION



President's Letter

Dear Coastal Carolina Friends:

Last fall Coastal Carolina University celebrated 50 years as an institution of learning and teaching. As Coastal enters its second 50 years of remarkable growth and development, it is more dynamic than at any other time in the institution's history.

- Enrollment has increased by approximately 60 percent over the past five years, reflecting growth in quality as well as quantity. The entering class of 2005, with an average SAT score of 1046, reflects the sustained increases in scores for Coastal Carolina, significantly higher than the South Carolina and national averages. In Fall 2005, Coastal's enrollment has exceeded 7,400 students.
- Two profound changes have taken place in campus life in recent years. The university has become a much more traditional residential campus since the year 2000. With the addition of approximately 1,500 beds in student residence halls, both on and adjacent to campus, we now have the capacity to house approximately 40 percent of our full-time undergraduate students on campus, creating attendant needs for student services and campus life. The second profound change was the beginning of NCAA Division I-AA football with its inaugural season in fall 2003. Greatly helped by a 6-5 record in its first season, and winning the Big South Conference Championship with a 10-1 record in its second season, the football program has had a dramatically positive impact on institutional image, community interest, and student involvement in campus life. An internal evaluation and audit of the value of the football program at the end of its first year of operation indicated that it has been well worth the cost, creating increased enrollment, gifts, and alumni support.
- Coastal Carolina University has always prided itself on corporate citizenship and public engagement. Two new initiatives are especially noteworthy. The first involves faculty members on public engagement leave using their expertise by working directly with local community organizations and businesses. A second initiative begun last academic year involves student mentors working with fourth through sixth graders in the local public schools, as a part of a community outreach to reduce dropouts in the public school system.

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

The acquisition and modification of space to accommodate programs and services is Coastal's highest budget priority. Although the University's highest capital project priority continues to be a science building, it has been necessary to meet immediate needs by leasing and renovating warehouse space to accommodate the most pressing needs for the science program.

During the celebration of our 50th anniversary, Coastal Carolina was engaged in exploring planning and action initiatives that will prepare Coastal Carolina for a future that we have only begun to envision:

- The 50th Anniversary Initiatives Campaign recognized both the University's increasing stature in the community and the University's increasing need for self-reliance. Thanks to excellent organization and community involvement, the initial \$10 million fund raising goal was exceeded, with more than \$13 million in gifts and pledges received.
- The Trustees and the Foundation undertook the development of a long-range visionary Campus Master Plan. This master plan is a living document, which is expected to evolve as new demands on the institution arise, and was a major step in raising awareness of need and defining Coastal's commitment to provide for the current and future space needs of the University. Some of the important underlying principles of the master plan include an analysis of Coastal's past and future growth, making a commitment to environmental sustainability principles, and defining a leadership role for the University within its community with regards to the environment.
- The University's Strategic Planning Committee is nearing completion of a two-year planning process to update an overall strategic plan, which addresses all aspects of the future of the University.

The 50th Anniversary Initiatives Campaign, the Comprehensive Master Plan, and the deliberations of the Strategic Planning Committee have helped to shape Coastal Carolina for new challenges and new opportunities.

Sincerely,



Ronald R. Ingle
President





LETTER OF TRANSMITTAL

October 10, 2005

To the President and
Members of the Board of Trustees:

We are pleased to present to you the Comprehensive Annual Financial Report of Coastal Carolina University for the fiscal year ended June 30, 2005.

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

The University's financial statements have been audited by Walda Wildman, LLC, a licensed certified public accountant. The goal of the independent audit was to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon

the audit, that there was a reasonable basis for rendering an unqualified opinion that the University's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the University

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

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

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

Coastal Carolina University began offering its first graduate programs in education in the fall of 1993. Today, the university offers 40 baccalaureate degree programs through its four academic colleges and five graduate programs. Coastal houses approximately 2,200 students on or near campus, with a total FTE enrollment of over 7,400. Although available space continues to lag behind the need for educational space, Coastal has grown from the one building in 1963 to 52 buildings totaling approximately 1.2 million square feet.

Economic Environment

Coastal Carolina University's financial profile fits more closely with that of a private institution than with a typical public institution. The university is highly dependent on tuition revenues, with more than 55 percent of its total net revenues coming from student tuition and fees, while only 15 percent of its net revenues come from state appropriations. Because the university is required to charge out-of-state students the full cost of their education, these student revenues make up more than 58 percent of all tuition, although only 41 percent of students are from out-of-state.

The state economic outlook continues to decline related to the support of higher education. As revenue streams begin to improve, it is the consensus among state higher education policy analysts that funding for K-12 and human service programs will consume the lion's share of any recovery proceeds. The legislature has earmarked South Carolina Education Lottery funding for tuition assistance directly to students and institutional technology projects, but has steadily decreased funding for general operations. The fiscal year 2006 state budget appropriated to the University for general operations represents only 82 per cent of the amount appropriated for fiscal year 2001. During the same time period Coastal has experienced the largest enrollment growth in its history, an increase of approximately 59 percent in FTE enrollment.

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

The University's in-state tuition is at about the median point in the state, which continues to give management the choice of raising resident tuition while still being competitive in South Carolina.

The University operates five auxiliary enterprises which have helped to build and sustain cash reserves in tight economic times. These consist of the University bookstore (outsourced to Follett's), University housing, vending (outsourced to Pepsi-Cola and C.A. Timbes, Inc.), food service (outsourced to Aramark), and health services (outsourced to Conway Medical Center).

The University is also fortunate to receive county appropriations from both Horry County and Georgetown County. This gives the University flexibility to take on specific projects in the

interest of the citizens of each of those counties which also benefits the entire University community.

Long-Term Financial Planning

Coastal Carolina University accomplishes long-term financial planning through its ongoing strategic planning process and through periodic updates to its campus master plan. The strategic planning process, which is an ongoing and active process of planning and assessment, emphasizes the integration of resource allocation and planning, and is refreshed every semester with real data related to current enrollment and student demographics. As a part of the strategic planning process, certain strategic directions have been identified which are derived from the mission statement, and which define Coastal's institutional identity. These directions represent characteristics which the Coastal community believes it has already attained to some degree. More importantly, the themes shape the values and the vision for the university for greater attainment in the future.

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

The University's Fall 2000 Campus Master Plan provided a strong base and provided clear direction to the most recent update to the Plan in August of 2004. Details of the Campus Master Plan process are available on the University's web site www.coastal.edu/masterplan.

Relevant Financial Policies

In addition to being guided by its own Master Plan, the University is a part of state government in South Carolina, and as such, follows state law and policies regarding procurement, construction, human resource practices, contract and grant funding and other operating practices. A budget is submitted annually to the Governor's Office, which is built on a robust internal budget process. University budget policies are built on the strategic plan, the campus master plan, and current enrollment data. When borrowing funds for capital projects is necessary, the University accomplishes this by working through staff in the State Treasurer's Office.

Major Initiatives

The University continues to focus new spending on areas that will recruit, welcome and retain students and preserve desirable class size. A 7.3% growth in full-time students helped drive needed increases in personnel and services. In fiscal year 2005, space available for instruction, administration and student services increased by over 120,000 square feet due to aggressive development of leased property. Corresponding to this growth, management significantly increased the amount of funds set aside for renovations needed over the next several years.

Awards and Acknowledgements

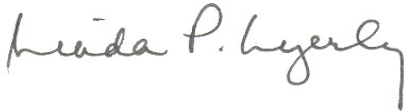
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Coastal Carolina University for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the third year that the University received this prestigious award. In order to be awarded a Certificate of Achievement, the University published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and legal requirements.

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

The preparation of this report is the result of dedicated teamwork by the staff in the offices of the Associate Vice President/Controller, Institutional Research and Assessment, Internal Audit, Information Technology Services, Printing Services, the Executive Vice President and the President. A good report depends as much on data integrity at the level of each transaction as it does on statistical analysis and spreadsheet preparation. In these days when more is expected ever sooner, we appreciate the hard work and good humor of staff members and their adherence to quality professional standards. This year, the University was fortunate to have a CCU alumnus and College of Charleston graduate intern, Christopher Clark, to assist us in the documentation and compilation of the statistical section of the CAFR. Significant credit is also due to the President and Board of Trustees for their hands-on

leadership, dedication, vision, and encouragement to each member of the University community to strive for excellence. The staff especially appreciates the invaluable guidance and encouragement of the University's external auditor, Walda Wildman, LLC.

Respectfully submitted,



Linda P. Lyerly, M. S. Ed., M. Acc.
Associate Vice President of Finance and Controller



Richard N. Weldon, J. D.
Vice President for Administration



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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Coastal Carolina University,
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



President

Executive Director

COASTAL CAROLINA UNIVERSITY
BOARD OF TRUSTEES
2005-2006

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

COASTAL CAROLINA UNIVERSITY

ADMINISTRATIVE OFFICERS

2005-2006

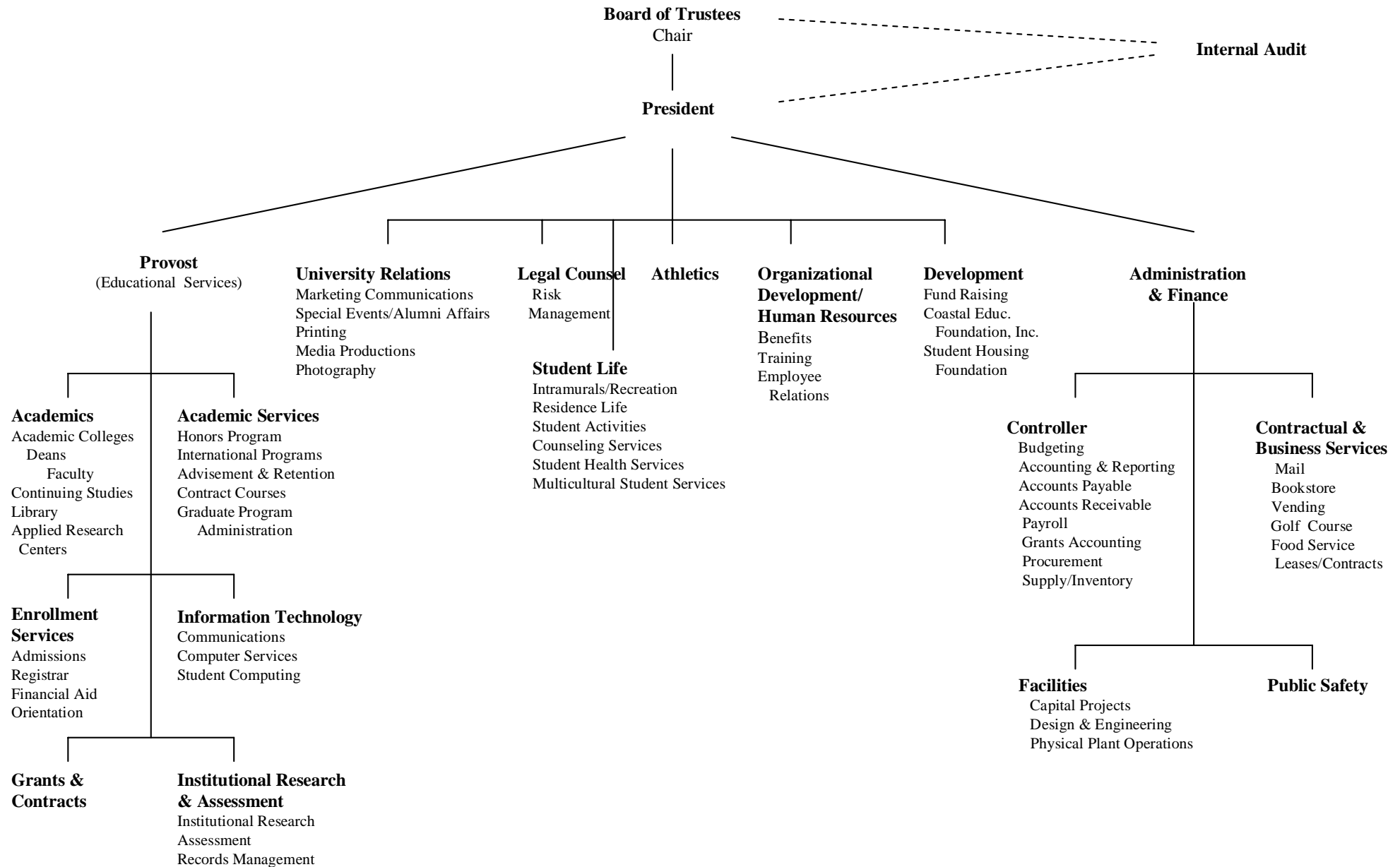
Ronald R. Ingle, Ph.D.	President
Peter B. Barr, Ph.D.	Provost
Sally M. Horner, Ph.D.	Executive Vice President
Richard N. Weldon, J.D.	Vice President, Administration
Marvin Marozas, B.S.	Vice Pres., Information Tech Servs., Chief Inform. Officer
Edgar L. Dyer, J.D.	Vice President, University Relations/Legal Counsel
William D. Nicholson II, M.A.	Vice President, University Advancement
Janis W. Chesson, Ph.D.	Vice Pres., Organizational Dev., Human Res. & Equal Opp.
Lynn Willett, Ph.D.	Vice President, Student Affairs
Judy W. Vogt, Ed.D.	Vice President, Enrollment Services
Linda P. Lyerly, M.Acc.	Associate Vice President, Finance/Controller
Warren Koegel, B.S.	Director of Athletics
Dennis G. Wiseman, Ph.D.	Associate Provost, Academics/Director, Graduate Studies
Colleen A. Lohr, Ph.D.	Associate Provost, Administration & Academic Services
Valgene L. Dunham, Ph.D.	Assoc. Vice President, Grants, Contract Admin. & Research
David A. DeCenzo, Ph.D.	Dean, Wall College of Business
Joan F. Piroch, Ph.D.	Interim Dean, College of Natural and Applied Sciences
John P. Beard, Ph.D.	Interim Dean, Edwards College of Humanities & Fine Arts
Gilbert H. Hunt, Ph.D.	Dean, Spadoni College of Education
D. Lynne Smith, D.L.S.	Dean, Library Services
Stan R. Godshall, M.B.A.	Associate Vice President, Executive Director of Foundations
Deborah K. Conner, Ph.D.	Associate Vice President, University Relations
Frances B. Gilbert, M.B.A.	Associate Vice President for Advancement
Richard H. Moore, Ph.D.	Assistant Vice President, Grants & Sponsored Research
Anne T. Monk, B.A.	Assistant Vice President, Marketing Communication
Keith Smith, M.S.	Director, Business and Contractual Services
Christine L. Mee, M.Ed.	Director, Institutional Research and Assessment
Stella F. Cooper, M.Ed.	Director, Capital Projects Budgets
David A. Bredekamp, B.S.	Internal Auditor

**COASTAL CAROLINA UNIVERSITY
BUSINESS AND FINANCE OFFICERS
2005-2006**

Sally M. Horner	<i>Executive Vice President</i>
Richard N. Weldon	<i>Vice President for Administration</i>
Brenda Cox	<i>Administrative Assistant</i>
Linda P. Lyerly	<i>Associate Vice President of Finance/Controller</i>
Mirinda C. Chestnut	<i>Administrative Specialist</i>
Christopher R. Clark	<i>Graduate Intern</i>
Pat West	<i>Assistant Controller</i>
Bill Douglas	<i>Payroll Manager, Payroll</i>
Jill Sokolik	<i>Assistant Payroll Manager, Payroll</i>
Sherrell Richardson	<i>Accountant, Payroll</i>
Vicky Rabon	<i>Supervisor, Accounts Payable/Travel</i>
Virginia Altman	<i>Fiscal Technician, Accounts Payable/Travel</i>
Brenda Rabon	<i>Fiscal Technician, Accounts Payable/Travel (Athletics)</i>
Lila Taylor	<i>Fiscal Technician, Accounts Payable/Travel (Provost)</i>
Tammy Holt	<i>Grants Accountant</i>
Tammy Hardee	<i>Fiscal Technician, Grants Accounting</i>
Regina Lee	<i>Director, University Receivables</i>
Lill Heit	<i>University Receivables Accountant</i>
Scott Callahan	<i>Bursar</i>
Elaine Bridges	<i>Head Cashier, Bursar</i>
Sheila Mooney	<i>Fiscal Technician, Bursar</i>
Patty Dudley	<i>Fiscal Technician, Collections, Bursar</i>
Carolyn Singleton	<i>Student Loan Receivables, Bursar</i>
Bob Lundgren	<i>Senior Accountant, Financial Accounting</i>
Tim Martin	<i>Budget Director</i>
Mary Slaby	<i>Finance Director, University Advancement</i>
Julianne Hughes	<i>Fiscal Technician, University Advancement</i>
Randall F. Cox	<i>Director, Procurement</i>
Vicki E. Williams	<i>Procurement Officer, Procurement</i>
Robin B. Strickland	<i>Procurement Officer, Procurement</i>
June Barfield	<i>Procurement Officer, Procurement</i>
Sabra Kelly	<i>Administrative Specialist, Procurement</i>
Suzanne Beverly	<i>Supply Manager, Campus Supply/Inventory</i>
Faye Tyler	<i>Supply Specialist, Campus Supply/Delivery</i>
Greg Edwards	<i>Supply Specialist, Campus Supply/Delivery</i>
Keith Smith	<i>Director, Business and Contractual Services</i>
Outsourced:	
	<i>Aramark Food Services, Follett Bookstore, Pepsi-Cola Bottling Co., C.A. Timbes, Inc.</i>

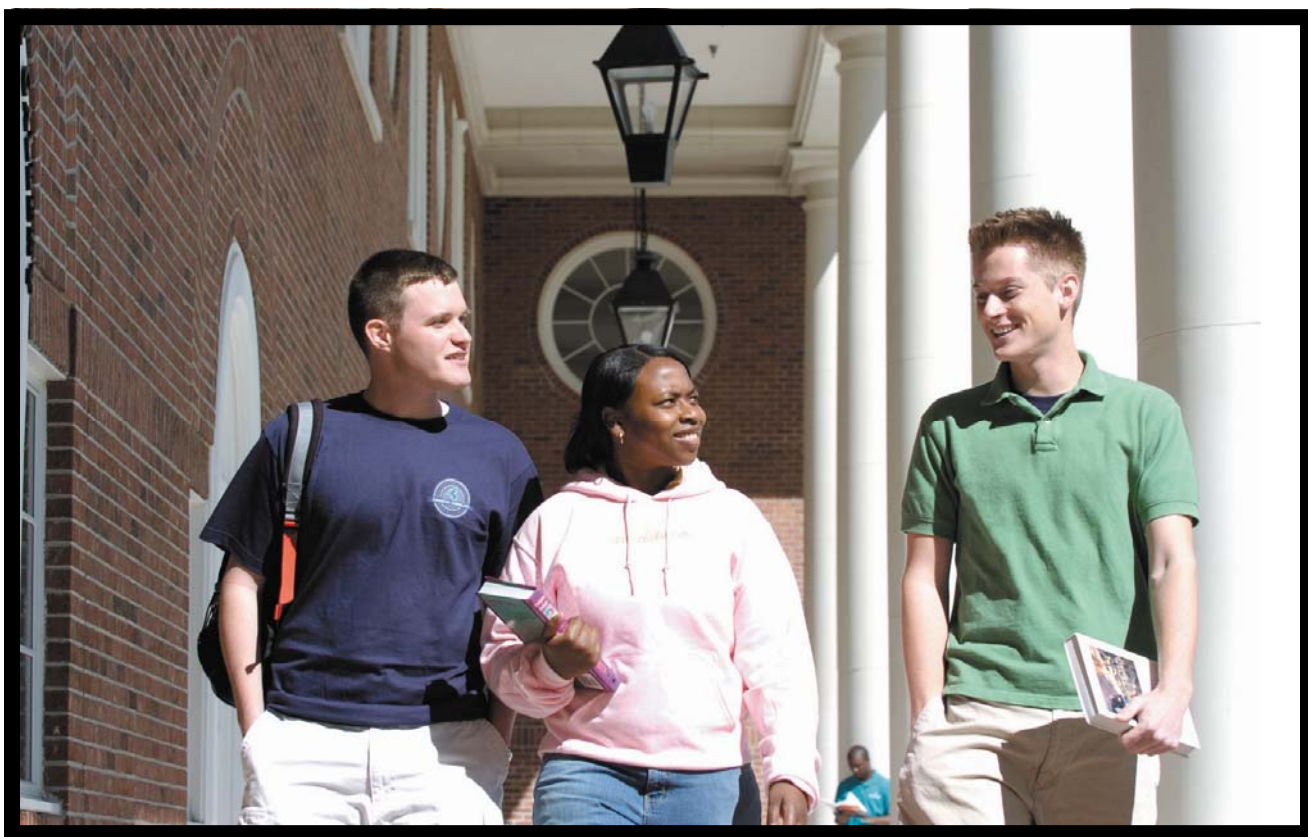
David A. Bredekamp	<i>Internal Auditor</i>
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ORGANIZATIONAL CHART BY FUNCTION





COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



FINANCIAL SECTION

State of South Carolina



Office of the State Auditor

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

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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

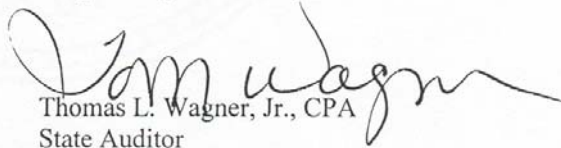
September 26, 2005

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

This report on the audit of the basic financial statements of Coastal Carolina University and the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the fiscal year ended June 30, 2005, was issued by Walda Wildman, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/trb

**COASTAL CAROLINA UNIVERSITY
CONWAY, SOUTH CAROLINA**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30, 2005

WALDA WILDMAN, LLC
CERTIFIED PUBLIC ACCOUNTANT

Synergy Business Park · Congaree Building · 121 Executive Center Drive · Suite 206
Columbia, South Carolina · 29210
Telephone 803.216.9800 · Fax 803.216.9498

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

September 12, 2005

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

I have audited the accompanying basic financial statements of Coastal Carolina University as of June 30, 2005, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the Coastal Educational Foundation which statements reflect total assets of \$22,103,893 as of June 30, 2005, and total revenues of \$3,525,002 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, Coastal Educational Foundation, is based on the report of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As described in Note 1 to the financial statements, the University's financial statements are intended to present the financial position, results of operations, and cash flows of only that portion of the financial reporting entity of the State of South Carolina that is attributable to the transactions of the University. These financial statements do not include other funds, enterprises or component units of the State. These financial statements are not intended to present fairly the financial position of the State of South Carolina as of June 30, 2005, and changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America, and do not include other agencies, divisions, or component units of the State of South Carolina.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 12, 2005 on my consideration of the University's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules required by the Office of the South Carolina Comptroller General, as listed in the table of contents, are presented for purposes of additional analysis as required by the Office of the South Carolina Comptroller General and are not a required part of the basic financial statements of Coastal Carolina University. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The information in the Introductory and Statistical Sections, as listed in the table of contents, is presented for purposes of additional analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

A handwritten signature in cursive script that reads "Walda Wildman LLC".

WALDA WILDMAN, LLC
Certified Public Accountant



Coastal Carolina University

Management's Discussion and Analysis

Coastal Carolina University is pleased to present its financial report for the year ended June 30, 2005. This section, Management's Discussion and Analysis, will describe each of the statements, present a condensed, comparative version of each one, and offer financial highlights of the year.

Using the Annual Financial Report

The University's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. During fiscal 2004, the University implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, and incorporated one non-governmental component unit, the Coastal Educational Foundation. In fiscal year 2005, the CCU Student Housing Foundation was determined to be a second component unit, primarily due to its close relationship to the growth plans of the institution.

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

provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

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

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

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

Financial Highlights

The University celebrated its 50th anniversary in the academic year 2004-2005. The \$10 million fund-raising campaign begun in January of 2004 was successfully completed in 2005 with expectancies, pledges and contributions in excess of \$13 million committed to the University and its component units and related parties. The campaign was the largest fund-raising effort in the university's history.

Enrollment at the University continued to grow at a healthy rate. The undergraduate full-time equivalency (FTE) enrollment for the fall of 2004 was 5,807, representing an 8% increase over the previous fall, and a 44% increase over five years. This was fueled by an increase in applications for undergraduate admissions of 8% over the previous year, and 74% over five years. In the fall of 2004, the University implemented an in-state tuition increase of 17.53% and an out-of-state increase of 10.33%. This placed Coastal's in-state rate close to the average rate of higher education offered by South Carolina public institutions with a similar mission.

The University graduated its largest class of 710 in the spring of 2005. Because of strong demand, the University capped freshman enrollment in June of 2005 for the second time in recent years, allowing later freshman admissions only to students from the immediate area. Three new degree options were added for students in fiscal year 2005: physics, resort tourism, and economics.

The Board of Trustees voted in fiscal year 2005 to extend the tenure of President Ronald R. Ingle for two more years. Dr. Ingle, originally slated to retire in 2005, has been at the helm of the institution since before 1993, when it became an independent state university.

The University continued to draw heavily on its component units and related parties for

the development of additional instructional and living space.

In cooperation with the Georgetown Advisory Committee for Higher Education and the Georgetown County Council, the fiscal year opened in July with the formal dedication of the 15,000 square foot Waccamaw Center for Higher Education in Litchfield Beach, which offers both credit and non-credit courses.

The Coastal Science Center, located across Highway 501 east of the main campus in the Atlantic Center manufacturing complex, was opened for use by the computer science department in the fall of 2004. The Coastal Educational Foundation spent over \$500,000 in renovations and related costs at this 70,000 square foot facility in fiscal year 2005. The Foundation acquired the Center for use by the University through a lease-purchase in fiscal year 2004. In the fall of 2005, the marine science, psychology and sociology faculty are moving and will hold most of their classes in this building.

In the fall of 2004, the Coastal Educational Foundation entered into a lease of 30,000 square feet of office space in the vacated Canal Industries building on Highway 501. Named Foundation Center, this facility now houses the staff of University Advancement, the University's community service centers, and the Office of Sponsored Programs. In the fall of 2005, it will accommodate the entire faculty of the Spadoni College of Education, as Kearns Hall, at the center of campus, is completely renovated.

Also in cooperation with the Coastal Educational Foundation, the University continued to make progress on negotiations with developers to build a 7,000 seat arena on Foundation land which would be a men's and women's basketball venue, and would also house practice facilities, parking areas, locker rooms, administrative offices, and meeting rooms. In anticipation of the construction of the arena in fiscal year 2006, a \$400,000 annual lease between the

University and the Foundation was approved by the S.C. Commission on Higher Education at its June 2005 meeting.

Last fall, the CCU Student Housing Foundation opened its second phase of apartment-style housing, adjacent to phase I, for an additional 456 upperclassmen a half mile from campus. With this addition, University Place now has space for approximately 950 students. For the second year, the University served as manager for these apartments.

In fiscal year 2005, the University doubled the contract for the student shuttle, which served the growing east section of campus as well as University Place apartments. The shuttle offers student transportation to area shopping and entertainment venues as well.

In the fall of 2004 the University also entered into a contract with HGTC to provide law enforcement and safety services to its more than 5,000 students on campuses in Conway, Myrtle Beach and Georgetown.

The University continued to receive State lottery funds in support of technology, as well as a record \$5.6 million in scholarships to S.C. residents, funded by the lottery and other state sources.

Statement of Net Assets

Total assets of the University increased by \$3.24 million during fiscal 2005. This was mainly comprised of an increase in current assets of \$3.6 million and a decrease in net capital assets of \$355 thousand.

- The increase in current assets was a result of an increase in unrestricted cash of \$3.7 million and a decrease in restricted cash for capital projects of \$700 thousand, as well as an increase in net receivables, inventories and prepaid items of \$600 thousand. Detail of accounts receivable is available in Note 2 to the financial statements.

- The slight decrease in net capital assets of approximately \$355 thousand was due to an increase in accumulated depreciation of \$2.77 million, balanced by capitalization of \$1.32 million construction in progress, \$685 thousand in building and land improvements, and the acquisition of \$406 thousand worth of equipment, vehicles, and software.

Current liabilities increased by approximately \$905 thousand. This increase was mainly comprised of an increase of \$426 thousand in payroll and related liabilities, \$250 thousand in vendor payables, \$177 thousand in unearned revenues, \$80 thousand in funds held for others, and a decrease in the current portion of capital leases payable of \$27 thousand.

- Payroll and related liabilities increased mainly due to a rising labor pool, and change in the timing of a State retirement remittance.
- The \$177 thousand increase in unearned revenues was mainly related to changes in deferred operating grant revenue. An increase in unearned student fees was offset by decreases in other unearned revenue.

Non-current liabilities were down approximately \$1.1 million. Contributing to this decrease were a reduction in bonds payable of \$1.1 million, an increase of about \$200 thousand in accrued compensated absences, offset by a slightly larger decrease in capital leases payable. The increase in capital assets, net of debt, as described in the total assets narrative above, was due in part to completion or progress on the following projects:

Campus security system	\$ 514,000
Campus roads project	263,000
Construction in Progress:	
Coastal Science Center	
leasehold improvements	1,155,000
Kearns Hall renovations	145,000
Total	<u>\$ 2,077,000</u>

The decrease of \$600 thousand in restricted – expendable net assets is due to the use of restricted funds for capital projects. The increase in unrestricted net assets of \$3 million represents an increase in general operating funds of approximately

\$800 thousand, an increase in unrestricted funds designated for plant repair and renovations of \$2 million, and an increase in auxiliary funds of \$200 thousand.

Condensed Summary of Net Assets				
Assets	2005	2004	Increase/ (Decrease)	Per Cent Change
Current assets	\$ 17,856,286	\$ 14,250,571	\$ 3,605,715	25%
Capital assets, net	89,029,931	89,384,586	(354,655)	0%
Other assets	1,673,669	1,685,628	(11,959)	-1%
Total Assets	108,559,886	105,320,785	3,239,101	3%
Liabilities				
Current liabilities	7,651,285	6,746,306	904,979	13%
Non-current liabilities	36,314,283	37,418,227	(1,103,944)	-3%
Total Liabilities	43,965,568	44,164,533	(198,965)	0%
Net Assets				
Invested in capital assets, net of debt	54,822,552	53,844,656	977,896	2%
Restricted - non-expendable	102,626	102,934	(308)	0%
Restricted - expendable	637,981	1,238,953	(600,972)	-49%
Unrestricted	9,031,159	5,969,709	3,061,450	51%
Total Net Assets	\$ 64,594,318	\$ 61,156,252	\$ 3,438,066	6%

Statement of Revenues, Expenses, and Changes in Net Assets

An \$8.6 million increase in operating revenue was comprised mainly of a \$7.3 million increase in student tuition and fee revenue. This increase was a result of both the 17.5% in-state and the 10.3% out-of-state tuition increases and the 6% full-time equivalency enrollment increase. Other operating revenue increases included approximately:

- \$975 thousand in scholarships and contracts, \$1.1 million of which was an increase in state funded scholarships; \$464 thousand in federal scholarship revenue, and a \$590 thousand decrease in other

scholarship and sponsored program revenue.

- an increase in sales and services of educational activities and auxiliary enterprises of \$210 thousand.

Operating expenses increased by \$7 million, led by a \$4.7 million boost in personnel costs and benefits. Growth in the student body continued to require added faculty, administrative and student service support personnel. The cost of services and supplies increased by \$1.2 million as personnel and related programs grew.

Non-operating revenues, principally appropriations and gifts, increased by \$528 thousand. An increase in investment income of \$310 thousand was a major part of this change. An increase in state appropriations of \$572 thousand was offset by a decrease in gifts of \$544 thousand. This decrease in gifts reflects the end of a two-year state technology start-up grant combined with an actual

increase in other gift revenue. Capital appropriations decreased by approximately \$950 thousand and capital grants decreased by approximately \$370 thousand.

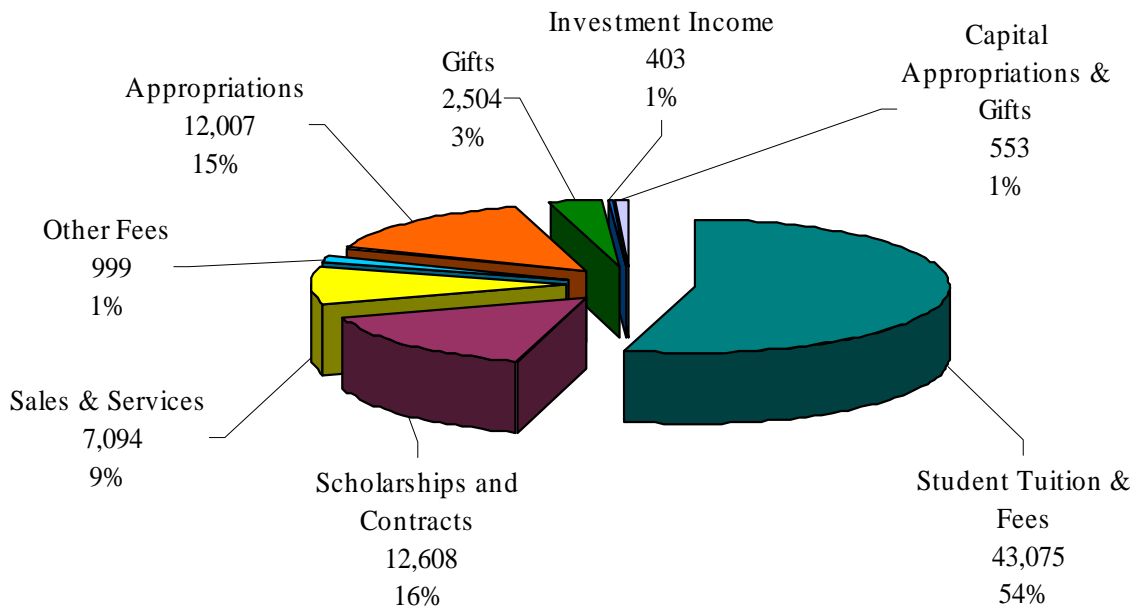
Net assets increased as a result of these transactions by \$3.4 million.

Condensed Summary of Revenues, Expenses and Changes in Net Assets				
	2005	2004	Increase/ (Decrease)	Percent Change
Operating Revenues:				
Student tuition and fees	\$ 43,074,537	\$ 35,779,409	\$ 7,295,128	20%
Grants and contracts	12,608,291	11,632,812	975,479	8%
Sales and services	7,094,090	6,884,294	209,796	3%
Other operating revenues	999,332	861,376	137,956	16%
Total operating revenues	<u>63,776,250</u>	<u>55,157,891</u>	<u>8,618,359</u>	16%
Operating Expenses:				
Personnel costs and benefits	46,868,903	42,104,080	4,764,823	11%
Services and supplies	16,433,594	15,184,331	1,249,263	8%
Utilities	2,562,796	2,300,106	262,690	11%
Scholarships	5,325,354	4,753,108	572,246	12%
Depreciation	2,922,724	2,768,983	153,741	6%
Total operating expenses	<u>74,113,371</u>	<u>67,110,608</u>	<u>7,002,763</u>	10%
Operating loss	<u>(10,337,121)</u>	<u>(11,952,717)</u>	<u>1,615,596</u>	-14%
Nonoperating Revenues (Expenses)				
State appropriations	11,792,079	11,220,170	571,909	5%
Local appropriations	214,889	218,067	(3,178)	-1%
Gifts	2,503,349	3,047,176	(543,827)	-18%
Investment income	402,465	92,668	309,797	334%
Interest expense	(1,690,726)	(1,588,650)	(102,076)	6%
Other nonoperating revenues (expenses)	<u>(295,041)</u>	<u>(295,041)</u>	<u>295,041</u>	-100%
Total nonoperating revenues (expenses)	<u>13,222,056</u>	<u>12,694,390</u>	<u>527,666</u>	4%
Income before other revenues, expenses, gains and losses	2,884,935	741,673	2,143,262	289%
Capital grants and appropriations	<u>553,131</u>	<u>1,873,176</u>	<u>(1,320,045)</u>	-70%
Change in Net Assets	<u>3,438,066</u>	<u>2,614,849</u>	<u>823,217</u>	31%
Net Assets, beginning of year	<u>61,156,252</u>	<u>58,541,403</u>	<u>2,614,849</u>	4%
Net Assets, end of year	<u>\$ 64,594,318</u>	<u>\$ 61,156,252</u>	<u>\$ 3,438,066</u>	6%

Total Revenues by Source, 2005

(thousands of dollars)

\$79,243

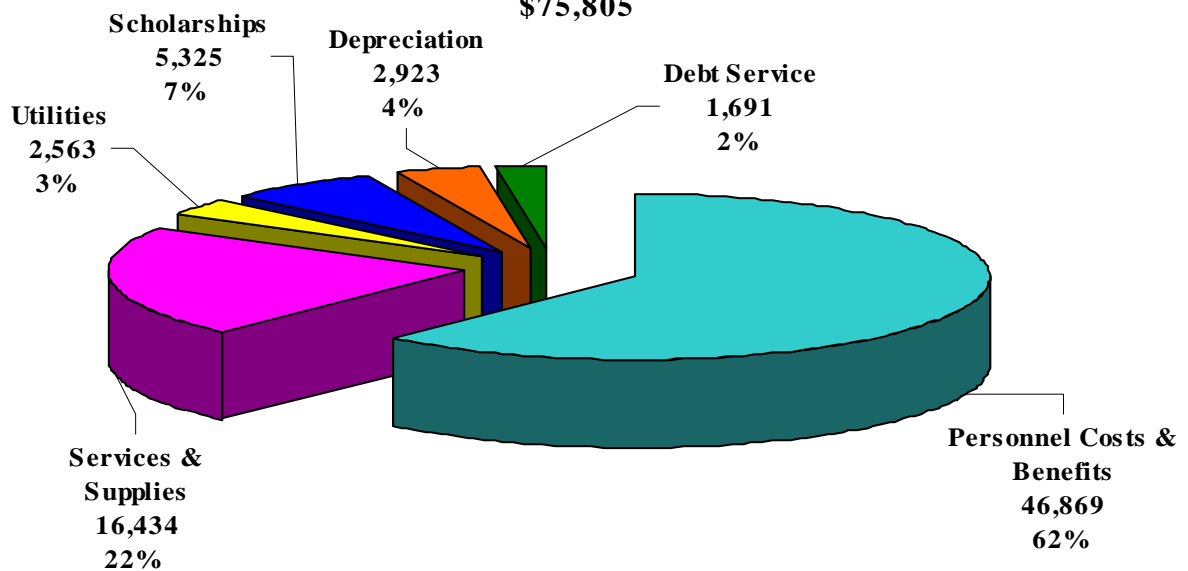


Total Expenses by Classification

Excluding capital asset acquisitions and scholarship allowances

(thousands of dollars)

\$75,805



Capital Assets and Debt

Capital assets at June 30, 2005 consisted of \$1.3 million construction in progress, and \$87.5 million in land improvements, buildings, equipment, vehicles, and intangible assets, net of accumulated depreciation. The small portion of campus land owned by the University is booked at historical value of \$194 thousand. The construction in progress is comprised mainly of leasehold improvements to the Coastal Science Center and continued renovations to Kearns Hall. Please see Note 5 to the financial statements for further details of capital asset activity.

Debt on capital assets is approximately \$34.2 million, representing \$1.2 million in current liabilities and \$33 million in long-term liabilities. Details on the capital lease owed by the University at June 30, 2005 may be found in Note 8 to the financial statements. Detail of bonds payable and long-term obligations of the University are found in Notes 9 and 10.

Economic Outlook

Early indications show an increase in Fall 2005 enrollment of about 5%. Approximately 25 new permanent faculty have been added this fall to catch up with enrollment growth. Tuition for 2005-06 increased 12.4% for in-state students and 6.3% for out-of-state students.

The University anticipates a cautious operational year to accustom itself to the several previous years of unprecedented growth. As tuition dependent as Coastal is, the University regularly plans contingencies should there be enrollment stagnation or decline.

Leased space has helped the institution grow, but it has also brought the need for a

significantly expanded physical plant operation. Fiscal year 2006 will be a year to shore up staff in this area. This year will also see a focus by management on strengthening campus housing operations and planning processes. These efforts will be critical to the University's continuing ability to attract and retain students. Over 950 beds were added by the CCU Student Housing Foundation in fiscal years 2004 and 2005, and the University is currently analyzing demand in light of its master plan.

The University, in cooperation with Horry Georgetown Technical College (HGTC), worked with the South Carolina Commission on Higher Education and State Budget and Control Board to acquire a five year lease of the nearby Quail Creek Golf Course effective July 1, 2005. This joint project of the two institutions will be supported by the growing enrollment of CCU professional golf management students, HGTC turf management students, as well as faculty, staff, student and public play. More details are available in Note 16, Commitments.

In August 2005, the South Carolina Budget and Control Board approved a lease between the University and its component unit, Coastal Educational Foundation, to facilitate construction of an arena on foundation land.. University staff is currently working on implementation plans, which include use by the basketball team of the venue for 32 games a year. More details are available in Note 19, Subsequent Events.

The University plans to continue to align itself with state goals which complement University interests in order to grow state support of certain programs, such as the mentoring by Coastal students of students in the public schools, and the funding of continued upgrades in technology supported by state lottery proceeds.

COASTAL CAROLINA UNIVERSITY
STATEMENT OF NET ASSETS
June 30, 2005

ASSETS

Current assets:

Cash and cash equivalents	\$ 13,384,948
Accounts and pledges receivable, net	2,310,139
Due from component units	751,416
Inventories	342,106
Prepays	243,601

Restricted current assets:

Restricted cash and cash equivalents	631,194
Loans to students, current portion	192,882
Total current assets	<u>17,856,286</u>

Non-current assets:

Capital assets, net of accumulated depreciation	
Land	194,265
Construction in progress	1,328,498
Buildings and improvements	84,500,652
Equipment, vehicles and intangible assets	3,006,516
Other assets, net	386,111

Restricted non-current assets:

Restricted cash and cash equivalents	102,626
Loans to students, net	1,184,932
Total non-current assets	<u>90,703,600</u>

TOTAL ASSETS	<u>108,559,886</u>
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LIABILITIES

Current liabilities:

Accounts and retainage payable	1,334,293
Accrued payroll and related liabilities	2,511,041
Intergovernmental payables	388,817
Unearned revenue	1,711,416
Accrued interest payable	217,535
Funds held for others	92,756
Accrued compensated absences, current	192,985
Bonds and notes payable, current	1,110,000
Capital lease payable, current	92,442
Total current liabilities	<u>7,651,285</u>

Non-Current Liabilities:

Accrued compensated absences	1,816,722
Bonds and notes payable	32,535,000
Capital lease payable	469,937
Other liabilities	56,482

Non-current liabilities payable from restricted non-current assets:

Federal loan program liability	1,436,142
Total non-current liabilities	<u>36,314,283</u>

TOTAL LIABILITIES	<u>43,965,568</u>
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NET ASSETS

Invested in capital assets, net of debt	54,822,552
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Restricted for:

Non-expendable/permanently restricted	102,626
Expendable for research	66,715
Expendable for capital projects	505,357
Expendable for sponsored projects	65,909

Unrestricted	<u>9,031,159</u>
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TOTAL NET ASSETS	<u>\$ 64,594,318</u>
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The accompanying notes are an integral part of these statements

COASTAL CAROLINA UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended June 30, 2005

Operating Revenues

Student tuition and fees, net of scholarship allowance of \$10,900,863; \$1,344,290 is pledged for debt service on general obligation bonds	\$ 43,074,537
Government scholarships and contracts	12,608,291
Sales and services of educational departments	1,788,649
Sales and commissions of auxiliary enterprises, net of scholarship allowance of \$1,211,207	5,305,441
Other fees	999,332

Total Operating Revenues	<u>63,776,250</u>
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Operating Expenses

Personnel costs and benefits	46,868,903
Services and supplies	16,433,595
Utilities	2,562,796
Scholarships	5,325,354
Depreciation	2,922,723

Total Operating Expenses	<u>74,113,371</u>
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Operating Income (Loss)	<u>(10,337,121)</u>
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Non-Operating Revenue (Expenses)

State appropriations	11,792,079
Local appropriations	214,889
Grants and contracts	926,747
Gifts	1,576,602
Investment and endowment income	402,465
Interest on capital asset related debt	(1,690,726)

Net Non-Operating Revenues (Expenses)	<u>13,222,056</u>
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Income (loss) before other revenues, expenses, gains and losses	2,884,935
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Capital appropriations	135,531
Capital grants and gifts	417,600

Increase (Decrease) in Net Assets	3,438,066
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Net Assets

Net Assets, beginning of year	61,156,252
Net Assets, end of year	<u>\$ 64,594,318</u>

The accompanying notes are an integral part of these statements.

COASTAL CAROLINA UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2005

Cash Flows from Operating Activities

Cash received from students for tuition and fees	\$ 43,347,381
Cash received from governmental scholarships and contracts	13,031,709
Cash paid to suppliers	(18,147,814)
Cash paid to employees and fringe benefit providers	(46,555,819)
Cash paid for scholarship payments to students	(5,325,354)
Cash paid for Perkins loans advanced to students	(281,198)
Cash received from Perkins loan program	291,774
Cash received from Stafford and parent loans on behalf of students	28,596,741
Cash from Stafford and parent loans paid to students or applied to student accounts	(28,522,213)
Cash received on behalf of CCU Student Housing Foundation	6,446,699
Cash paid on behalf of CCU Student Housing Foundation	(6,440,828)
Cash received on behalf of other organizations	134,794
Cash paid on behalf of other organizations	(134,794)
Cash received from sales and commissions of auxiliary enterprises	
Residence halls and food service	4,355,318
Bookstore	298,763
Vending	345,001
Health Service	220,726
Cash received from other receipts	<u>1,750,253</u>
Net Cash Used by Operating Activities	<u>(6,588,861)</u>

Cash Flows from Non-capital Financing Activities

State appropriations	11,792,079
Local Appropriations	214,889
State Grants	926,747
Gifts	<u>1,287,736</u>
Net Cash Flows Provided by Non-Capital Financing Activities	<u>14,221,451</u>

Cash Flows from Capital Financing Activities

Local capital appropriations	135,531
Capital gifts	336,797
Purchases of capital assets	(2,509,640)
Principal paid on capital debt and lease	(1,332,551)
Interest paid on capital debt and lease	<u>(1,695,126)</u>
Net Cash Used by Capital Financing Activities	<u>(5,064,989)</u>

Cash Flows from Investing Activities

Interest on deposits	<u>431,836</u>
Net Cash Provided by Investing Activities	<u>431,836</u>

Increase in cash and cash equivalents

Cash - beginning of year	<u>11,119,331</u>
Cash - end of year	<u>\$ 14,118,768</u>

Continued

COASTAL CAROLINA UNIVERSITY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2005

Reconciliation of net operating loss to net cash used by operating activities:

Operating loss	\$ (10,337,121)
Operating expenses covered by in-kind donations	381,452
Depreciation expense	2,922,723
Change in current assets and liabilities:	
Accounts and loans receivable	(872,760)
Grants and contracts receivable	248,559
Inventories	(33,663)
Prepaid expenses	(57,125)
Unearned revenue	177,054
Accounts payable	558,175
Funds held for others	110,761
Accrued compensated absences	244,496
Accrued payroll and related liabilities	68,588
Net cash used by operating activities	\$ <u>(6,588,861)</u>

Supplemental disclosure:

Non-cash transactions

Donated supplies and services	\$ 381,452
Donated capital equipment	\$ 58,428

The accompanying notes are an integral part of these statements.

COASTAL EDUCATIONAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2005

Assets

Cash and Cash Equivalents	\$ 319,131
Cash Reserved for Long -Term Investment	355,568
Accounts and Pledges Receivable, net of allowance of \$272,632	2,837,601
Prepaid Expenses	19,173
Investments	14,228,012
Real Estate Held for Investment	172,460
Property Held for Sale	50,000
Cash Surrender Value of Life Insurance	18,979
Net Property and Equipment	<u>4,102,969</u>
Total assets	<u><u>\$ 22,103,893</u></u>

Liabilities and net assets

Accounts Payable	\$ 292,094
Accrued Expenses	5,788
Notes Payable	<u>745,171</u>
	<u>1,043,053</u>
Net Assets	
Unrestricted	5,499,409
Temporarily Restricted	7,967,825
Permanently Restricted	<u>7,593,606</u>
	<u>21,060,840</u>
Total Liabilities and net assets	<u><u>\$ 22,103,893</u></u>

The accompanying notes are an integral part of these statements.

COASTAL EDUCATIONAL FOUNDATION
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Contributions	\$ 126,814	\$ 1,225,399	\$ 625,823	\$ 1,978,036
Endowed and Other Investment Income				
Interest Income	4,807	-	-	4,807
Dividend Income	175,703	141,549	13,361	330,613
Net Appreciation in Fair Value of Investments	560,687	244,942	68,166	873,795
Gain on Sale of Investments	58,697	-	-	58,697
Partnership Loss	5,227	-	-	5,227
Bad Debt Loss		(16,244)	(67,999)	(84,243)
Lease Income	358,070	-	-	358,070
Net Assets Released from Restrictions	1,112,012	(1,112,012)	-	-
 Total Revenues, Gains and Other Support	 2,402,017	 483,634	 639,351	 3,525,002
 Expenses				
Program Services				
Scholarships	210,531	-	-	210,531
University Support	194,314	-	-	194,314
Facilities Development	405,552	-	-	405,552
College of Education	16,403	-	-	16,403
College of Humanities	143,394	-	-	143,394
College of Science	125,135	-	-	125,135
College of Business	352,232	-	-	352,232
General and Administrative	274,201	-	-	274,201
Fundraising Expenses	90,034	-	-	90,034
 Total Expenses	 1,811,796			 1,811,796
 Increase in Net Assets	 590,221	 483,634	 639,351	 1,713,206
 Net Assets, Beginning of Year	 4,909,188	 7,484,191	 6,954,255	 19,347,634
 Net Assets, End of Year	 \$ 5,499,409	 \$ 7,967,825	 \$ 7,593,606	 \$ 21,060,840

The accompanying notes are an integral part of these statements.

CCU STUDENT HOUSING FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2005

Assets

Cash and cash equivalents	\$ 1,212,168
Cash and cash equivalent held by bond trustee	4,825,370
Investments	77,031
Investments held by bond trustee	1,299,731
Accounts receivable, net	15,536
Property, net	32,583,386
Bond issuance costs, net	<u>1,955,442</u>
 Total assets	 <u><u>\$ 41,968,664</u></u>

Liabilities and net assets

Liabilities	
Accounts payable - related party	511,060
Deferred revenue	66,230
Security deposits payable	129,660
Interest rate swap	448,300
Mortgage payable	3,300,000
Notes payable	<u>38,845,000</u>
	<u>43,300,250</u>
Net assets	
Unrestricted	
Reserved for deferred compensation	77,031
Unreserved unrestricted	<u>(1,408,617)</u>
Total net assets	<u>(1,331,586)</u>
 Total liabilities and net assets	 <u><u>\$ 41,968,664</u></u>

The accompanying notes are an integral part of these statements.

CCU STUDENT HOUSING FOUNDATION
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2005

	<u>Unrestricted</u>
Revenues and other support:	
Housing fees	\$ 4,042,490
Investment return	<u>128,935</u>
Total revenues and other support	<u>4,171,425</u>
Expenses:	
Student housing	5,030,298
Support of Coastal Carolina University	33,429
Management and general	<u>418,402</u>
Total expenses	<u>5,482,129</u>
Change in net assets	(1,310,704)
Net assets, beginning of year, restated	<u>(20,882)</u>
Net assets, end of year	<u><u>\$ (1,331,586)</u></u>

The accompanying notes are an integral part of these statements.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Coastal Carolina University is a public, mid-sized (7,000 students) comprehensive liberal arts institution offering baccalaureate degrees in the traditional liberal arts and sciences, interdisciplinary studies, and professional schools, along with master's degrees in several specialized areas. The campus primarily serves its immediate five-county area, while honoring its commitment to the citizens of Horry County who founded the University and continue to provide funding to it. Recognizing its responsibility to ensure a student population that is diverse both culturally and geographically, the institution also aggressively recruits statewide, out-of-state, and internationally.

The University is a part of the primary government of the State of South Carolina and its funds are reported in the State's higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally, all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoint most of their board members and budget a significant portion of their funds.

Financial Statements Presentation

The financial statement presentation for the University conforms to the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The University has also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures* and Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows as well as the net assets, revenues, expenses and changes in net assets of its separately audited component unit

Reporting Entity

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements present the University as the primary government and two discretely presented component units, the Coastal Educational Foundation (the CEF) and the CCU Student Housing Foundation (the SHF).

The Coastal Educational Foundation (the CEF) is a legally separate, tax-exempt entity which was chartered by the State of South Carolina in October 1954 for the purpose of soliciting, receiving, managing and distributing gifts for educational purposes in support of Coastal Carolina University. The CEF's activities are governed by its board of directors. The Foundation's support comes primarily from contributions from alumni, and local individuals and businesses. Although the University does not control the timing or amount of receipts from the CEF, the majority of resources and income thereon that it holds and invests is restricted to the activities of the University by donors. Because these restricted resources can only be used by, or for the benefit of, the University, the CEF is considered a component unit of the University.

The CCU Student Housing Foundation (the SHF) is also a legally separate, tax-exempt entity which was chartered in 2002 to provide housing for Coastal students and to provide support for various other University programs. The SHF is supported by housing fees paid by students. The SHF's activities are governed by its board of directors. The Foundation is considered a component unit because its economic resources are held entirely for the benefit of the University.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Both the CEF and the SHF are deemed not to be governmental entities because a controlling majority of the membership is not appointed by the University, there is no potential for unilateral dissolution by the University with the net assets reverting to the University, and neither has the power to enact and enforce a tax levy or the ability to issue directly debt that pays interest exempt from federal taxation. Also, both Foundations report their financial results under Financial Accounting Standards Board (FASB) statements, the most significant of which are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Because the Foundations are deemed not to be governmental entities and because they use a different reporting model, their balances and transactions are reported on separate financial statements.

Copies of the separately issued financial statements of both the CEF and the SHF can be obtained by sending a request to the following address: Executive Director, University Foundations, P.O. Box 261954, Conway, South Carolina, 29528-6054.

Basis of Accounting

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

The University has elected not to apply all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, has elected to apply only those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, which are not in conflict with GASB standards.

Cash and Cash Equivalents

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

Accounts Receivable

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

Inventories and Prepaid Items

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

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

Unearned Revenues

Unearned 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. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement. Also included in unearned revenue are grant funds received but not yet expended for their restricted purpose and amounts paid in advance for football tickets.

Funds Held for Others

Funds held for others result from the University acting as an agent, or fiduciary, for entities which have a relationship with the University's activities or from the University acting as an agent for certain student loans.

Compensated Absences

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

Federal Perkins Loans Receivable and Related Liability

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

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: Assets invested in capital assets, net of related debt, represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources which the University 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 in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

The University policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.

Classification of Revenue and Expense

The University classifies its revenues and expenses as either operating or non-operating. Operating revenues generally result from exchange transactions arising from the University's principal on-going activity which is the provision of higher education.

Operating revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients or eligibility criteria; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Operating expenses result from providing the goods and services exchanged for the respective revenues.

All revenues and expenses not meeting the definition of operating revenues are reported as non-operating revenues and expenses. Such transactions generally arise from activities that have characteristics of non-exchange transactions. Examples include gifts and contributions, government appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenue, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance. Scholarships for certain individuals that are required by State law or out-of-state fee differential abatements facilitated by intra-state agreements are recorded as neither tuition and fee revenue nor scholarship allowance.

Sales and Services of Educational and Other Activities

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

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Auxiliary Enterprises and Internal Service Activities

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

Rebatable Arbitrage

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate of return, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from these earnings exceeds the effective yield on the related tax-exempt debt issued. Governments are exempt from the rebate requirement if they meet certain temporary investment tests, if their bond proceeds are "available construction proceeds", or if they issue no more than \$5 million in total of all such debt in a calendar year. For this purpose, tax-exempt indebtedness includes bonds and certain capital leases and installment purchases. Potential rebate liability must be calculated annually, and the actual liability must be paid every five years or at maturity of the debt, whichever is earlier. The University has no rebatable arbitrage liability at June 30, 2005.

Income Taxes

The University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundations are exempt from income tax under the provisions of Internal Revenue Code Section 501(c)(3). No provision for income taxes has been made.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTE 2—DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State law requires the University to maintain all deposits with the South Carolina State Treasurer. Accordingly, at June 30, 2005, all University deposits were held by the South Carolina State Treasurer. Readers should refer to the Comprehensive Annual Financial Report of the State of South Carolina for information pertaining to reported amounts, fair values, and credit risk of the State Treasurer's deposits and investments.

NOTE 3--RESTRICTED ASSETS

The purposes and amounts of University restricted assets at June 30, 2005 are as follows:

<u>Current:</u>	
Cash and cash equivalents:	
Federal Perkins loan program	\$ 59,122
Endowment Earnings	66,715
Capital projects	505,357
Total cash and cash equivalents	631,194
Loans to students	192,882
Total restricted current assets	824,076
<u>Non-current:</u>	
Cash and cash equivalents:	
Endowments	102,626
Loans to students	1,184,932
Total restricted non-current assets	1,287,558
Total restricted assets	\$ 2,111,634

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 4—ACCOUNTS RECEIVABLE

University current and non-current receivables for June 30, 2005 are as follows:

<u>Current Accounts Receivable:</u>	
Student accounts receivable	\$ 552,239
Less allowance for uncollectibles	(73,037)
Student accounts receivable, net	479,202
Third party receivables	137,182
Loans to students, current	192,882
Federal grants and contracts receivable	205,950
State grants and contracts receivable	145,346
Non-governmental grants and contracts receivable	96,697
Payroll tax overpayments receivable	533,532
Coastal Carolina Booster Club	321,389
Accrued interest and endowment income receivable	73,534
Gifts receivable	141,434
Other receivables	175,873
Net total current receivables	<u>2,503,021</u>
<u>Non-current Accounts Receivable:</u>	
Loans to students	1,314,962
Less allowance for uncollectibles	(130,030)
Net loans to students	<u>\$ 1,184,932</u>

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

NOTE 5—LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program of the University comprise all of the loans receivable as of June 30, 2005. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student decides to exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the United States Department of Education. At June 30, 2005, the allowance for uncollectible student loans is valued at \$130,030.

NOTE 6—CAPITAL ASSETS

Capital asset activity for the University for the year ended June 30, 2005 is summarized as follows:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 194,265	\$ -	\$ -	\$ 194,265
Construction in-progress	376,209	1,328,498	(376,209)	1,328,498
Total capital assets not being depreciated	<u>570,474</u>	<u>1,328,498</u>	<u>(376,209)</u>	<u>1,522,763</u>
Capital assets being depreciated:				
Land improvements	2,102,138	778,621	-	2,880,759
Buildings and improvements	102,593,988	278,522	-	102,872,510
Equipment	4,772,502	276,380	(95,804)	4,953,078
Intangible assets	273,777	86,182	-	359,959
Vehicles	513,317	196,074	(57,240)	652,151
Total other capital assets at historical cost	<u>110,255,722</u>	<u>1,615,779</u>	<u>(153,044)</u>	<u>111,718,457</u>

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Less accumulated depreciation for:

Land improvements	(710,379)	(143,640)	-	(854,019)
Buildings and improvements	(18,172,575)	(2,226,023)	-	(20,398,598)
Equipment	(2,181,230)	(330,457)	95,804	(2,415,883)
Intangible assets	(91,259)	(113,713)	-	(204,972)
Vehicles	(286,167)	(108,890)	57,240	(337,817)
Total accumulated depreciation	(21,441,610)	(2,922,723)	153,044	(24,211,289)
Capital assets being depreciated, net	88,814,112	(1,306,944)	-	87,507,168
 Capital assets, net	 \$ 89,384,586	 \$ 21,554	 \$ (376,209)	 \$ 89,029,931

Major outlays for capital assets and improvements are capitalized as they are constructed. Interest incurred during the construction phase may be capitalized or expensed depending on, among other things, whether the source of funding specifies that it may be used only for the acquisition of specified qualifying assets, and, in certain cases, the amount of interest earnings on unexpended debt proceeds. During the year ended June 30, 2005, the University capitalized no construction interest.

Construction Commitments

At June 30, 2005, the University had an active construction contract for capital renovations to the Coastal Science Center. Through that date, the University had spent \$1,107,780 on the project and had \$1,021,066 remaining on the contract.

NOTE 7—ENDOWMENTS

The University holds one permanent endowment of \$100,000. The cash and cash equivalents, with a fair market value at June 30, 2005 of \$102,626 are recorded in non-current assets, restricted cash. If a donor has not provided specific instructions otherwise, section 34-6-20 of the South Carolina Code of laws permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) over historical dollar value of the endowment funds. The income earned on the endowment is spent for the purpose for which it was established, faculty research support. It is the University's policy to authorize and spend investment income only to the extent it is available at the most recent June 30. At June 30, 2005, the income available to be spent was \$66,715.

NOTE 8—UNEARNED REVENUE

Unearned revenue for the University at year-end is comprised of tuition prepayments of \$609,467, housing prepayments of \$251,795, grant funds of \$181,348, advance football ticket sales of \$133,092, and advance catering commissions of \$535,714.

NOTE 9—LEASE OBLIGATIONS

Operating Leases

The University leases classroom and faculty office facilities from external parties under terms of non-cancelable operating leases having terms in excess of one year. Total payments for such leases were \$560,040 for the year ended June 30, 2005. Future minimum lease payments under terms of these leases are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2006	\$560,040
2007	560,040
2008	560,040
2009	520,867
Thereafter	-
Total	<u><u>\$2,200,987</u></u>

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

The University also leases from external third parties an activity field and classroom and faculty office facilities in accordance with operating leases with fixed annual payments and terms of one year or less. Payments for such space during fiscal 2005 were \$135,728. Also, the University leases copiers in accordance with operating leases with fixed annual payments and terms of one year or less. Copier lease payments for the fiscal year were \$191,281.

Capital Leases

The University has entered into one capital lease in order to finance the acquisition of various pieces of equipment. The lease is payable in annual installments of \$111,969, including interest at 3.09%, through fiscal 2011. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of its future minimum lease payments as of the inception date. Carrying value of the leased assets is \$532,166, net of accumulated depreciation of \$167,384.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

<u>Year ending June 30</u>	Capital Lease Payments
2006	\$ 111,969
2007	111,969
2008	111,969
2009	111,969
2010	111,969
2011	55,981
Total minimum lease payments	615,826
Less: Interest	(53,447)
Present value of minimum lease payments	\$ 562,379

NOTE 10—BONDS PAYABLE

For the University, bonds payable consisted of the following at June 30, 2005:

	Balance at Inception	Interest Rates	Maturity Dates	Balance June 30, 2005
Revenue Bonds				
Series 1999S	\$ 24,545,000	4.875% to 5.3%	6/1/2026	\$ 21,755,000
Series 2004 Refunded	13,895,000	4.09%	6/1/2018	3,670,000
Total Revenue Bonds				25,425,000
State Institution General				
Obligation Bonds	\$ 8,750,000	3.25% to 4.625%	9/1/2022	8,220,000
Total Bonds Payable				\$ 33,645,000

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

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

State institution bonds are general obligation bonds backed by the full faith, credit, and taxing power of the State. Tuition revenue is pledged in the amount of \$125 per full time in-state student, \$145 per full time out-of-state student and \$10 per graduate credit hour. The legal debt margin for general obligation bonds is that the maximum amount of annual debt service shall not exceed ninety percent of the sums received from tuition and fees for the preceding fiscal year. Tuition bonds fees for the preceding year were \$968,436, which results in a legal annual debt service of June 30, 2005 of \$871,592.

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

		Principal	Interest	Payments
<u>Revenue Bonds</u>	2006	\$825,000	\$1,271,891	\$2,096,891
	2007	870,000	1,233,297	2,103,297
	2008	905,000	1,192,690	2,097,690
	2009	945,000	1,150,314	2,095,314
	2010	990,000	1,106,066	2,096,066
	2011-2015	5,715,000	4,783,940	10,498,940
	2016-2020	6,470,000	3,276,963	9,746,963
	2021-2025	7,060,000	1,596,625	8,656,625
	2026	1,645,000	87,185	1,732,185
		<u>\$25,425,000</u>	<u>\$15,698,971</u>	<u>\$41,123,971</u>
<u>General Obligation Bonds</u> <u>(State Institution Bonds)</u>		Principal	Interest	Payments
	2006	\$285,000	\$329,439	\$614,439
	2007	300,000	319,933	619,933
	2008	315,000	309,939	624,939
	2009	335,000	298,958	633,958
	2010	350,000	286,970	636,970
	2011-2015	2,045,000	1,216,250	3,261,250
	2016-2020	2,645,000	741,845	3,386,845
	2021-2023	1,945,000	136,338	2,081,338
		<u>\$8,220,000</u>	<u>\$3,639,672</u>	<u>\$11,859,672</u>

NOTE 11—LONG-TERM LIABILITIES

Long-term liability activity for the University for the year ended June 30, 2005 was as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 8,490,000	\$ -	\$ 270,000	\$ 8,220,000	\$ 285,000
Revenue Bonds	26,215,000	-	790,000	25,425,000	825,000
Total Bonds Payable	<u>34,705,000</u>	<u>-</u>	<u>1,060,000</u>	<u>33,645,000</u>	<u>1,110,000</u>
Capital Lease Obligations	834,930	-	272,551	562,379	92,442
Federal loan program liability	1,405,780	30,362	-	1,436,142	-
Accrued Compensated Absences	1,765,211	264,490	19,994	2,009,707	192,985
Total Long-Term Liabilities	<u>\$38,710,921</u>	<u>\$ 294,852</u>	<u>\$1,352,545</u>	<u>\$37,653,228</u>	<u>\$1,395,427</u>

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

NOTE 12—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2005 are summarized as follows:

Functional Classification	Natural Classification					
	Personnel Costs and Benefits	Services and Supplies	Utilities	Scholarships	Depreciation	Total
Instruction	\$ 23,671,544	\$ 3,711,885	\$ 50,263	\$ -	\$ -	\$ 27,433,692
Research	424,768	260,493	4,137	-	-	689,398
Public Service	815,703	371,225	1,942	-	-	1,188,870
Academic Support	3,965,054	1,223,562	4,655	-	-	5,193,271
Student Services	6,609,274	4,182,406	45,183	-	-	10,836,863
Institutional Support	5,549,308	1,731,368	103,292	-	-	7,383,968
Plant Operation	4,380,887	3,361,472	1,745,976	-	-	9,488,335
Scholarships	313,962	-	-	5,325,354	-	5,639,316
Auxiliary Enterprises	1,138,403	1,591,184	607,348	-	-	3,336,935
Depreciation	-	-	-	-	2,922,723	2,922,723
Total Expenses	\$ 46,868,903	\$ 16,433,595	\$ 2,562,796	\$ 5,325,354	\$ 2,922,723	\$ 74,113,371

NOTE 13—PENSION PLANS

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

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

South Carolina Retirement System

The majority of employees of Coastal Carolina University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Employees participating in the SCRS are required to contribute 6.0 percent of all compensation. Effective July 1, 2004, the employer contribution rate became 10.8 percent, which included a 3.25 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2005, 2004, and 2003, were \$2,463,160, \$2,253,239, and \$2,081,757, respectively, and equaled the required contributions of 10.8 percent (including the surcharge) for each year. Also, Coastal Carolina University paid employer group-life insurance contributions of \$34,211 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees who are policemen and firemen are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Employees participating in the PORS are required to contribute 6.5 percent of all compensation. Effective July 1, 2004, the employer contribution rate became 13.55 percent, which, as for the SCRS, included the 3.25 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2005, 2004, and 2003 were \$60,572, \$51,160, and \$49,675, respectively, and equaled the required contributions of 13.55 percent (including the surcharge) for each year. Also, the University paid employer group-life insurance contributions of \$894 and accidental death insurance contributions of \$894 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

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

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

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.25 percent from the employer in fiscal year 2005.

Certain of the Coastal Carolina University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were \$1,083,337 (including the surcharge) from the University as employer and \$601,854 from its employees as plan members. 5.95 percent of all contributions was remitted to the Retirement Division of the State Budget and Control Board and 11 percent of all contributions was remitted directly to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of Coastal Carolina University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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. Through June 30, 2005, TERI participants did not make SCRS contributions, did not earn service credit, and were ineligible to receive group life insurance benefits or disability retirement benefits during their TERI period.

NOTE 14—POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of Coastal Carolina University are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated 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 to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

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

Coastal Carolina University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of \$2,569,184 for the year ended June 30, 2005. As discussed in Note 12, the University paid \$1,081,761 applicable to the 3.25 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

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

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

NOTE 15—RELATED PARTIES

There are several separately chartered legal entities which do not meet the criteria established by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, to be treated as component units of the University. These entities include the Horry County Higher Education Commission, the Georgetown

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

County Advisory Board for Coastal Carolina University, and the Coastal Carolina Booster Club, Inc. While they are not financially accountable to the University, these organizations exist primarily to provide financial assistance and other support to the University and its educational program. The activities of these entities are not included in the University's financial statements. However, the University's statements for the year ended June 30, 2005, include significant transactions between them and the University which are as follows:

The Horry County Higher Education Commission

The Horry County Higher Education Commission was created by Act No. 114 in the 1959 Session of the South Carolina General Assembly. The Commission is composed of sixteen members who are appointed by the Horry County Legislative Delegation. The Commission is responsible for providing resources to meet the goals and carry out the mission of Coastal Carolina University, and to expend funds, including proceeds of bonds issued by Horry County, to provide buildings and equipment for the University. The Commission receives an annual appropriation from Horry County to accomplish these objectives. During the year ended June 30, 2005, the Commission made grants to Coastal Carolina University totaling \$350,420, none of which was receivable at year end. Of the total, \$69,640 was for scholarships, \$110,249 for academic enhancement projects, \$20,000 for University 50th anniversary activities, \$15,000 for staff development and \$135,531 for capital improvements at the Burroughs and Chapin Center for Marine and Wetlands Studies. The Commission leases its land and buildings to the University at a below-market rental under terms of annual leases. Rent paid by the University during fiscal 2005 was \$24,000, none of which was payable at year end. Also, as required by the lease, the University insures the Commission's buildings and improvements. The University provides accounting and cash management services to the Commission at no charge, including management of the operating portion of its cash. At June 30, 2005, the Commission had assets of \$2,046,890.

Georgetown County Advisory Board for Coastal Carolina University

Georgetown County annually appropriates funds to support the mission of Coastal Carolina University in Georgetown County. The Georgetown County Advisory Board for Coastal Carolina University is responsible for the budgeting and distribution of these funds. During the year ending June 30, 2005, the University recorded no revenue from the Advisory Board. Expenditures made on behalf of the University for scholarships and the development of facilities in Georgetown County were approximately \$144,239.

Coastal Carolina Booster Club, Inc.

The Booster Club, also known as the Chanticleer Club, was organized solely to raise funds for Coastal Carolina University's athletics programs. During the year ended June 30, 2005, the Club donated \$326,389 to University athletics programs, of which, \$321,389 was payable at year end. The Club receives management and accounting services from the University. At June 30, 2005, the Club had assets of \$875,715.

Transactions with the State of South Carolina

The University has significant transactions with the State of South Carolina and various State agencies. The University receives various business, banking and legal services at no cost, and purchases various goods and services from State agencies and component units. The amounts of such expenditures for 2005 are not readily available. At June 30, 2005, accounts receivable included \$ 145,346 due from other State agencies for Federal and State sponsored projects, and accounts payable included \$388,817 due to other State agencies, primarily for state retirement withholding.

NOTE 16—RISK MANAGEMENT

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

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets, and the State itself assumes substantially all

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

the risk for the following claims of covered employees: unemployment compensation benefits; worker's compensation benefits for job-related illnesses or injuries; health and dental insurance benefits; long-term disability and group-life insurance benefits. Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities: theft, damage to, or destruction of assets; real property, its contents, and other equipment; motor vehicles and watercraft; torts; natural disasters; and malpractice by counselors and athletic trainers.

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

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

NOTE 17 – COMMITMENTS

During fiscal 2005, Coastal Carolina University entered into a joint venture with Horry-Georgetown Technical College to operate a golf course located between the respective campuses. University students in the College of Business' Professional Golf Management Program will operate the course and its pro shop, while the Technical College's Golf Course Management students will maintain the course. Coastal Carolina University has entered into a lease agreement with the course owners to lease the facility and its equipment for an initial term of five years beginning July 1, 2005. Annual rent will be \$353,794. The University will also be responsible for all property taxes and fees. The lease is renewable for two additional five year terms, during which time, annual rent will be equal to the principal payment the lessor owes its lender, as amortized over the remaining term of the lease, plus an amount equaling the lessor's annual interest on the debt plus 2 percent per annum.

In connection with the joint venture, the CCU Student Housing Foundation has entered into a lease guaranty agreement with the golf course owners to assume the University's position should the University terminate the lease, elect not to renew it, or default pursuant to the terms of the lease.

NOTE 18—CONTINGENCIES AND LITIGATION

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

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

NOTE 19—COMPONENT UNITS

The Coastal Educational Foundation

The Coastal Educational Foundation (the CEF) is a separately chartered corporation organized exclusively to support Coastal Carolina University. As discussed in Note 1, the CEF has been included in the reporting entity as a component unit. Because CEF is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

The CEF transfers funds earmarked from private contributions to the University to support University scholarships and various academic programs. These transfers for fiscal year 2005 were recorded by the University as non-operating gift revenues totaling \$879,135. The CEF also made capital gifts to the University totaling \$156,624 which were recorded as capital grants and gifts in the Statement of Revenues, Expenses and Changes in Net Assets. Of these amounts, \$240,356 was receivable by the University and payable by the Foundation at year end.

In further support of the University, the CEF owns parcels of real property on which portions of the University's campus is located. At June 30, 2005, the CEF's carrying value of this property was \$4,102,969, net of \$107,523 accumulated depreciation. The Foundation does not charge rent for most of this property. The University, in turn, provides operational and fundraising staff for which it does not charge the Foundation. However, the University does lease one parcel of land and two buildings under terms of annually renewable leases. During the year, the University paid the Foundation \$33,070 to lease this real property. The University also leases classroom and faculty office facilities under terms of a non-cancelable operating lease with a term in excess of one year. During the year, rental paid under terms of this lease was \$325,000. These commitments are included in the discussion of leases in note 8.

The CEF carries investments in marketable equity securities with readily determinable fair market values, and all debt securities, at fair value in the statement of financial position. Investment income is considered unrestricted unless the donors have specified otherwise. Unrealized gains and losses are netted with realized gains and losses in the statement of activities. Donated investments are valued at fair market value at the date of donation. Investments in non-publicly traded securities of closely held entities with no readily determinable market value are carried on the books at established fair value at the date of donation to the Foundation. Dividend income is considered unrestricted unless the donor has specified otherwise. Investments in non-publicly traded closely held partnerships with no readily determinable market value are carried on the books at established fair value at the date of donation or distribution to the Foundation and accounted for under the cost method of accounting for investments, except for certain liquidating distributions which reduce the value of the investment.

A summary of investments at fair value at June 30, 2005 follows:

Commonfund Investments	
Multi-Strategy Equity Funds	\$ 8,368,671
Multi-Strategy Bond Funds	5,639,540
Total Privately Managed Funds	<u>14,008,211</u>
Publicly Traded Common Stock	18,645
Closely Held Investments	
Common stock	190,000
Partnership interest	<u>11,156</u>
Total Closely Held Investments	<u>201,156</u>
Total Investments	<u>\$ 14,228,012</u>

CCU Student Housing Foundation

The CCU Student Housing Foundation (the SHF) is a separately chartered corporation organized to provide housing for students at the University, as well as to provide support for the various programs of the University. The Foundation operates University Place, an apartment style housing complex located approximately one half mile from the campus. As discussed in Note 1, the Foundation has been included in the reporting entity as a component unit. Because the SHF is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements.

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

At June 30, 2005, the SHF's carrying value of the University Place housing complex was \$29,305,565, net of \$1,670,047 accumulated depreciation. The facility was financed by loans totaling 38,845,000 from the South Carolina Jobs-Economic Development Authority (JEDA). JEDA, in turn, issued variable rate demand revenue bonds to finance its loans to the Foundation. The bonds mature in 2034, although the Trust Indentures provide for optional redemption of the bonds prior to their maturity and Letter of Credit agreements require exercise of the optional redemptions.

In order to manage market risk from changes in interest rates applicable to its variable rate debt, the SHF has entered into a multi-year receive-variable, pay-fixed interest rate swap. The Foundation has designated the interest rate swap as a cash flow hedge which is a derivative financial instrument. Under terms of the swap agreement, the Foundation pays interest at a fixed 3.69% rate and receives variable interest based on the Bond Market Association Municipal Swap Index, as established on the Weekly Remarketing Date for the Reset Date as provided by Municipal Market Data or its successor. The interest rate swap is recorded at fair value in the statement of financial position.

In order to operate the housing complex, the Foundation has entered into a Management Agreement and a Support Agreement with the University. The Management Agreement provides that the University receives 4 percent of collected revenues and an additional 2 percent after applicable debt ratios and bond covenants are met. The agreement is renewable annually. During the year ended June 30, 2005, the Foundation paid the University \$206,275 in management fees, which was recorded as auxiliary revenue in the statement of changes in net assets. At June 30, 2005, \$6,410 of the amount was receivable by the University. The management agreement requires the University to collect all rents, an obligation it fulfills through its student accounts receivable system.

During the year ended June 30, 2005, in connection with its management responsibilities, the University paid certain direct operating and construction costs on behalf of the Foundation and was reimbursed for these payments by the Foundation. The University was also reimbursed by the Foundation for certain direct services performed on its behalf by University residence hall, security and maintenance personnel. The total of these amounts was \$2,874,263, \$504,650 of which was receivable by the University at year end.

The Support Agreement provides that the University will refer students to University Place and identify University Place as "Preferred Residential Housing". The agreement further requires the University to provide to residents of University Place the same internet and intranet services and campus life programs as it provides to students living in University owned housing. The agreement provides, however, that the cost of providing these services will not be borne by the University. Finally, the agreement restricts the University's ability to operate or own any other off-campus student housing facility. In accordance with this agreement, the University's campus shuttle system includes University Place in its routes.

During fiscal 2005, the Foundation donated lawn maintenance equipment with a value of \$33,429 to the University. This contribution was recorded as a capital contribution in the statement of changes in net assets.

During the year ended June 30, 2005, the Foundation borrowed \$3,300,000 from a bank which it used to purchase land for future expansion. Interest on the note is at LIBOR plus 0.75% and is payable quarterly beginning September 8, 2005. The initial interest rate is 3.4%. Principal is due June 8, 2007. The land had a cost of \$3,277,821.

In its mission to support other programs of the University, during fiscal 2005, the Foundation entered into an agreement to provide supplemental compensation to the president of Coastal Carolina University beginning in January 2006. The agreement also provides for a longevity bonus which will vest on December 31, 2005 if the president is employed by the University at that time. The Foundation has established an investment account

COASTAL CAROLINA UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

with a fair value of \$77,031 at June 30, 2005 to fund this obligation. In addition, the Foundation's board has reserved \$77,031 of unrestricted net assets to reflect the terms of the agreement. Also, as discussed in note 16, the Foundation has entered into a lease guaranty agreement with owners of a golf course to assume the University's position should the University terminate the lease, elect not to renew it, or default pursuant to the terms of the lease.

NOTE 20—SUBSEQUENT EVENT

On August 9, 2005, the South Carolina Budget and Control Board approved the University's lease agreement with the Coastal Educational Foundation to lease portions of an arena which the Foundation has agreed to build on its land adjacent to the University. The lease agreement, which was signed prior to year end, was not effective until approved by the Budget and Control Board. The thirty year lease provides for the University to pay annual rent of \$400,000 subject to a ten percent escalation adjustment every fifth year. The thirty year obligation to pay rent will begin when construction is completed which is projected for in January 2007.

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF INFORMATION ON BUSINESS-TYPE ACTIVITIES REQUIRED FOR THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES IN THE STATE COMPREHENSIVE
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2005

Schedule of Information on BTAs for Incorporation into State of South Carolina CAFR

	<u>2005</u>	<u>2004</u>	<u>Increase (Decrease)</u>
Charges for services	\$ 63,776,250	\$ 55,157,891	\$ 8,618,359
Operating grants and contributions	2,206,535	1,398,300	808,235
Capital grants and contributions	553,131	1,694,457	(1,141,326)
Less: expenses	<u>(75,816,676)</u>	<u>(68,994,299)</u>	<u>(6,822,377)</u>
Net program revenue (expense)	<u>(9,280,760)</u>	<u>(10,743,651)</u>	<u>1,462,891</u>
General revenues:			
Earnings on investments	-	-	-
Special items	-	-	-
Extraordinary items	-	-	-
Contributions to permanent and term endowments	-	-	-
Transfers:			
State appropriations	11,792,079	11,220,170	571,909
State capital improvement bond proceeds	-	178,719	(178,719)
Other transfers in from state agencies	<u>926,747</u>	<u>1,959,611</u>	<u>(1,032,864)</u>
Total general revenue and transfers	<u>12,718,826</u>	<u>13,358,500</u>	<u>(639,674)</u>
Changes in net assets	3,438,066	2,614,849	823,217
Net assets - beginning	<u>61,156,252</u>	<u>58,541,403</u>	<u>2,614,849</u>
Net assets - ending	<u>\$ 64,594,318</u>	<u>\$ 61,156,252</u>	<u>\$ 3,438,066</u>

COASTAL CAROLINA UNIVERSITY
SCHEDULE RECONCILING STATE APPROPRIATION PER THE FINANCIAL STATEMENTS
TO STATE APPROPRIATION RECORDED IN STATE ACCOUNTING RECORDS
For the Year Ended June 30, 2005

Following is a reconciliation of the original base budget amount presented in the General Funds Column of Section 5F of Part IA of the 2004-2005 Appropriation Act enacted by the South Carolina General Assembly to State appropriations revenue reported in the financial statements for the year ended June 30, 2005:

Non-capital appropriation:

Original appropriation	\$ 11,439,028
State Budget and Control Board allocations for Employee base pay increases and related employee benefits	346,681
SC Endowment Incentive Act of 1997	<u>6,370</u>
Total non-capital appropriation	<u><u>11,792,079</u></u>

Capital improvement bond proceeds:

Total capital improvement bond proceeds	0
Less amount recognized as revenue in fiscal year 2004	<u>(178,719)</u>
Capital improvement bond proceeds per South Carolina Comptroller General's schedule of capital improvement draws for the year ended June 30, 2005*	<u><u>\$ (178,719)</u></u>

* \$178,719 in State appropriations

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF TUITION FEES FOR THE YEAR ENDED JUNE 30, 2005
For the Year Ended June 30, 2005

South Carolina Code of Laws Section 59-107-90 requires that the maximum amount of annual debt service on State institution bonds for each institution shall not exceed ninety percent of the sums received from tuition fees (as defined by Code Section 59-107-30) for the preceding year. The applicable amount for the year ended June 30, 2005 is as follows:

Amount of tuition fees as defined by Code Section 59-107-30 for the fiscal year ended June 30, 2004	<u>\$ 968,436</u>
Legal annual debt service limit at June 30, 2005	<u>\$ 871,592</u>

COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



STATISTICAL SECTION

The statistical information presented in this section is provided by the Coastal Carolina University Office of the Executive Vice President and is unaudited. Where appropriate, the information includes data and projections for the 2005-2006 fiscal year.

ENROLLMENT FACTS, FALL 2005

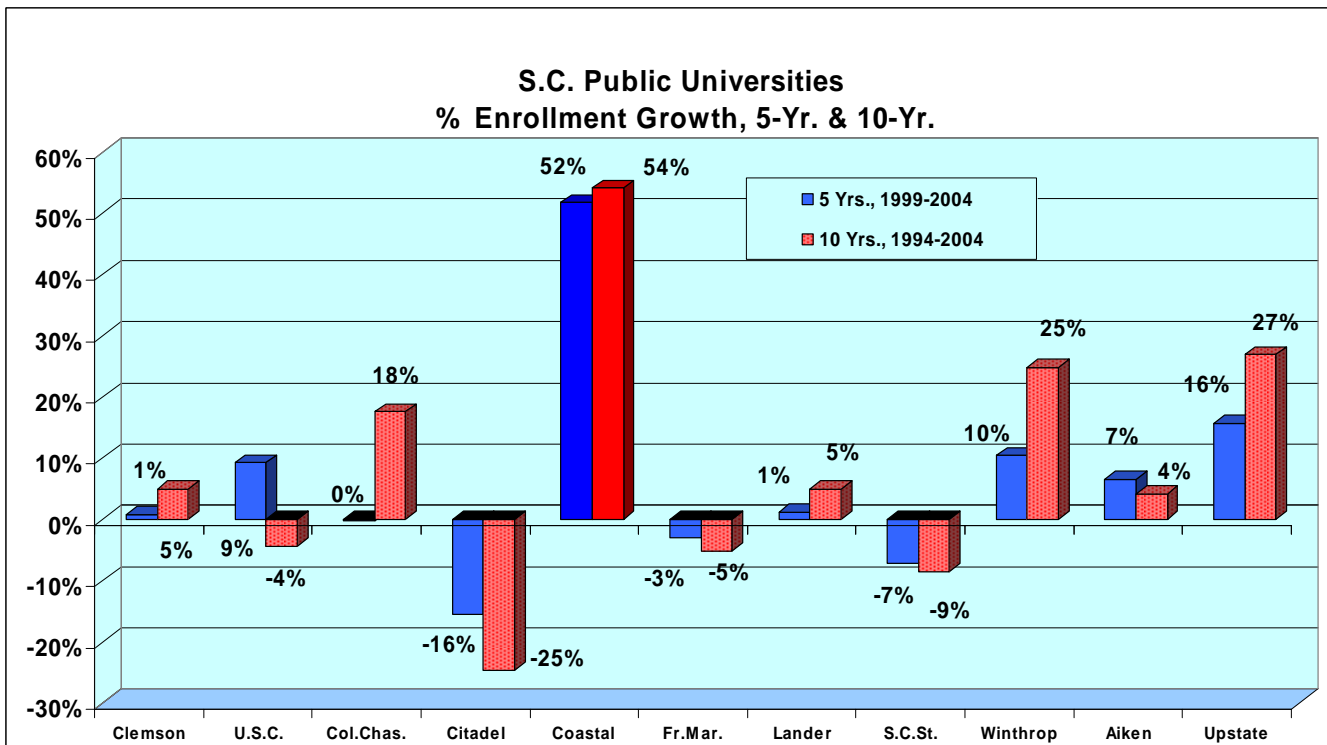
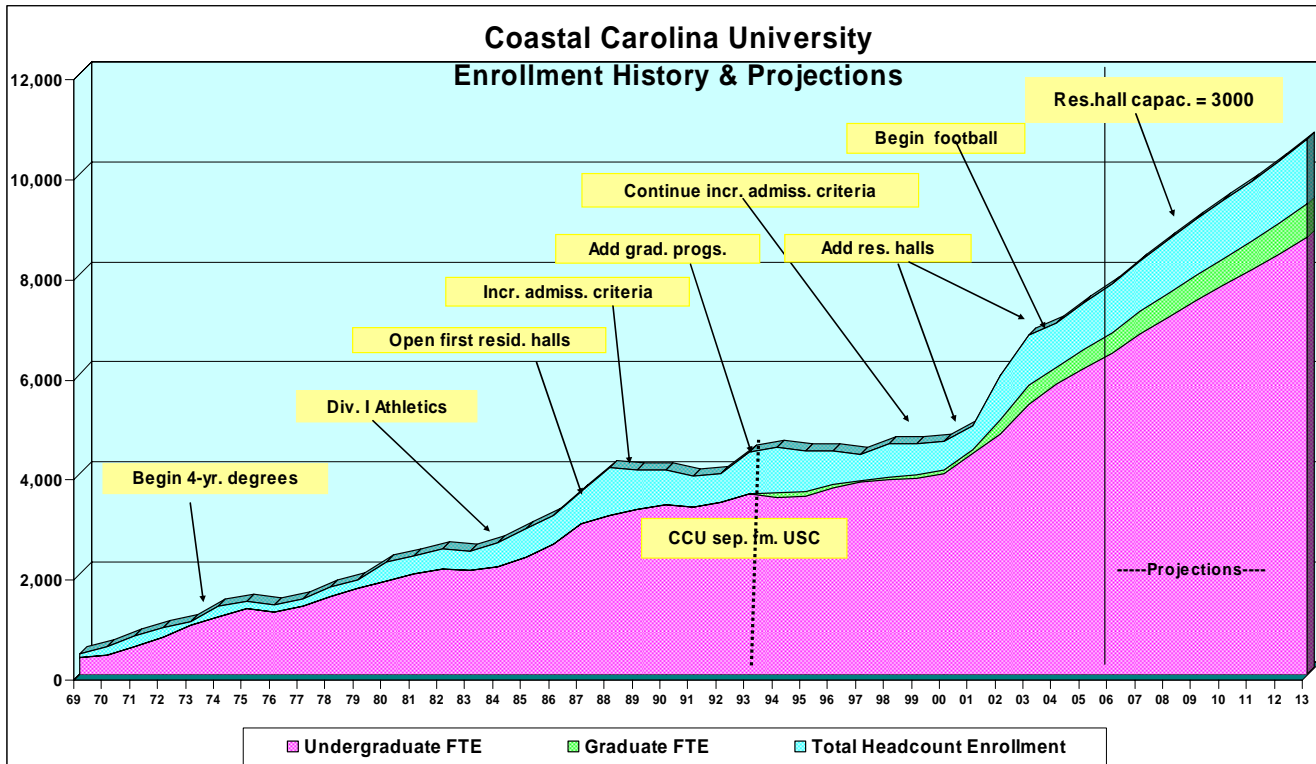
- Total Enrollment – 7,437; Graduate 1,041, Undergraduate 6,396
- FTE Enrollment – 6,505; Graduate 385; Undergraduate 6,120
- SC Residents – 59% (graduate and undergraduate)
- Male/Female Undergraduate Ratio – 43%:57%
- Full-Time Students, Undergraduate – 90%
- Traditional Age Students (25 & Under), Undergraduate– 91%
- Students Living on Campus (including University Place) – 2,072

ENROLLMENT TRENDS

Coastal Carolina University has experienced more than three decades of sustained growth. The graph on the facing page tracks both the headcount enrollment and the full-time equivalent (FTE) enrollment since 1969. As a part of its strategic planning, the University began to initiate steps to control the dramatic double digit growth which occurred from 2001 to 2003. Plans and projections call for controlling growth at an average of approximately five percent annually. As demonstrated on some of the following pages, not only the number but the quality of Coastal's students has continued to increase. The overall upward spiral of increased reputation of the university, combined with improved academic, athletics, and campus life programs, have resulted in a broader and better qualified pool of applicants as well as a geographically broader interest in Coastal Carolina University.

Coastal Carolina University has exceeded all other South Carolina public universities in percentage growth, when compared over the last five-year as well as the last ten-year periods. Coastal's ten-year growth in total headcount enrollment of 66 percent reflects the dramatic changes which have occurred throughout the institution during the past decade.

10/05/05



S.M. HORNER
October 5, 2005

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

Fall Semester

-----Headcount Enrollment-----									-----F.T.E. Enrollment-----				
FALL Semester			%	%		%	FULL-TIME Enrollm.	% Growth	Undergrad.	Grad.	Total	% Growth	
		Undergrad.	Growth	Graduate	Growth	Total	Growth						
1985	85	2,923		0		2,923		2,005		2,353		2,353	
1986	86	3,176	8.7%	0		3,176	8.7%	2,266	13.0%	2,607		2,607	10.8%
1987	87	3,650	14.9%	0		3,650	14.9%	2,587	14.2%	3,005		3,005	15.3%
1988	88	4,135	13.3%	0		4,135	13.3%	2,747	6.2%	3,190		3,190	6.2%
1989	89	4,101	-0.8%	0		4,101	-0.8%	2,922	6.4%	3,301		3,301	3.5%
1990	90	4,080	-0.5%	0		4,080	-0.5%	3,008	2.9%	3,396		3,396	2.9%
1991	91	3,983	-2.4%	0		3,983	-2.4%	2,974	-1.1%	3,340		3,340	-1.6%
1992	92	4,023	1.0%	0		4,023	1.0%	3,113	4.7%	3,455		3,455	3.4%
1993	93	4,194	4.3%	259		4,453	10.7%	3,032	-2.6%	3,610		3,610	4.5%
1994	94	4,198	0.1%	344	32.8%	4,542	2.0%	3,270	7.8%	3,541		3,541	-1.9%
1995	95	4,200	0.0%	268	-22.1%	4,468	-1.6%	3,098	-5.3%	3,576		3,576	1.0%
10 Yr. Summary, 1985-1995													
10 Yr.Tot.			43.7%			1,545	52.9%	1,093	54.5%	52.0%	1,223	52.0%	
10 Y.Av.*			4.4%				5.3%		5.5%			5.2%	
1995	95	4,200		268		4,468		3,098		3,576	80	3,656	
1996	96	4,304	2.5%	173	-35.4%	4,477	0.2%	3,393	9.5%	3,744	49	3,793	3.7%
1997	97	4,283	-0.5%	125	-27.7%	4,408	-1.5%	3,547	4.5%	3,845	29	3,874	2.1%
1998	98	4,487	4.8%	128	2.5%	4,615	4.7%	3,625	2.2%	3,894	49	3,943	1.8%
1999	99	4,370	-2.6%	245	91.2%	4,615	0.0%	3,572	-1.5%	3,919	72	3,991	1.2%
2000	00	4,254	-2.7%	399	62.9%	4,653	0.8%	3,687	3.2%	4,026	75	4,101	2.8%
2001	01	4,771	12.2%	194	-51.4%	4,965	6.7%	4,013	8.8%	4,428	59	4,487	9.4%
2002	02	5,058	6.0%	922	375.3%	5,980	20.4%	4,488	11.8%	4,796	299	5,095	13.6%
2003	03	5,610	10.9%	1,170	26.9%	6,780	13.4%	5,022	11.9%	5,392	403	5,795	13.7%
2004	04	6,020	7.3%	1,001	-14.4%	7,021	3.6%	5,388	7.3%	5,807	334	6,141	6.0%
2005	05	6,396	6.2%	1,041	4.0%	7,437	5.9%	5,858	8.7%	6,120	385	6,505	5.9%
10 Yr. Summary, 1995-2005													
10 Yr.Tot.			52.3%		288.4%	2,969	66.5%	2,760	89.1%	71.1%	2,849	77.9%	
10 Y.Av.*			5.2%		28.8%		6.6%		8.9%			7.8%	
2005	05	6,396		1,041		7,437		5,858		6,120	385	6,505	
2006	06	6,716	5.0%	1,093	5.0%	7,809	5.0%	6,081	3.8%	6,426	412	6,838	5.1%
2007	--07	7,119	6.0%	1,159	6.0%	8,277	6.0%	6,263	3.0%	6,812	443	7,254	6.1%
2008	08	7,475	5.0%	1,228	6.0%	8,703	5.1%	6,495	3.7%	7,152	476	7,628	5.2%
2009	09	7,811	4.5%	1,291	5.1%	9,102	4.6%	6,729	3.6%	7,474	509	7,983	4.7%
2010	10	8,123	4.0%	1,355	5.0%	9,479	4.1%	6,964	3.5%	7,780	542	8,323	4.3%
2011	11	8,448	4.0%	1,423	5.0%	9,872	4.1%	7,208	3.5%	8,092	578	8,669	4.2%
2012	12	8,786	4.0%	1,494	5.0%	10,281	4.1%	7,446	3.3%	8,415	615	9,031	4.2%
2013	13	9,138	4.0%	1,569	5.0%	10,707	4.1%	7,691	3.3%	8,752	655	9,407	4.2%
2014	14	9,503	4.0%	1,647	5.0%	11,151	4.1%	7,945	3.3%	9,102	698	9,800	4.2%
2015	15	9,883	4.0%	1,730	5.0%	11,613	4.1%	8,207	3.3%	9,466	743	10,209	4.2%
Projected, 2005-2015													
10 Yr.Tot.			54.5%		66.2%	4,176	56.2%	2,349	40.1%	54.7%	3,704	56.9%	
10 Y.Av.			5.5%		6.6%		5.6%		4.0%			5.7%	

NEW STUDENT ADMISSIONS, UNDERGRADUATE

FALL SEMESTER

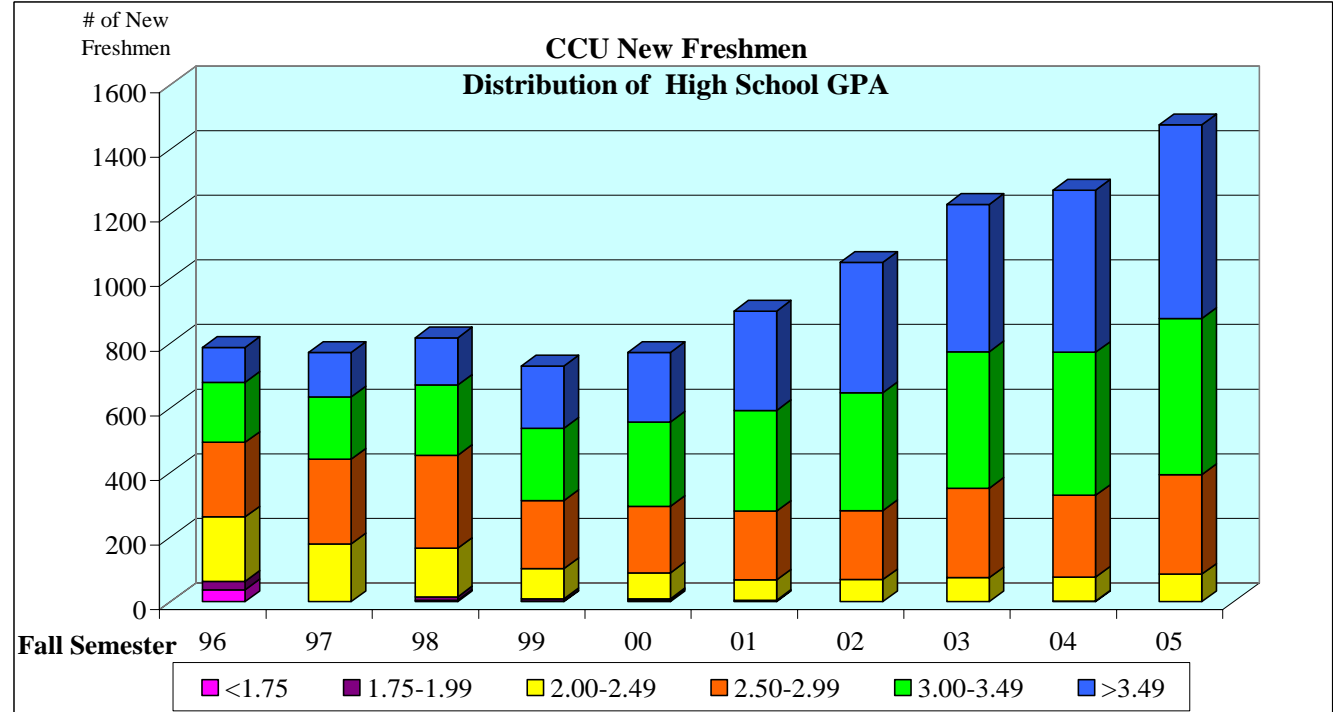
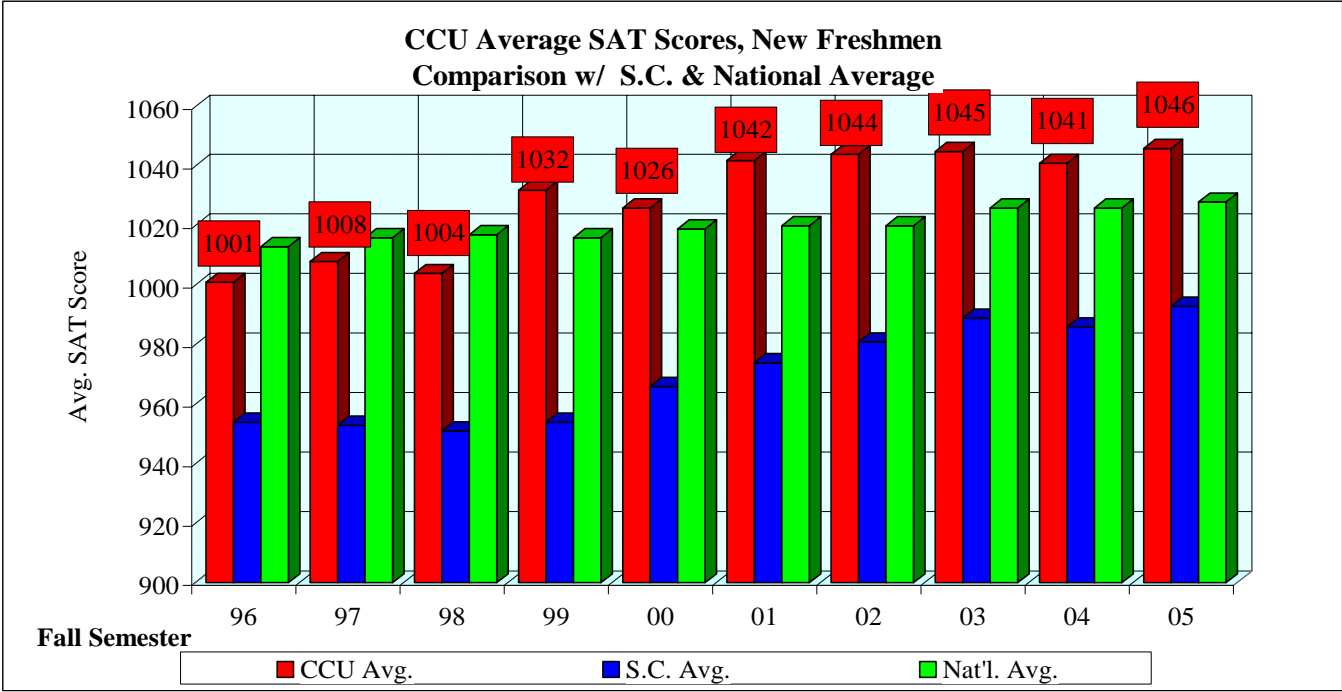
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
APPLICATIONS RECEIVED								
Freshmen	2,473	2,420	2,533	3,094	3,603	4,527	5,041	5,427
Transfer	848	861	862	1,024	1,160	1,324	1,325	1,361
Other	570	535	557	591	448	479	497	1292
Total	3,891	3,816	3,952	4,709	5,211	6,330	6,863	8,080
ACCEPTED FOR ADMISSION								
Freshmen	1,944	1,753	1,813	2,296	2,580	3,208	3,661	4,016
Transfer	654	667	699	766	852	953	975	968
Other	550	527	545	580	431	465	477	1254
Total	3,148	2,947	3,057	3,642	3,863	4,626	5,113	6,238
Acceptances % of Applications	81%	77%	77%	77%	74%	73%	75%	77%
DENIED ADMISSION								
Freshmen	415	567	669	710	906	1,285	1,309	1,203
Transfer	63	66	67	86	108	217	225	139
Other	9	1	2	3	2	4	2	14
Total	487	634	738	799	1,016	1,506	1,536	1,356
Denials % of Applications	13%	17%	19%	17%	19%	23%	22%	16.7%
ENROLLED								
Freshmen	877	766	792	941	1,078	1,272	1,323	1,500
Transfer	457	470	486	513	545	626	587	590
Other	457	497	487	328	224	199	186	181
Total	1,791	1,733	1,765	1,782	1,847	2,097	2,096	2,271
Enrolled % of Applications	46%	45%	45%	38%	35%	33%	31%	28%
PERCENT OF ACCEPTED APPLICANTS ENROLLING								
Freshmen	45%	44%	44%	41%	42%	40%	36%	37%
Transfer	70%	70%	70%	67%	64%	66%	60%	61%
Other	83%	94%	89%	57%	52%	43%	39%	14%
Total	57%	59%	58%	49%	48%	45%	41%	36%

QUALIFICATIONS OF ENTERING FRESHMEN

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

The graph on the facing page compares the past nine years of SAT scores for Coastal's entering freshmen to those of the state and national averages of SAT scores for the cohort of high school students taking the SAT. The fall 2004 average for Coastal's new freshmen of 1046 significantly exceeds the South Carolina statewide average.

At the same time, the average high school grade point average (GPA) for first-time freshmen has increased from 2.74 to 3.34 during the ten-year period. More importantly, the proportion of students entering Coastal with grade point averages of 3.0 or better has increased significantly over the past five years.



ACADEMIC DEPARTMENTS

Organization

The academic areas are organized into four colleges -- Business, Education, Science, and Humanities and Fine Arts. The university offers 40 baccalaureate degree programs and five master's degree programs. Additionally, six undergraduate and graduate degree programs are offered in cooperation with other South Carolina institutions.

ACCREDITATIONS

SACS Accreditation

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

Other Accreditations

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

ACADEMIC PROGRAMS

The academic areas are organized into four colleges – Business, Education, Science, and Humanities and Fine Arts. Coastal offers 40 programs leading to the baccalaureate degree, five master’s degree programs, six cooperative programs with other South Carolina universities, and several international study opportunities.

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

GRADUATE PROGRAMS

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

COOPERATIVE PROGRAMS

Bachelor of Science in Engineering (with Clemson University)
 Doctorate in Educational Leadership, K-12 School Administration, Higher Education Administration (with Clemson University)

FACULTY

Faculty (Full-Time Employees) by College and Rank, Fall 2004

	Science	Humanities	Business	Education	Library
Professor	18	23	7	7	2
Associate Professor	21	21	10	7	3
Assistant Professor	30	30	12	15	2
Instructor/Other	<u>14</u>	<u>15</u>	<u>3</u>	<u>3</u>	<u>1</u>
Total	83	89	32	32	8

Summary of Employees Holding Faculty Rank, Fall 2004

Full-Time Teaching Faculty	220
Faculty on Leave/Special Assignment	4
Part-Time Teaching Faculty	180
Total Teaching Faculty	404
Administrators Holding Faculty Rank	12
Librarians	8
Total Full-Time Employees Holding Faculty Rank	244
Total Faculty Employees	424
Total FTE of Full-Time Faculty	220.00
Total FTE of Part-Time Faculty	100.38
Total FTE Faculty	320.38

Average Nine-Month Salary, Fall 2004

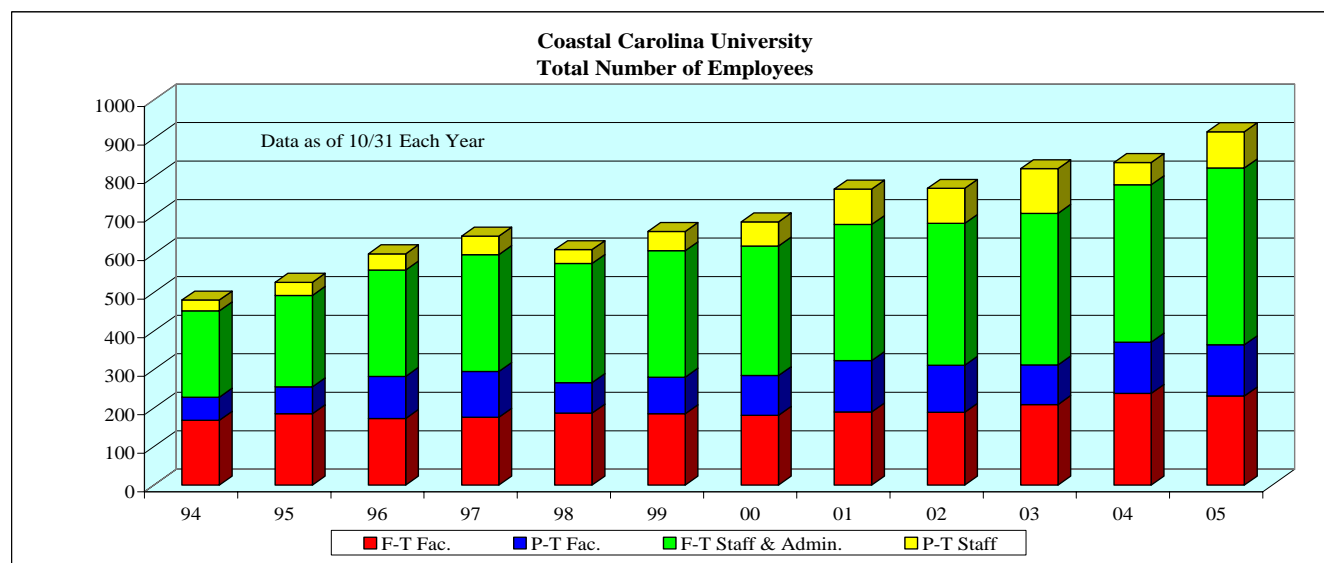
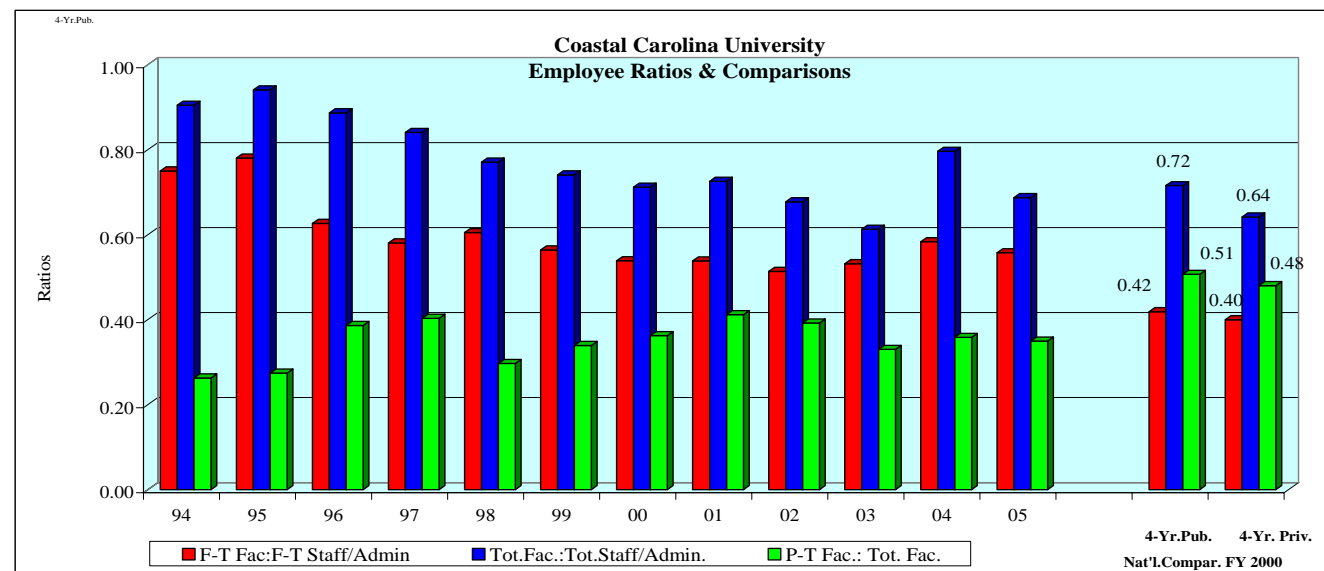
Professor	\$69,248
Associate Professor	\$56,374
Assistant Professor	\$48,248
Instructor/Other	\$32,564
All Ranks	\$52,497

Coastal Carolina University Employees - Trends and Percentages

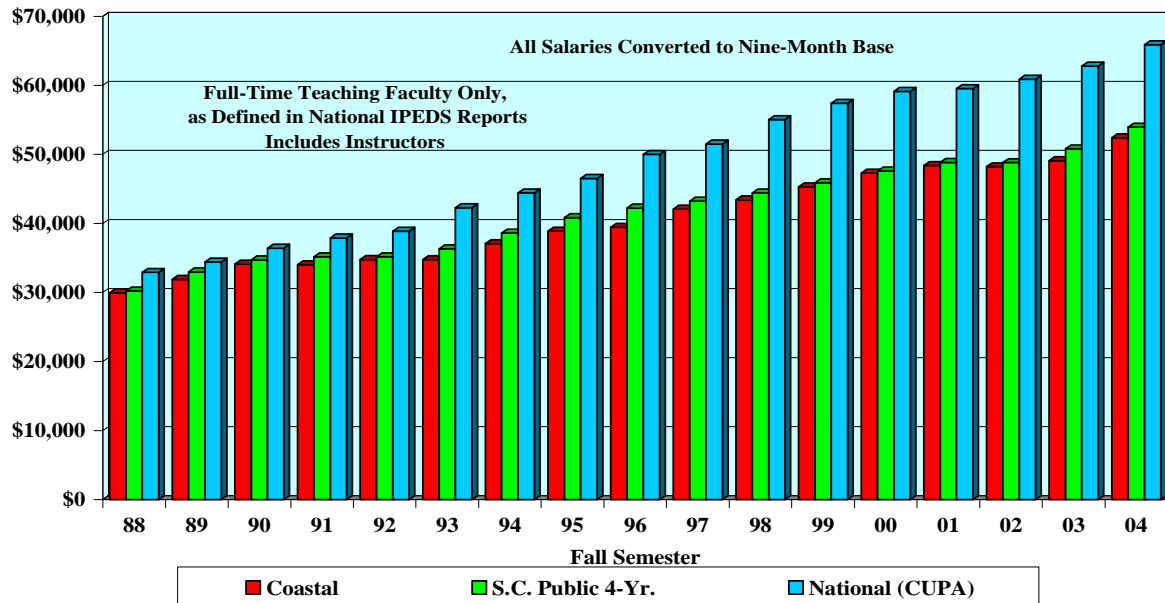
Fiscal Year	94	95	96	97	98	99	00	01	02	03	04	05	FY 2000	
													4-Yr. Pub.	4-Yr. Priv.
Full-Time Faculty	168	185	173	176	187	185	181	190	189	209	238	247	302,598	174,352
Part-Time Faculty	60	70	109	119	79	95	103	133	122	103	133	133	310,881	160,982
Total Faculty	228	255	282	295	266	280	284	323	311	312	371	380	613,479	335,334
P-T Faculty FTE	44.5	40.2	43.5	46.4	50.4	38.3	46.5	48.7	53.0	64.0	93.3	100.4		
FTE Teaching Faculty	198.1	207.6	198.2	198.1	225.4	213.3	222.5	228.7	232.0	264.0	301.3	320.4		
Total F-T Staff & Admin.	224	237	276	303	309	328	336	353	368	393	408	443	722,171	435,950
Total Staff & Admin.	252	271	318	351	345	378	399	445	459	509	466	553	857,363	522,486
Total F-T Employees	392	422	449	479	496	513	517	543	557	602	646	690	1,024,769	610,302
Total Employees	480	526	600	646	611	658	683	768	770	821	837	933	1,579,534	958,436

Ratios

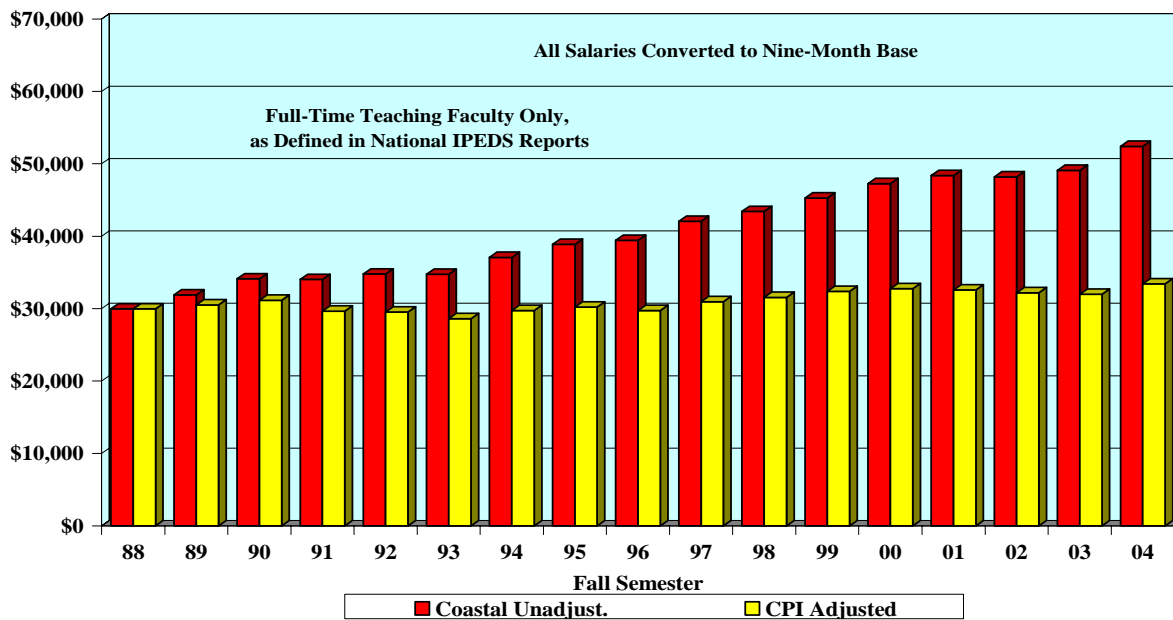
F-T Fac:F-T Staff/Admin.	0.75	0.78	0.63	0.58	0.61	0.56	0.54	0.54	0.51	0.53	0.58	0.56	0.42	0.40
Tot.Fac.:Tot.Staff/Admin.	0.90	0.94	0.89	0.84	0.77	0.74	0.71	0.73	0.68	0.61	0.80	0.69	0.72	0.64
P-T Fac.: Tot. Fac.	0.26	0.27	0.39	0.40	0.30	0.34	0.36	0.41	0.39	0.33	0.36	0.35	0.51	0.48



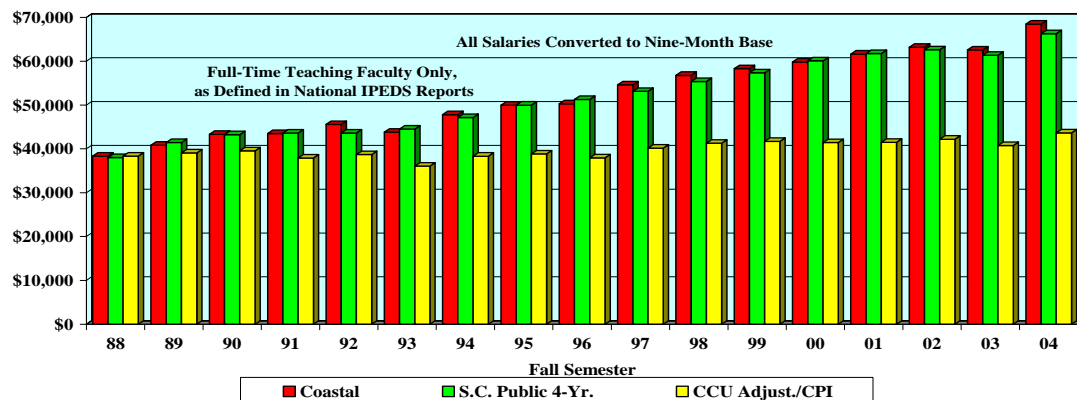
Coastal Carolina Faculty Salaries, Average of All Ranks Comparisons with S.C. & National Averages



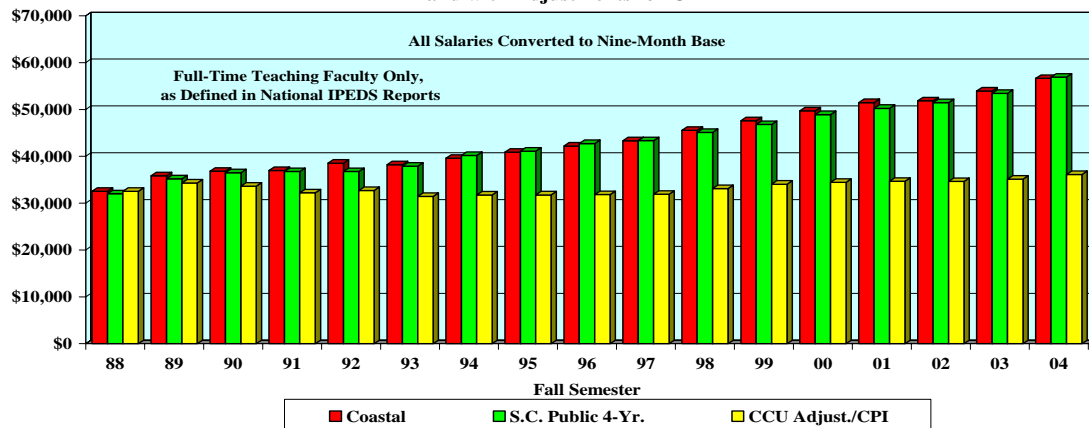
Coastal Carolina Faculty Salaries, Average of All Ranks Comparisons with Adjustments for CPI Growth



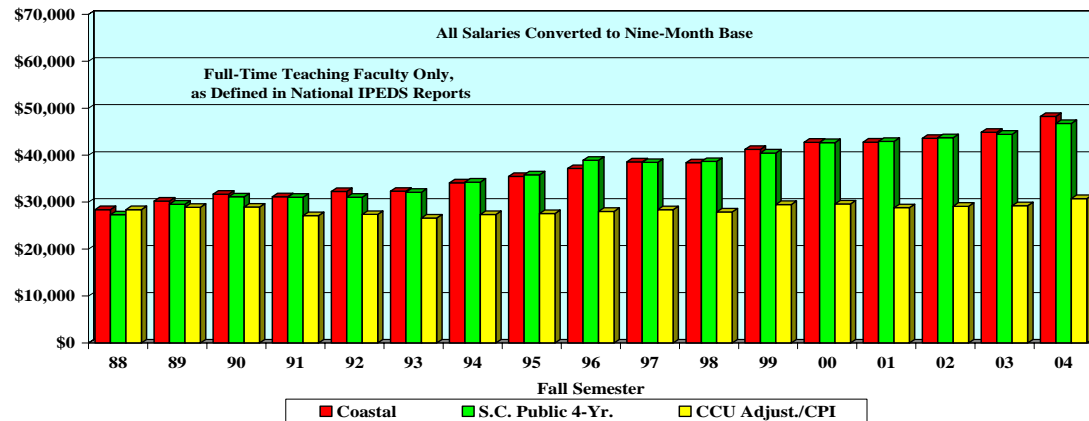
**Coastal Carolina Faculty Salaries, Professor
Comparisons with S.C. Public 4 - Yr. Institutions
and with Adjustments for CPI**



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

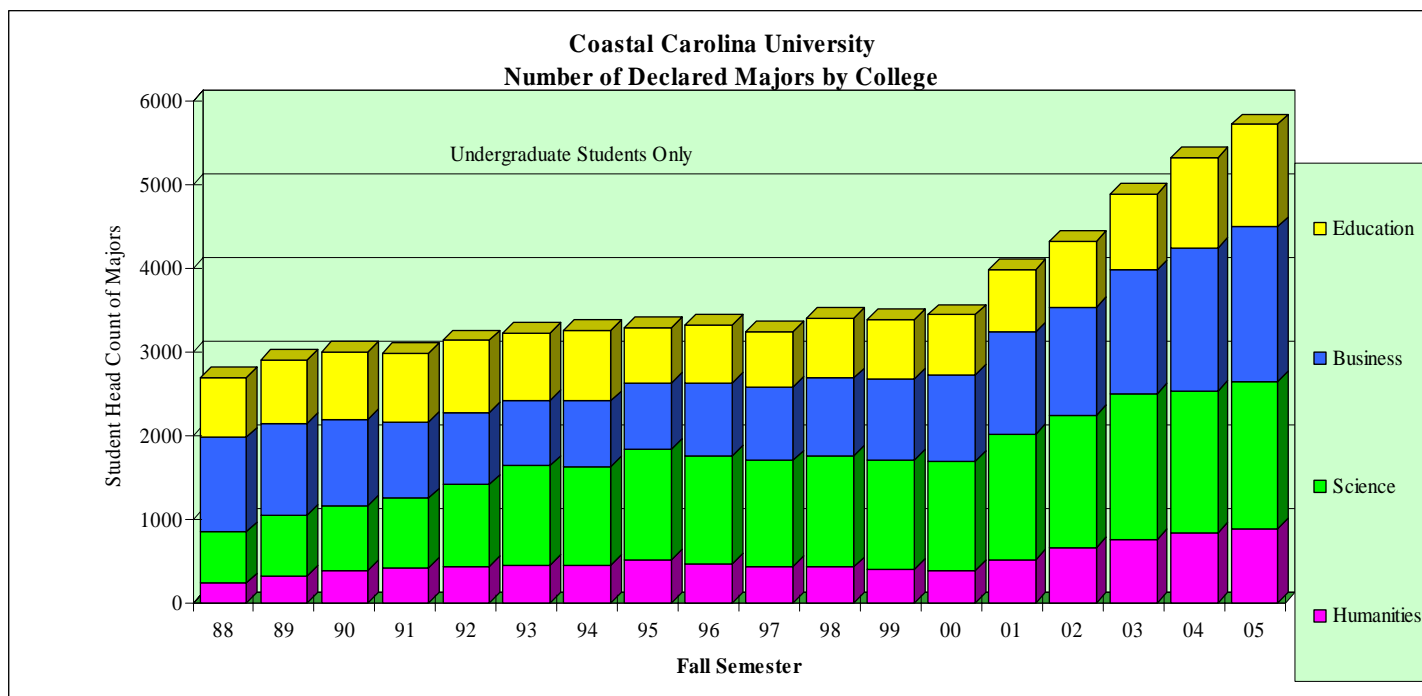


**Coastal Carolina Faculty Salaries, Assistant Professor
Comparisons with S.C. Public 4 - Yr. Institutions
and with Adjustments for CPI**



ACADEMIC MAJORS

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



ACADEMIC MAJORS

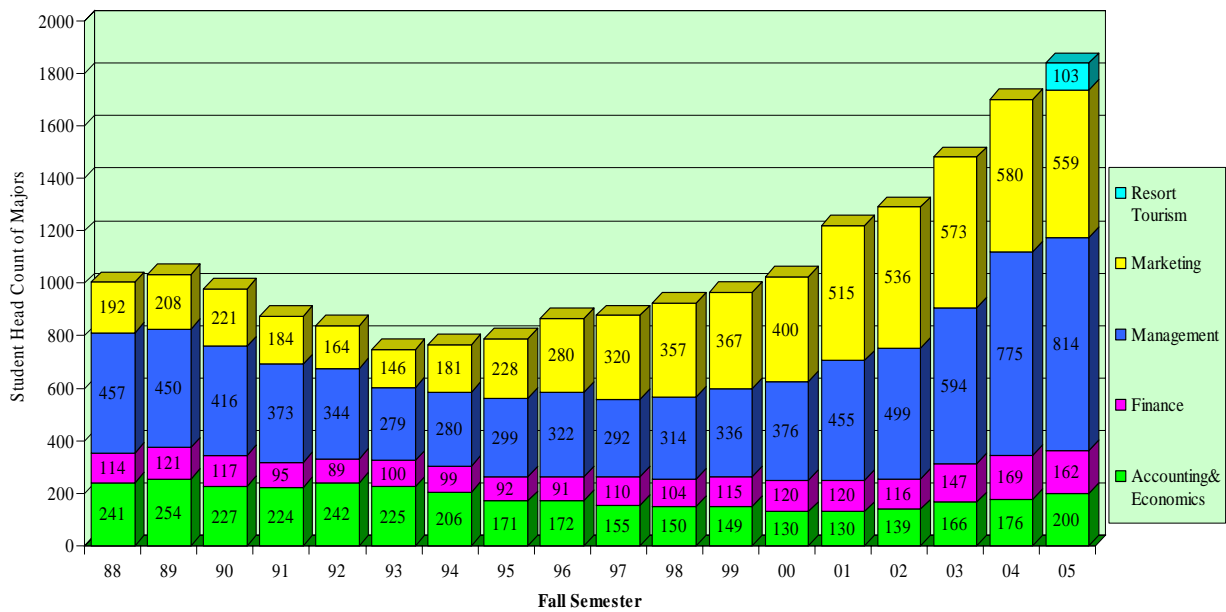
Science: The greatest sustained enrollment has been in the sciences, primarily driven by marine science and biology. Marine Science, an interdisciplinary degree program involving marine geology, marine chemistry, and marine biology, enjoys a national reputation, drawing students from the entire eastern part of the United States. Coastal's science programs contain a substantial component of undergraduate research opportunities for students, reflecting the broad involvement of science faculty in scholarly activity as well as teaching.

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

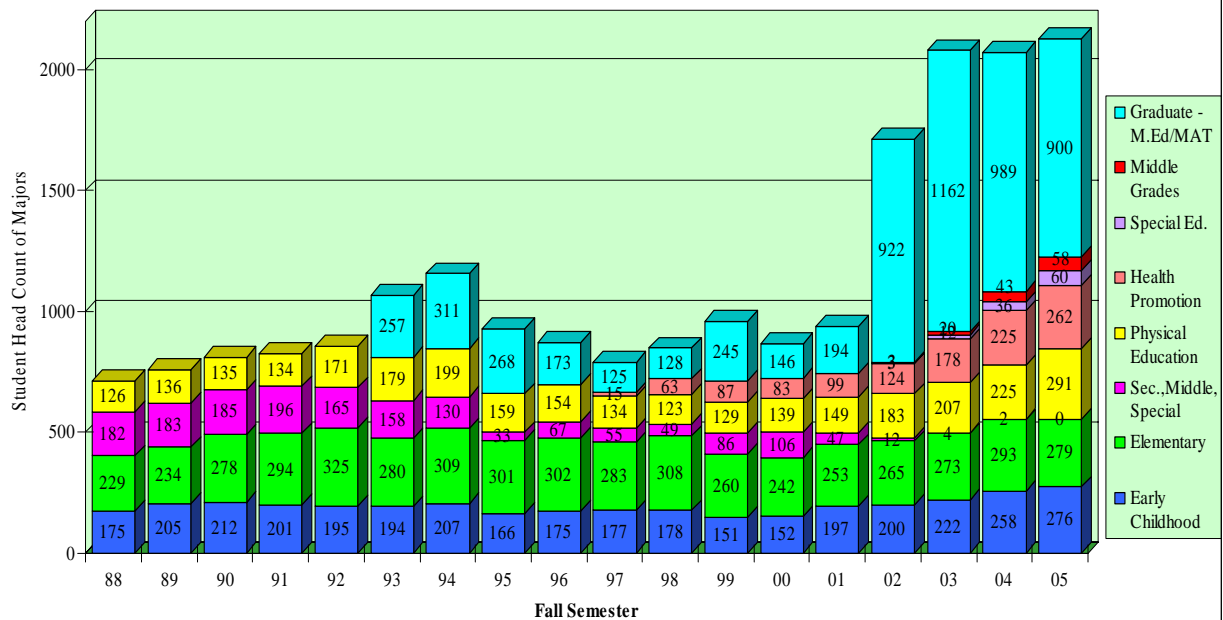
Business: The College of Business has experienced a continued and significant growth over the past ten years. The recent surge in enrollment reflects the development of the tourism and professional golf management options which were added to the management and marketing degrees. With the final approval of a degree program in resort tourism, an even stronger enrollment growth was experienced in Fall 2005.

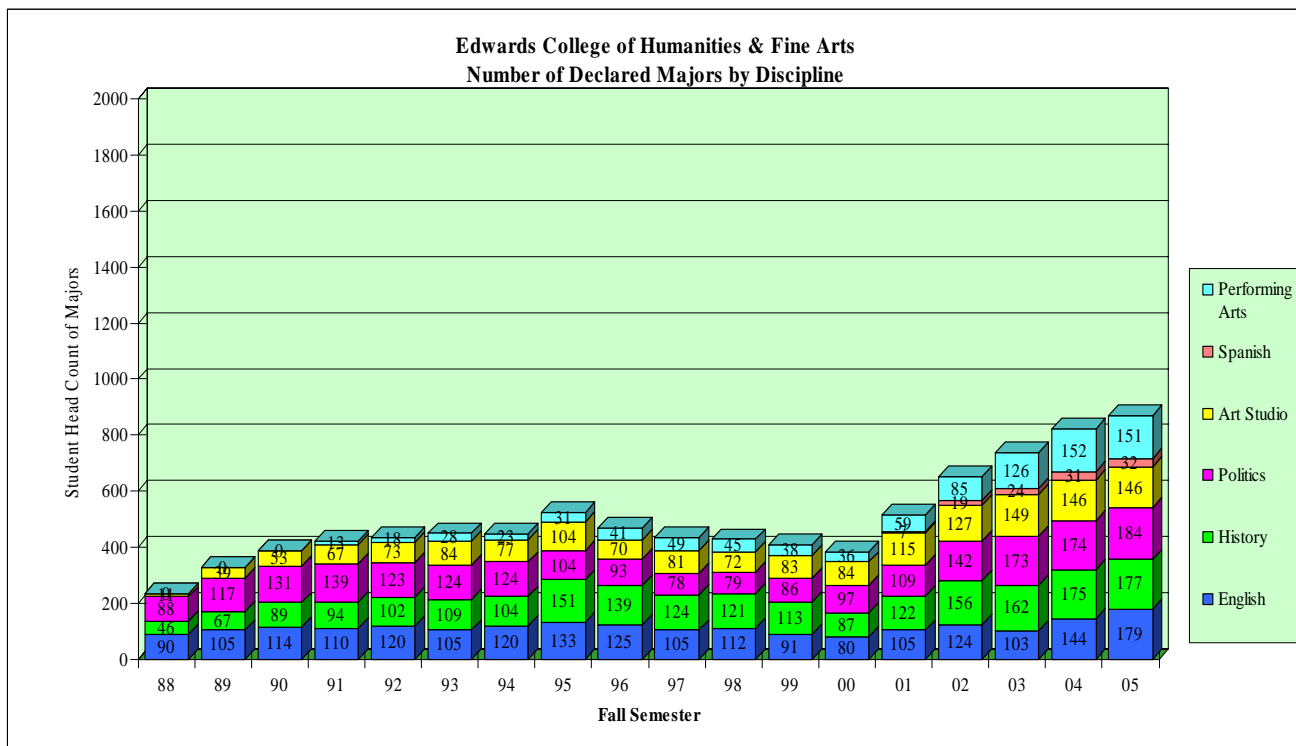
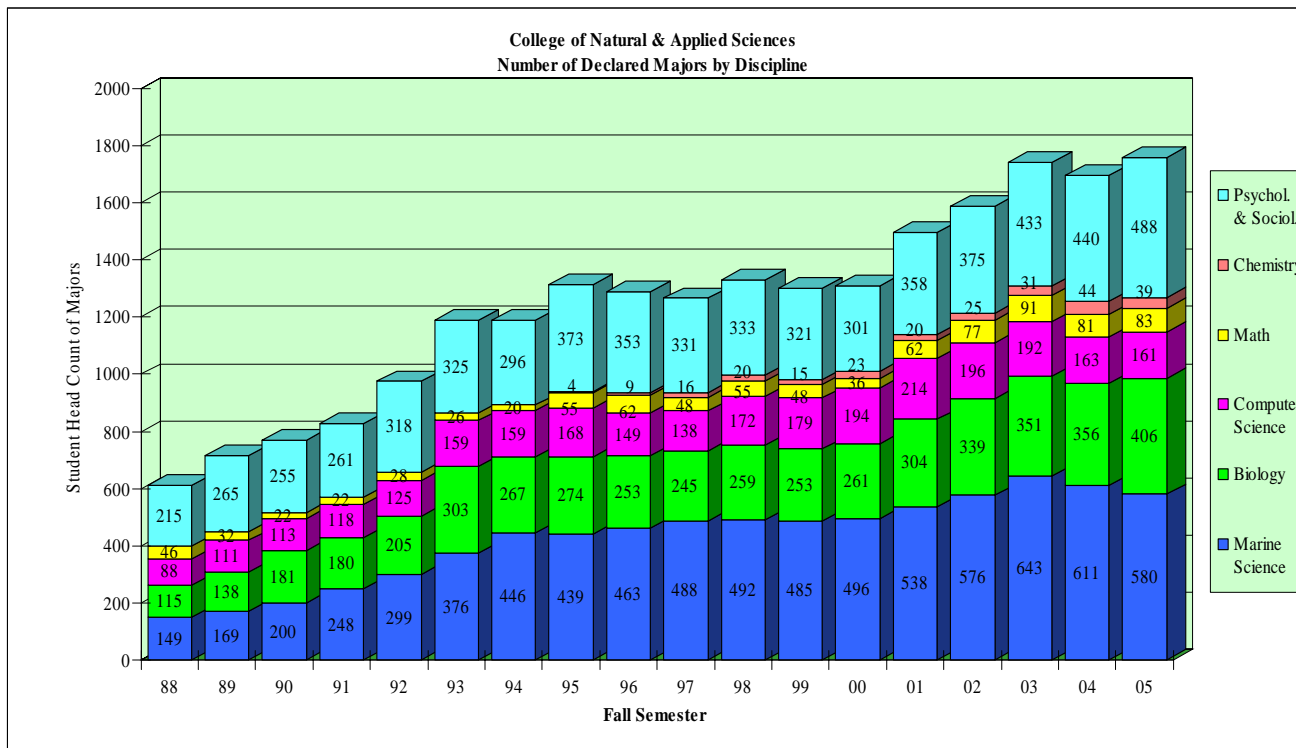
Education: The College of Education has made recent dramatic progress in its service to South Carolina teachers, offering graduate courses at the request of numerous school districts throughout the state. The health promotion major is growing rapidly, and the development of the new majors in middle school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

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



**Spadoni College of Education
Number of Declared Majors by Discipline**





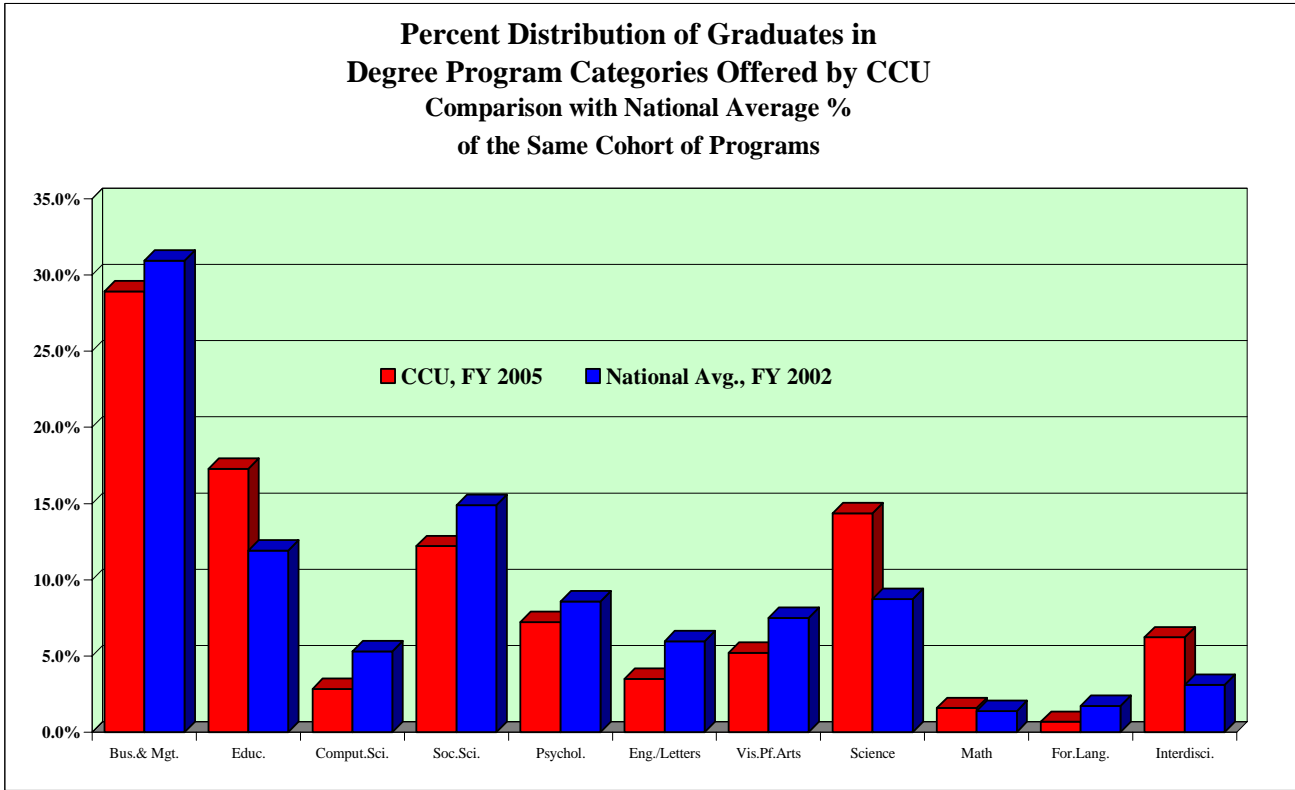
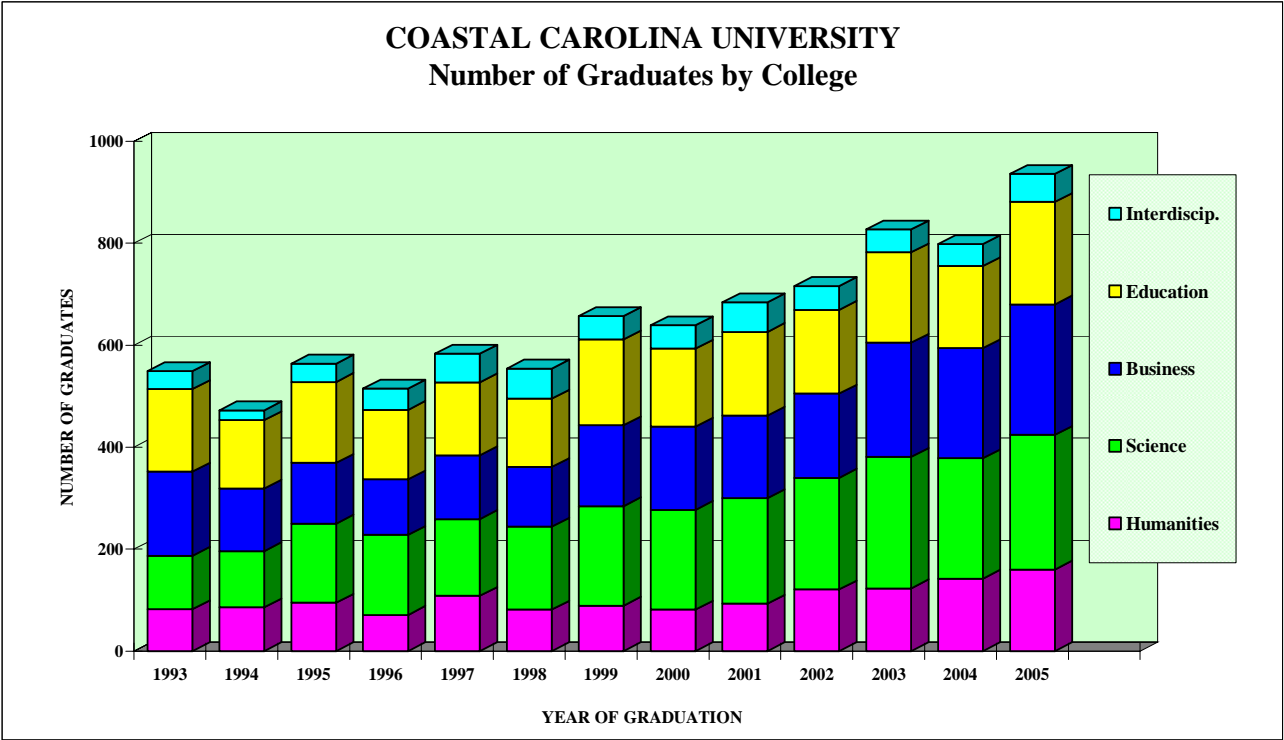
DISTRIBUTION OF GRADUATES BY ACADEMIC DEPARTMENT

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

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

Coastal's graduates differ in some respects from the national average percentage distribution of fields in which baccalaureate degrees are awarded. The graph on the bottom of the facing page compared the percentage distribution of Coastal's 2005 graduates with the distribution by degree program category of all baccalaureate degrees awarded nationally in 2002, using data from the National Center for Educational Statistics (NCES). In order to get a comparable cohort for national statistical comparisons, the total of baccalaureate degrees awarded nationally was used for only those programs which are also offered by Coastal. (For example, engineering and health sciences, which are popular degree programs nationally, were not included in the national base total.)

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



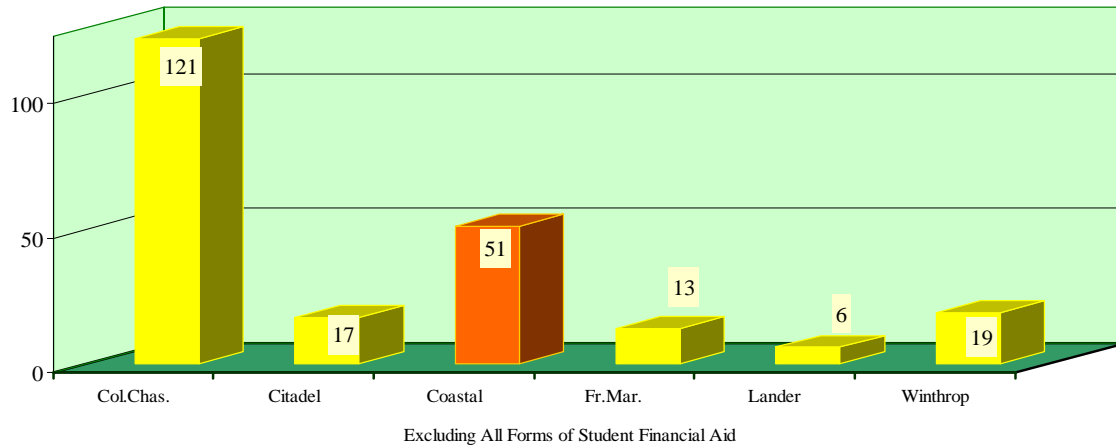
FEDERAL GRANT ACTIVITY - COMPARISONS

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

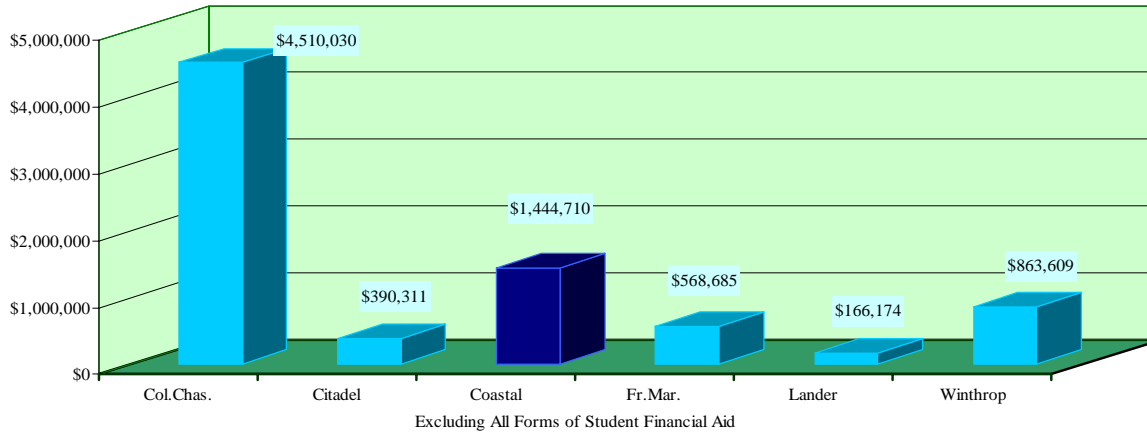
It is a measure of the success of Coastal's faculty model that the university compares very favorably with its peer institutions in South Carolina with respect to federal grant activity. Among the comprehensive universities, the College of Charleston, at nearly twice Coastal's FTE enrollment, has significantly more federal grant activity than the others. Using Winthrop, Francis Marion, The Citadel, and Lander as other South Carolina peer institutions, and based on the latest available data for FY 2004, Coastal received a larger number of federal grants and more federal dollars than any institution in this peer group except the College of Charleston. The comparison is even more impressive when federal grant dollars per number of full-time faculty are compared as shown on the facing page.

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

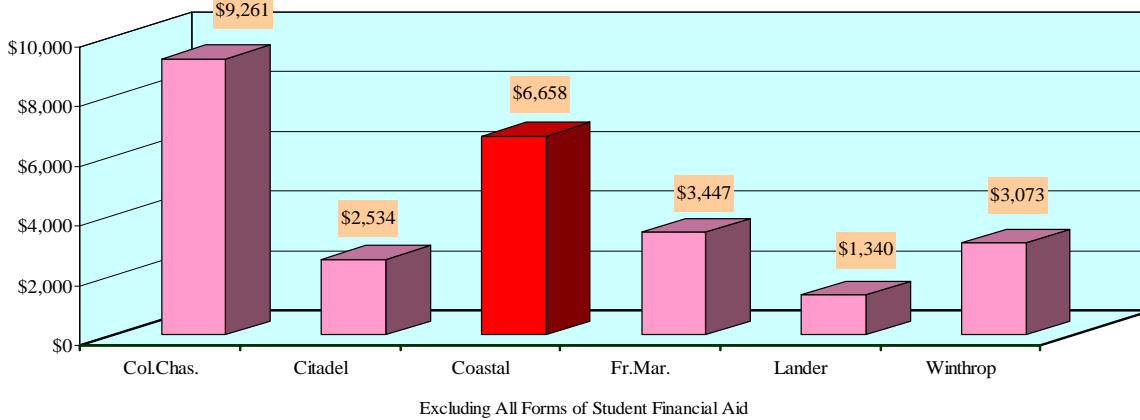
**SELECTED S.C. PUBLIC UNIVERSITIES -
NUMBER OF FEDERAL GRANTS, FY 2004**



**SELECTED S.C. PUBLIC UNIVERSITIES -
FEDERAL GRANT \$ EXPENDITURES FY 2004**



**SELECTED S.C. PUBLIC UNIVERSITIES -
FEDERAL GRANT EXPENDITURES PER FULL-TIME FACULTY
FY 2004**



TOTAL CURRENT FUNDS

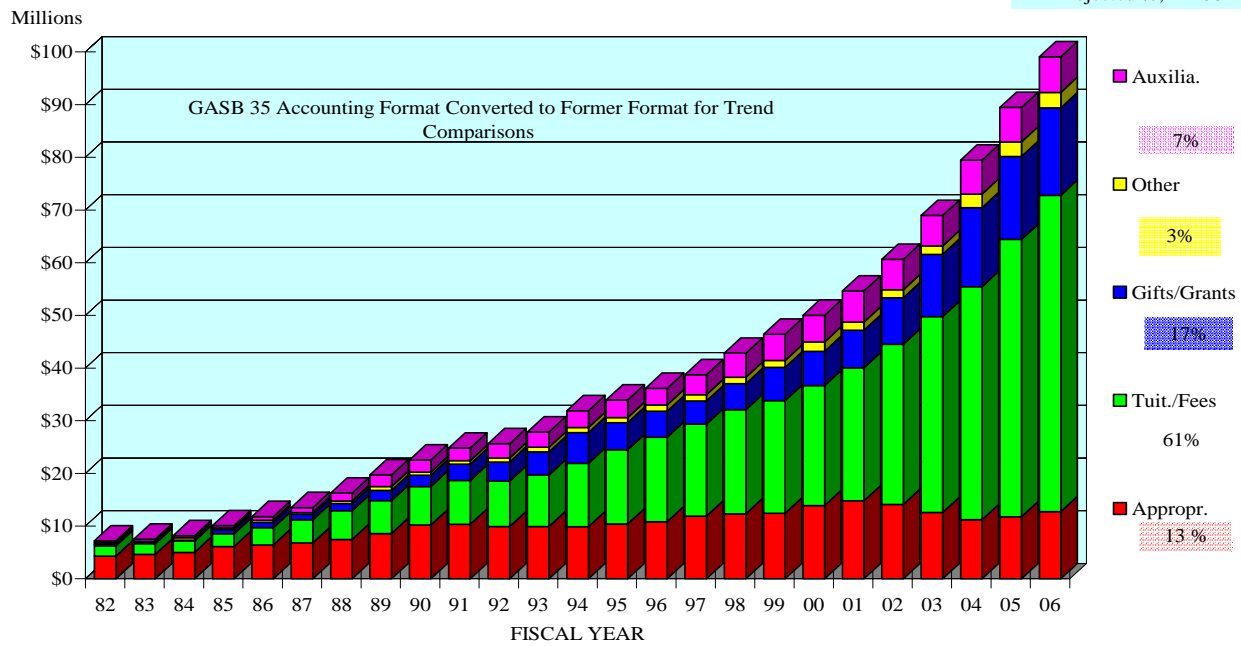
The University adopted Government Accounting Standards Board (GASB) Statements No. 34 and 35 as of July 1, 2001. For the sake of trends and historical comparisons, FY 02 through FY 05 figures have been recalculated to fit the former model of total current funds, and are shown on the facing page.

The graphs showing trends in total current funds show the relative proportion of tuition revenues, other fees and programs, and state appropriations, which comprise Coastal's \$88.7 million total operating budget projected for 2005-2006. From FY 90 through FY 97, state appropriations remained in the \$10 to \$11 million range. Eight years later, the FY 06 appropriations are below the FY 97 level. For FY 2006, state appropriations are projected to comprise slightly less than 13 percent of Coastal's state budget authorization level.

The tuition and auxiliary revenues shown under the new GASB format are net of scholarship allowances, which are still included in the total budget as passed by the state legislature. Therefore, when scholarship monies are excluded from revenues as shown on page 82 the state appropriations appear as a larger percentage of total revenues, and tuition and fees appear as a smaller percentage, than the amounts shown under the former model of total current funds.

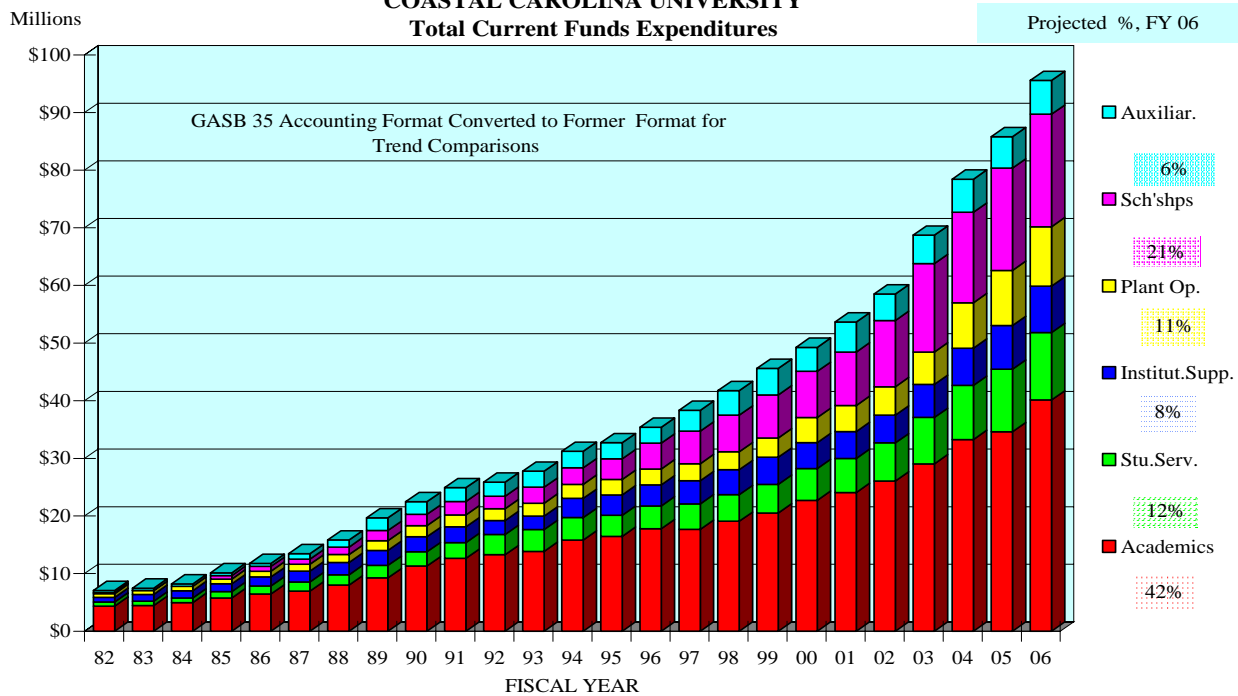
COASTAL CAROLINA UNIVERSITY Total Current Fund Revenues

Projected %, FY 06



COASTAL CAROLINA UNIVERSITY Total Current Funds Expenditures

Projected %, FY 06

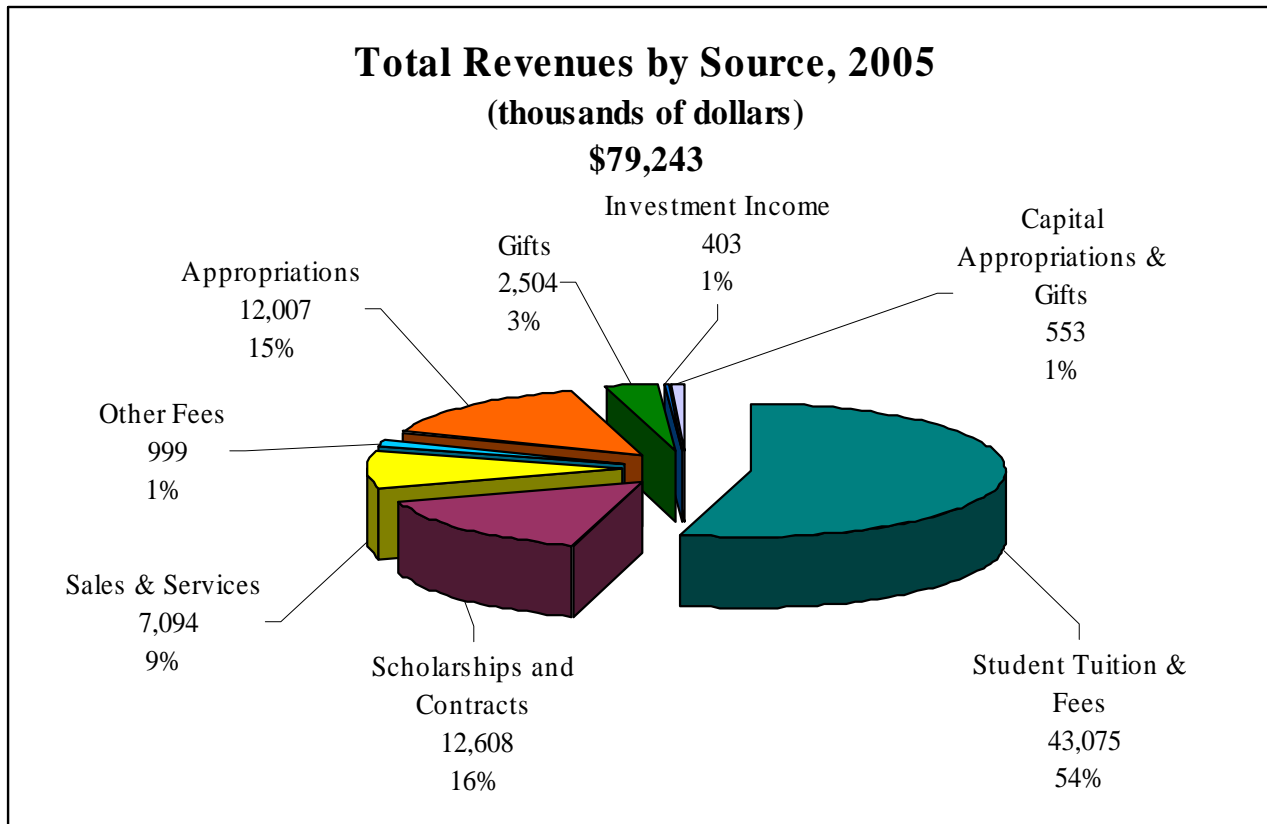


TOTAL REVENUES BY SOURCE

The following table shows total revenues by source, with non-operating revenues labeled with an asterisk. These figures are found in the audited Statement of Revenues, Expenses and Changes in Net Assets.

The tuition and auxiliary revenues shown under this format are net of scholarship allowances, which are included as gross revenue in the total budget as passed by the state legislature. When scholarship monies are excluded from revenues following GASB 34, the state appropriations appear as a larger percentage of total revenues, and tuition and fees appear as a smaller percentage, than the amounts shown under the former model of total current funds.

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

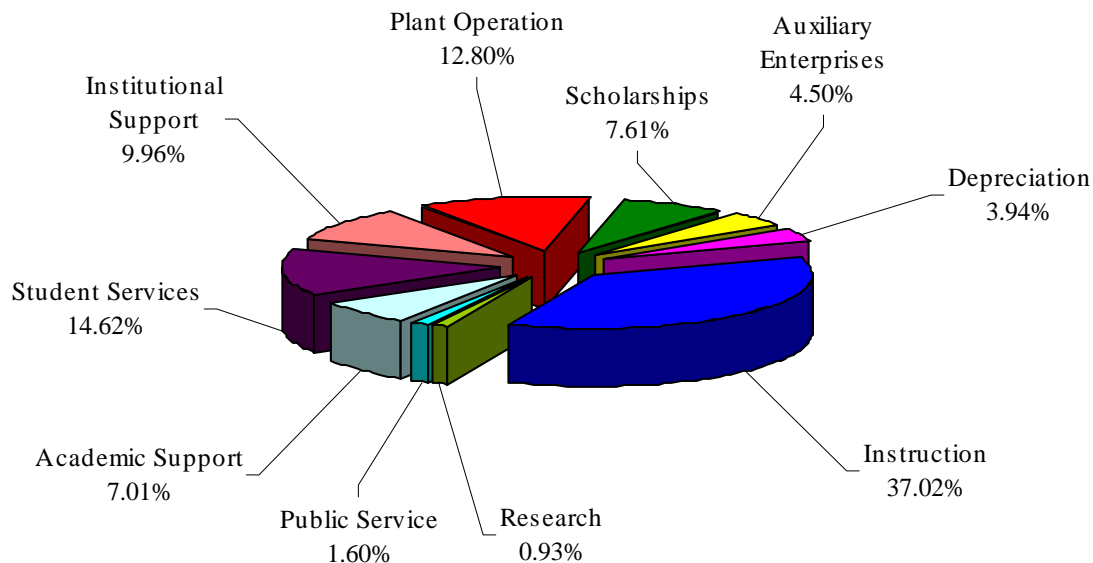


OPERATING EXPENSES BY FUNCTION

The following table presents operating expenses by function, and excludes capital expenditures. The Statement of Revenues, Expenses and Changes in Net Assets presents operating expenses by natural classification. Note 12 to the financial statements displays a matrix which shows dollar values for both classifications.

	<u>2005 Amount</u>	<u>Percent of Total</u>
Instruction	\$ 27,433,692	37.02%
Research	689,398	0.93%
Public Service	1,188,870	1.60%
Academic Support	5,193,271	7.01%
Student Services	10,836,863	14.62%
Institutional Support	7,383,968	9.96%
Plant Operation	9,488,335	12.80%
Scholarships	5,639,316	7.61%
Auxiliary Enterprises	3,336,934	4.50%
Depreciation	2,922,724	3.94%
Total Operating Expenses	74,113,371	100.00%

Operating Expenses by Function, FY 2005



STATE APPROPRIATIONS

Comparisons with Other South Carolina Public Universities

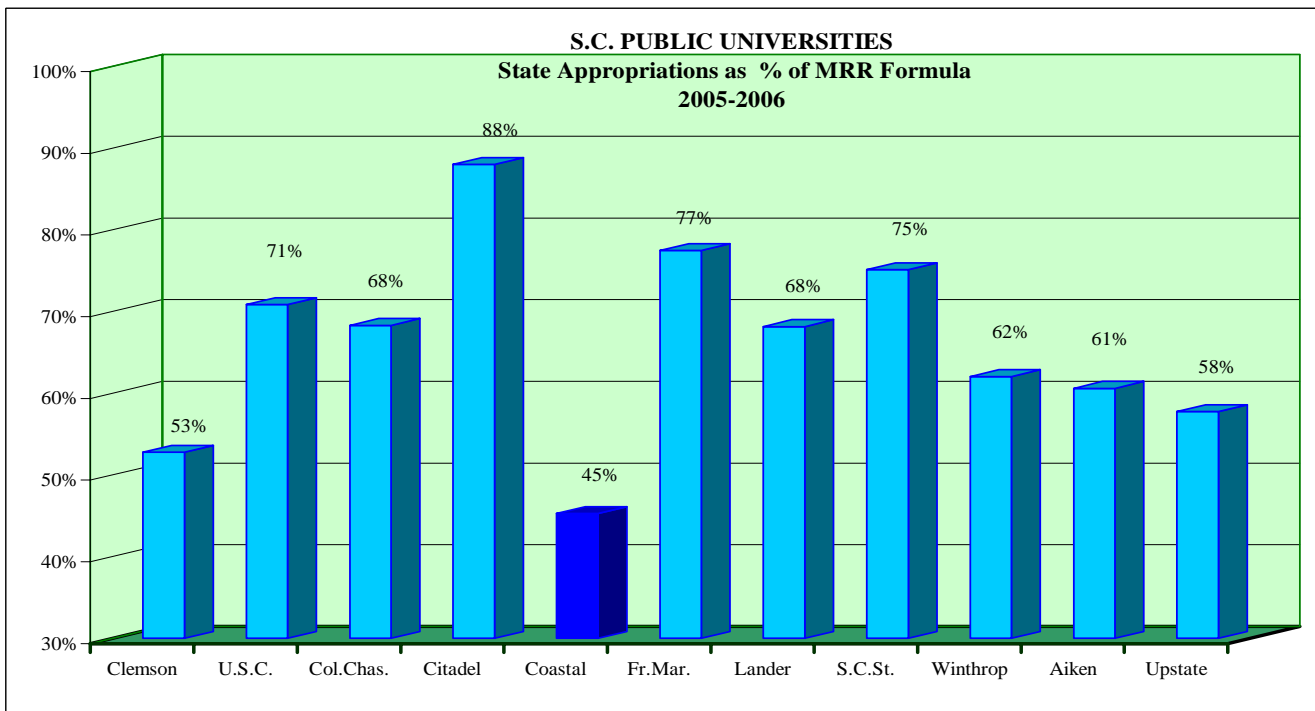
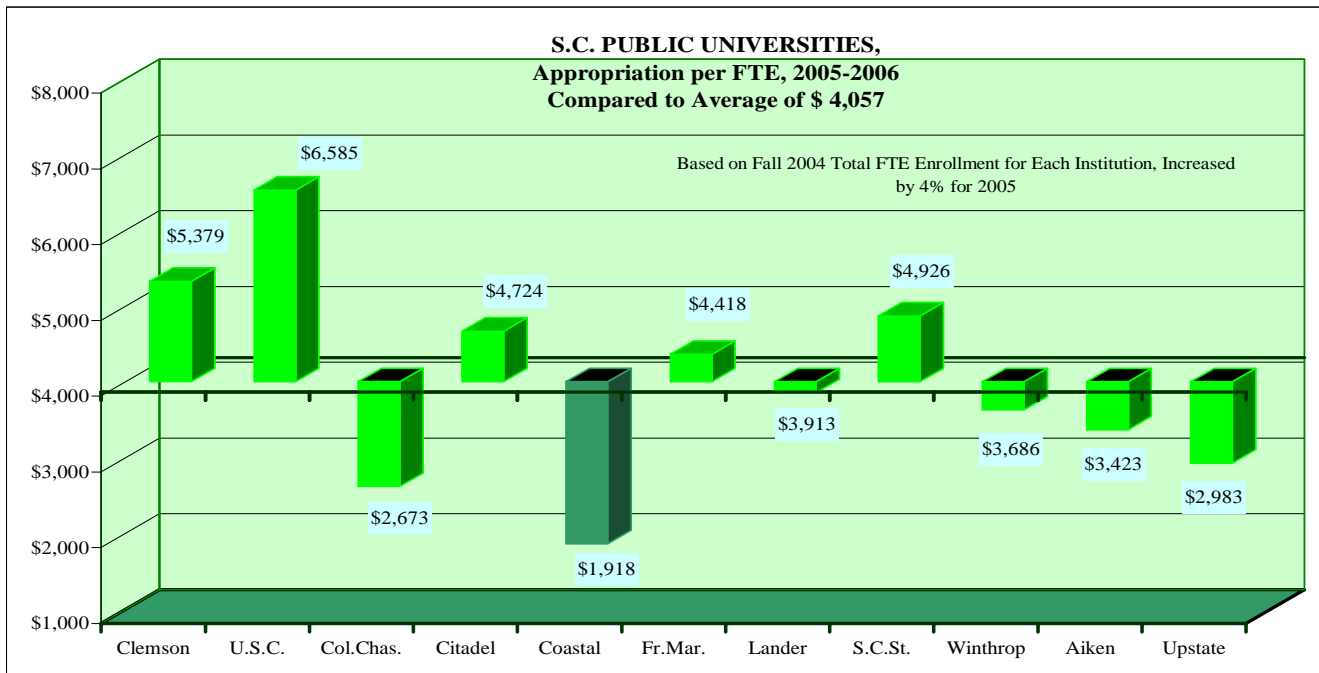
For 2005-2006, Coastal Carolina University received the smallest appropriation per FTE student of all of the South Carolina public universities, at \$1,918 per FTE. This calculation uses total institutional appropriations divided by each institution's total FTE enrollment for Fall 2005. Even if only the students eligible for in-state tuition are included, Coastal's funding per in-state FTE (\$2,664) would be lower than all the other institutions using their total FTE.

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

However, all institutions do not receive the same percent of the formula, due to agreements dating back before 1990, in which institutions which were decreasing in enrollment were held harmless with respect to state appropriations, while the appropriation level was not increased proportionately for institutions who were experiencing significant growth. The resulting discrepancy in percent of funding is spread over 30 percentage points. Coastal's appropriations for 2005-2006 only meets 45 percent of the MRR formula's calculation, compared to an average of 67 percent for all public universities.

**Coastal Carolina University - State Appropriation Comparisons
Using FY 06 Projected Enrollment and Budget Data**

7/27/2005



TRENDS IN STATE APPROPRIATIONS

Comparisons with Other South Carolina Public Universities

The problem of inequities in Coastal's funding from state appropriations is one of long standing, which has continued to worsen over many years. Data on the following three pages show the long-term trends in the appropriated funds received by all South Carolina public universities per full-time equivalent (FTE) student. These data have been calculated based on information from the South Carolina Commission on Higher Education using total state appropriations and the corresponding Fall FTE enrollment for each institution for the appropriate year.

Coastal's percent difference in funding per FTE for the comprehensive universities over the past ten years has moved from approximately \$1,000 per student (25 percent below the average) to approximately \$1,800 (49 percent below the average) in funds received from state appropriations.

SOUTH CAROLINA PUBLIC INSTITUTIONS

State Appropriated Funds per FTE, 1994 - 2005

Institution	1993-94 \$/FTE	1994-95 \$/FTE	1995-96 \$/FTE	1996-97 \$/FTE	1997-98 \$/FTE	1998-99 \$/FTE	1999-00 \$/FTE	2000-01 \$/FTE	2001-02 \$/FTE	2002-03 \$/FTE	2003-04 \$/FTE	2004-05 \$/FTE
Clemson University	\$5,130	\$5,494	\$5,846	\$6,002	\$6,211	\$6,411	\$6,609	\$6,855	\$6,686	\$6,260	\$5,501	\$5,351
USC Columbia	\$5,652	\$6,008	\$6,282	\$6,563	\$6,717	\$8,263	\$9,122	\$9,765	\$9,329	\$8,163	\$6,877	\$6,640
College of Charleston	\$2,633	\$2,759	\$2,785	\$2,823	\$3,033	\$3,067	\$3,308	\$3,542	\$3,304	\$2,945	\$2,677	\$2,597
The Citadel	\$3,901	\$4,094	\$4,442	\$4,641	\$5,208	\$5,427	\$5,617	\$5,892	\$5,326	\$5,082	\$4,629	\$4,629
Francis Marion	\$3,382	\$3,728	\$4,018	\$4,365	\$4,858	\$4,843	\$5,318	\$5,864	\$5,555	\$4,772	\$4,166	\$4,079
Lander	\$3,540	\$3,707	\$3,871	\$4,054	\$4,254	\$4,566	\$4,742	\$5,141	\$4,850	\$4,200	\$3,734	\$3,573
S.C. State	\$4,312	\$4,581	\$4,713	\$4,835	\$5,200	\$5,305	\$5,764	\$6,335	\$6,333	\$5,705	\$5,108	\$4,937
Winthrop	\$4,158	\$4,440	\$4,459	\$4,647	\$4,720	\$4,932	\$5,006	\$5,229	\$4,881	\$4,142	\$3,619	\$3,534
USC Aiken	\$3,184	\$3,462	\$3,724	\$3,947	\$4,139	\$4,042	\$4,475	\$4,701	\$4,563	\$3,918	\$3,450	\$3,361
USC Upstate	\$3,675	\$3,746	\$4,028	\$4,056	\$4,083	\$4,219	\$4,293	\$4,560	\$3,978	\$3,190	\$2,763	\$2,748
Coastal Carolina	\$2,756	\$2,840	\$2,964	\$3,020	\$3,071	\$3,157	\$3,471	\$3,605	\$3,133	\$2,467	\$1,955	\$1,863
Avg. 4-Yr. Excluding Coastal	\$3,598	\$3,814	\$4,005	\$4,171	\$4,437	\$4,550	\$4,815	\$5,158	\$4,849	\$4,244	\$3,768	\$3,682
Coastal Difference fm. Avg.	(\$842)	(\$975)	(\$1,041)	(\$1,151)	(\$1,366)	(\$1,394)	(\$1,344)	(\$1,553)	(\$1,716)	(\$1,777)	(\$1,814)	(\$1,820)
Coastal % Difference fm. Avg.	-23.41%	-25.55%	-25.99%	-27.60%	-30.80%	-30.63%	-27.91%	-30.12%	-35.39%	-41.88%	-48.13%	-49.41%

Data derived from th S.C. Commission on Higher Education, using total State Appropriations and Fall FTE enrollment for the appropriate year.

Institution							SOUTH CAROLINA PUBLIC INSTITUTIONS STATE APPROPRIATIONS								
							Appropriated Funds per FTE Student								
	1995-96 Total Appropriation	1995-96 Fall FTE	1995-96 \$/FTE	1996-97 Total Appropriation	1996-97 Fall FTE	1996-97 \$/FTE	1997-98 Total Appropriation	1997-98 Fall FTE	1997-98 \$/FTE	1998-99 Total Appropriation	1998-99 Fall FTE	1998-99 \$/FTE	1999-00 Total Appropriation	1999-00 Fall FTE	1999-00 \$/FTE
Clemson University	\$86,790,546	14,847	\$5,846	\$89,902,149	14,978	\$6,002	\$93,704,323	15,087	\$6,211	\$97,815,027	15,257	\$6,411	\$103,659,862	15,685	\$6,609
USC Columbia	\$128,914,293	20,522	\$6,282	\$133,018,605	20,268	\$6,563	\$139,161,856	20,719	\$6,717	\$169,462,312	20,509	\$8,263	\$180,025,903	19,736	\$9,122
College of Charleston	\$23,731,508	8,520	\$2,785	\$25,258,825	8,948	\$2,823	\$27,142,927	8,948	\$3,033	\$28,429,609	9,270	\$3,067	\$31,363,289	9,480	\$3,308
The Citadel	\$13,561,912	3,053	\$4,442	\$14,136,564	3,046	\$4,641	\$14,807,372	2,843	\$5,208	\$15,548,741	2,865	\$5,427	\$16,282,910	2,899	\$5,617
Francis Marion	\$12,856,642	3,200	\$4,018	\$13,425,391	3,076	\$4,365	\$14,019,921	2,886	\$4,858	\$14,675,471	3,030	\$4,843	\$15,455,386	2,906	\$5,318
Lander	\$8,445,495	2,182	\$3,871	\$8,986,625	2,217	\$4,054	\$9,474,430	2,227	\$4,254	\$9,922,861	2,173	\$4,566	\$10,631,904	2,242	\$4,742
S.C. State	\$20,610,980	4,373	\$4,713	\$21,102,005	4,364	\$4,835	\$21,866,016	4,205	\$5,200	\$22,874,220	4,312	\$5,305	\$23,957,050	4,156	\$5,764
Winthrop	\$19,142,559	4,293	\$4,459	\$19,947,689	4,293	\$4,647	\$20,844,189	4,416	\$4,720	\$21,854,944	4,431	\$4,932	\$23,428,476	4,680	\$5,006
USC Aiken	\$8,398,386	2,255	\$3,724	\$9,046,116	2,292	\$3,947	\$9,507,317	2,297	\$4,139	\$9,947,507	2,461	\$4,042	\$11,254,783	2,515	\$4,475
USC Upstate	\$10,303,739	2,558	\$4,028	\$10,796,953	2,662	\$4,056	\$11,453,712	2,805	\$4,083	\$11,968,844	2,837	\$4,219	\$12,650,382	2,947	\$4,293
Coastal Carolina	\$10,821,421	3,651	\$2,964	\$11,453,262	3,793	\$3,020	\$11,895,702	3,874	\$3,071	\$12,430,306	3,938	\$3,157	\$13,853,783	3,991	\$3,471
Avg. 4-Yr. Excluding Coastal	\$14,631,403	3,804	\$4,005	\$15,337,521	3,862	\$4,171	\$16,139,486	3,828	\$4,437	\$16,902,775	3,922	\$4,550	\$18,128,023	3,978	\$4,815
Coastal Difference fm. Avg.	(\$3,809,982)	-153	(\$1,041)	(\$3,884,259)	-69	(\$1,151)	(\$4,243,784)	46	(\$1,366)	(\$4,472,469)	16	(\$1,394)	(\$4,274,240)	13	(\$1,344)
Coastal % Difference fm. Avg.	-26.04%	-4.03%	-25.99%	-25.33%	-1.79%	-27.60%	-26.29%	1.19%	-30.80%	-26.46%	0.40%	-30.63%	-23.58%	0.32%	-27.91%

Institution	SOUTH CAROLINA PUBLIC INSTITUTIONS STATE APPROPRIATIONS														
	Appropriated Funds per FTE Student														
	2000-01 Total Appropriation	2000-01 Fall FTE	2000-01 \$/FTE	2001-02 Total Appropriation	2001-02 Fall FTE	2001-02 \$/FTE	2002-03 Total Appropriation	2002-03 Fall FTE	2002-03 \$/FTE	2003-04 Total Appropriation	2003-04 Fall FTE	2003-04 \$/FTE	2004-05 Total Appropriation	2004-05 Fall FTE	2004-05 \$/FTE
Clemson University	\$110,036,052	16,053	\$6,855	\$105,647,205	15,801	\$6,686	\$96,323,543	15,388	\$6,260	\$86,806,777	15,780	\$5,501	\$84,723,685	15,833	\$5,351
USC Columbia	\$191,177,655	19,578	\$9,765	\$183,694,311	19,691	\$9,329	\$166,205,166	20,360	\$8,163	\$149,784,096	21,782	\$6,877	\$149,784,096	22,557	\$6,640
College of Charleston	\$33,478,821	9,451	\$3,542	\$32,156,700	9,732	\$3,304	\$29,292,534	9,947	\$2,945	\$26,398,432	9,860	\$2,677	\$26,175,247	10,078	\$2,597
The Citadel	\$17,204,904	2,920	\$5,892	\$16,451,476	3,089	\$5,326	\$15,723,900	3,094	\$5,082	\$14,170,379	3,061	\$4,629	\$13,758,335	2,972	\$4,629
Francis Marion	\$16,395,070	2,796	\$5,864	\$15,743,965	2,834	\$5,555	\$14,159,528	2,967	\$4,772	\$12,760,567	3,063	\$4,166	\$12,791,868	3,136	\$4,079
Lander	\$11,367,679	2,211	\$5,141	\$10,795,408	2,226	\$4,850	\$10,173,295	2,422	\$4,200	\$9,168,173	2,455	\$3,734	\$9,019,296	2,524	\$3,573
S.C. State	\$25,346,016	4,001	\$6,335	\$24,349,522	3,845	\$6,333	\$22,384,854	3,924	\$5,705	\$20,173,320	3,949	\$5,108	\$19,583,878	3,967	\$4,937
Winthrop	\$25,404,503	4,858	\$5,229	\$24,477,409	5,015	\$4,881	\$21,900,504	5,288	\$4,142	\$19,736,734	5,454	\$3,619	\$19,289,652	5,459	\$3,534
USC Aiken	\$12,205,044	2,596	\$4,701	\$11,722,160	2,569	\$4,563	\$10,479,378	2,675	\$3,918	\$9,444,015	2,737	\$3,450	\$9,278,360	2,761	\$3,361
USC Upstate	\$13,734,942	3,012	\$4,560	\$13,205,810	3,320	\$3,978	\$11,809,149	3,702	\$3,190	\$10,642,405	3,852	\$2,763	\$10,429,153	3,795	\$2,748
Coastal Carolina	\$14,783,267	4,101	\$3,605	\$14,055,808	4,487	\$3,133	\$12,568,853	5,095	\$2,467	\$11,327,050	5,795	\$1,955	\$11,439,028	6,141	\$1,863
Avg. 4-Yr. Excluding Coastal	\$19,392,122	3,981	\$5,158	\$18,612,806	4,079	4,849	\$16,990,393	4,252	\$4,244	\$15,311,753	4,304	\$3,768	\$15,040,724	4,337	\$3,682
Coastal Difference fm. Avg.	(\$4,608,855)	120	(\$1,553)	(\$4,556,998)	408	(\$1,716)	(\$4,421,540)	843	(\$1,777)	(\$3,984,703)	1,491	(\$1,814)	(\$3,601,696)	1,805	(\$1,820)
Coastal % Difference fm. Avg.	-23.77%	3.02%	-30.12%	-24.48%	10.01%	-35.39%	-26.02%	19.82%	-41.88%	-26.02%	34.65%	-48.13%	-23.95%	41.61%	-49.41%

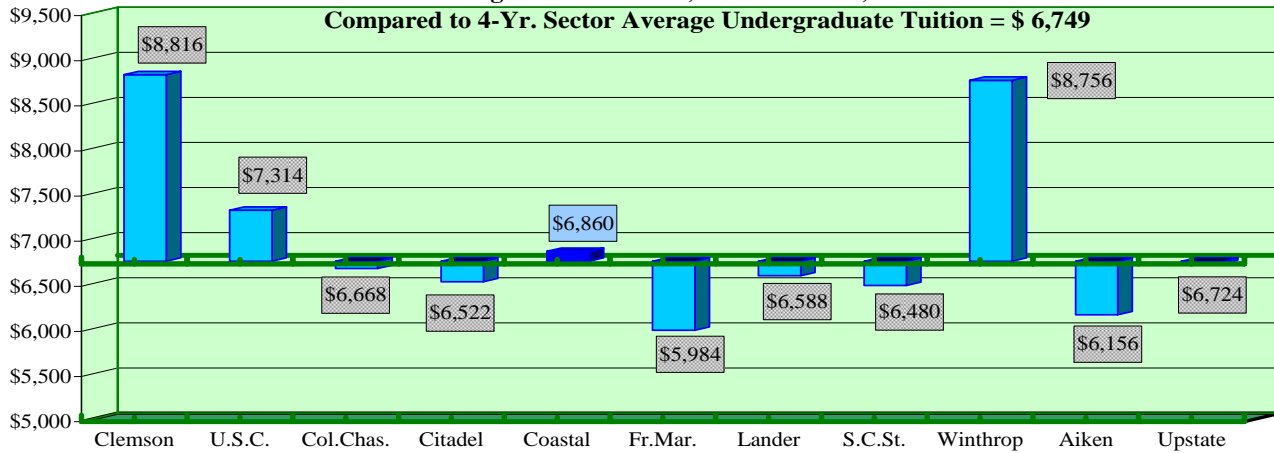
TUITION FOR SOUTH CAROLINA RESIDENTS

Throughout its history, Coastal has placed a priority on keeping tuition as low as possible for its South Carolina residents. For the past decade, Coastal has ranked third or fourth lowest among the South Carolina universities in undergraduate tuition for South Carolina residents. In spite of its 12.46 percent increase for Fall 2005, Coastal's in-state tuition is still approximately at the average for South Carolina public universities.

With the decreasing support for higher education through state appropriations, there has been a significant increase by the South Carolina Legislature on its emphasis of funding scholarships for individual students in order to support the cost of higher education. It is, therefore, no longer possible to maintain academic quality while keeping tuition low. In its institutional strategic plan, Coastal has identified a goal of using financial aid dollars wisely and increasing funds available for need-based awards, while moving tuition to a realistic level that allows the appropriate quality in the university's educational programs.

**S.C. PUBLIC UNIVERSITIES,
Undergraduate Tuition, S.C. Residents, 2005-2006**

Compared to 4-Yr. Sector Average Undergraduate Tuition = \$ 6,749



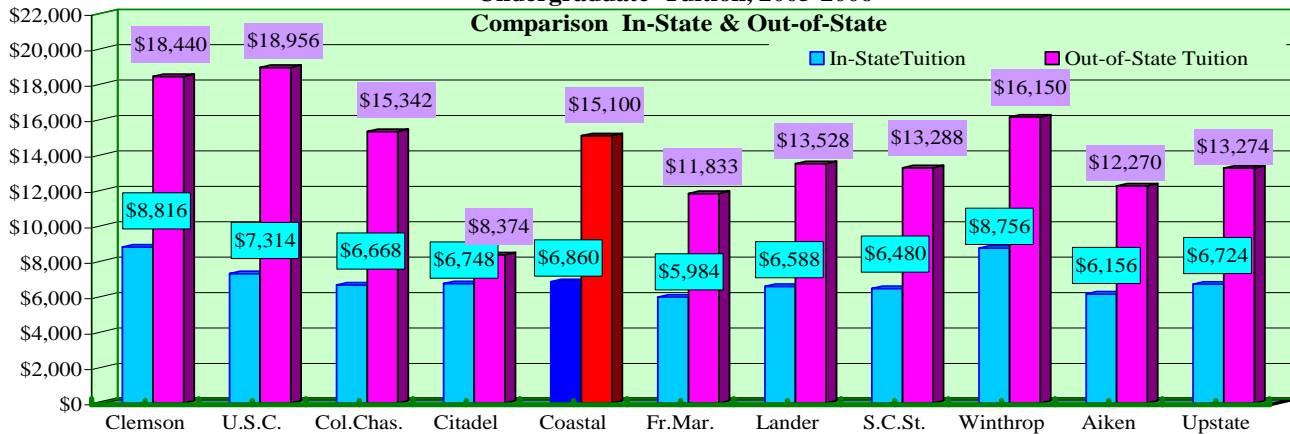
Source: Information from individual institutions.

September 9, 2005

In-State Undergraduate Tuition

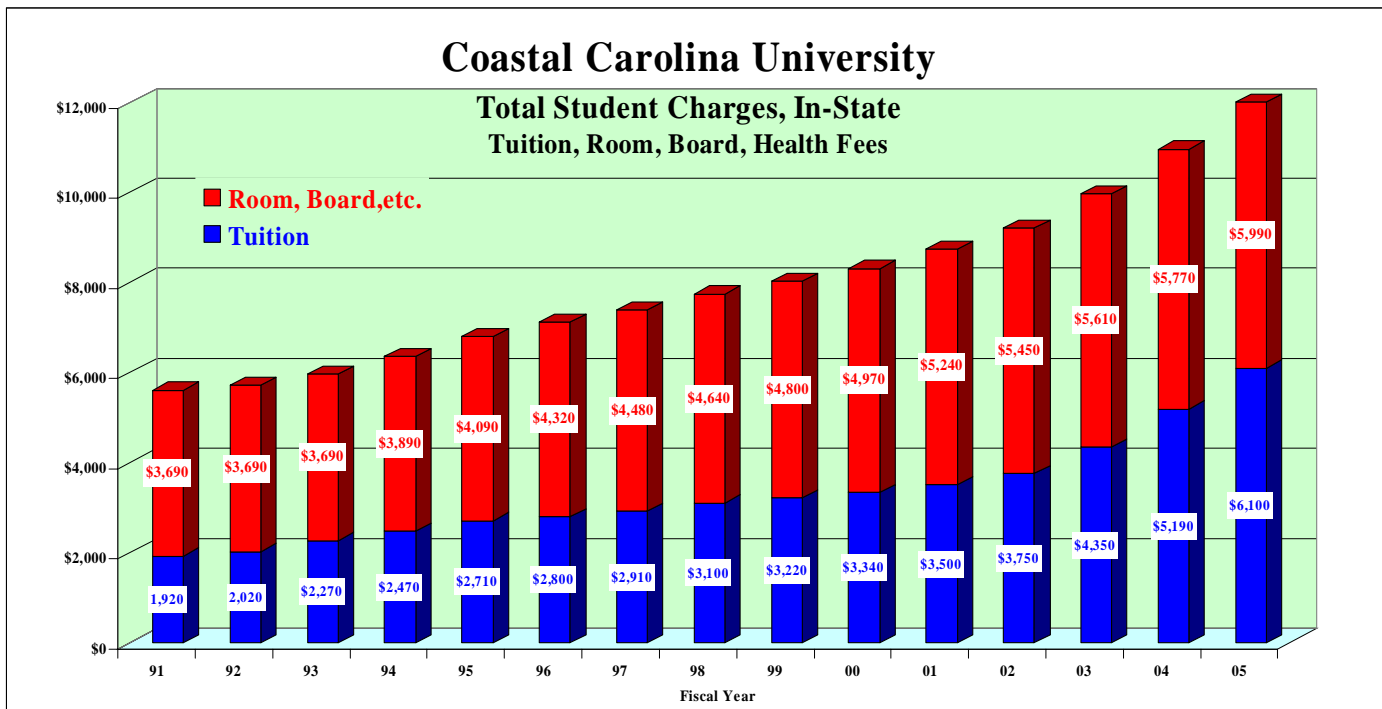
	<u>2000-2001</u>	<u>2001-2002</u>	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>	<u>1-vr. %</u>	<u>5-vr. %</u>	<u>4-vr. %</u>
Clemson	\$3,590	\$5,090	\$5,834	\$6,934	\$7,816	\$8,816	12.8%	145.6%	73.2%
U.S.C.	\$3,868	\$4,064	\$4,984	\$5,778	\$6,416	\$7,314	14.0%	89.1%	80.0%
Col.Chas.	\$3,630	\$3,780	\$4,858	\$5,770	\$6,202	\$6,668	7.5%	83.7%	76.4%
Citadel	\$3,404	\$3,727	\$4,067	\$4,999	\$5,900	\$6,522	10.5%	91.6%	75.0%
Coastal	\$3,500	\$3,770	\$4,350	\$5,190	\$6,100	\$6,860	12.5%	96.0%	82.0%
Fr.Mar.	\$3,600	\$3,790	\$4,340	\$5,082	\$5,540	\$5,984	8.0%	66.2%	57.9%
Lander	\$3,888	\$4,152	\$4,704	\$5,400	\$5,866	\$6,588	12.3%	69.4%	58.7%
S.C.St.	\$3,724	\$4,096	\$4,556	\$5,570	\$6,170	\$6,480	5.0%	74.0%	58.2%
Winthrop	\$4,262	\$4,668	\$5,600	\$6,652	\$7,816	\$8,756	12.0%	105.4%	87.6%
Aiken	\$3,558	\$3,738	\$4,404	\$5,065	\$5,622	\$6,156	9.5%	73.0%	64.7%
Upstate	\$3,624	\$3,868	\$4,748	\$5,460	\$6,060	\$6,724	11.0%	85.5%	73.8%
Average	\$3,695	\$4,068	\$4,768	\$5,627	\$6,319	\$6,988	10.6%	89.1%	71.8%
4-Yr Sector Av.	\$3,688	\$3,954	\$4,625	\$5,465	\$6,142	\$6,749	9.9%	83.0%	70.7%

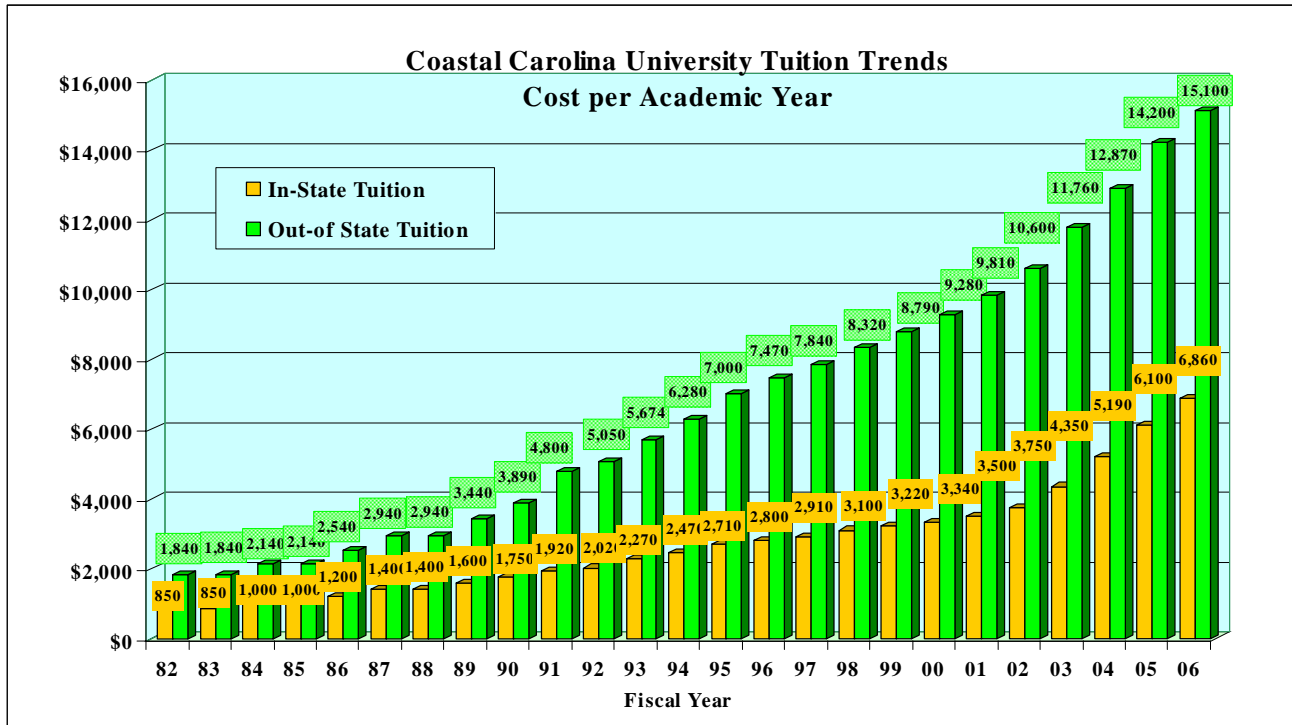
**S.C. PUBLIC UNIVERSITIES
Undergraduate Tuition, 2005-2006
Comparison In-State & Out-of-State**



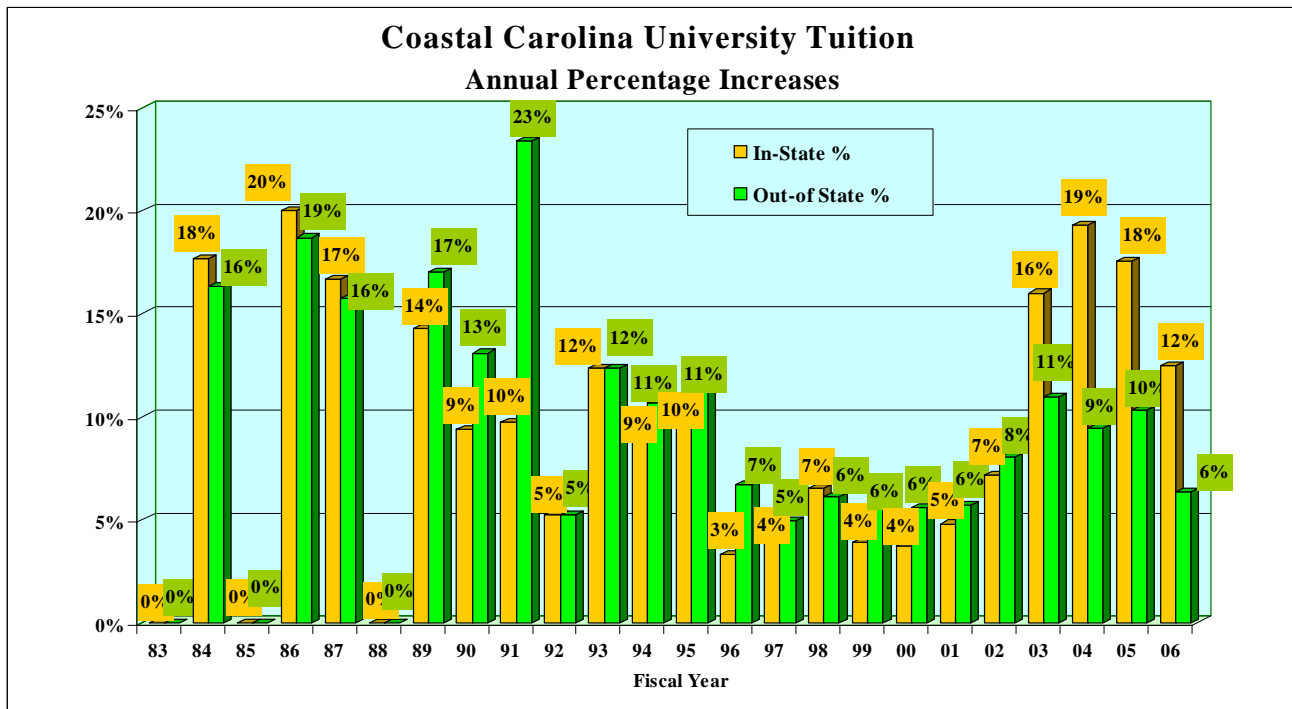
SUMMARY OF STUDENT COSTS

	<u>2005-2006</u>	<u>1-Yr Percent Increase</u>
Undergraduate Fees		
Full-Time In-State Resident, 12-18 hr. course load	\$3,430/semester	12.46%
Full-Time Out-of-State Resident, 12-18 hr. course load	\$7,550/semester	6.34%
Part-Time In-State Resident, per credit hour	\$290	16.00%
Part-Time Out-of-State Resident, per credit hour	\$530	5.88%
Graduate Fees		
In-State Resident, per credit hour	\$295	15.69%
Out-of-State Resident, per credit hour	\$660	10.00%
Room, Board, & Health Services		
Housing Fee	\$2,010/semester	
Board Fee	\$1,060/semester	
Health Fee	\$ 70/semester	
Total Room, Board, & Health Svcs.	\$2,985/semester	5.19%





Fiscal Year	95	96	97	98	99	00	01	02	03	04	05	06
In-State Tuition	\$2,710	\$2,800	\$2,910	\$3,100	\$3,220	\$3,340	\$3,500	\$3,750	\$4,350	\$5,190	\$6,100	\$6,860
% Increase	9.72%	3.32%	3.93%	6.53%	3.87%	3.73%	4.79%	7.14%	16.00%	19.31%	17.53%	12.46%
Out-of-State	\$7,000	\$7,470	\$7,840	\$8,320	\$8,790	\$9,280	\$9,810	\$10,600	\$11,760	\$12,870	\$14,200	\$15,100
% Increase	11.46%	6.71%	4.95%	6.12%	5.65%	5.57%	5.71%	8.05%	10.94%	9.44%	10.33%	6.34%

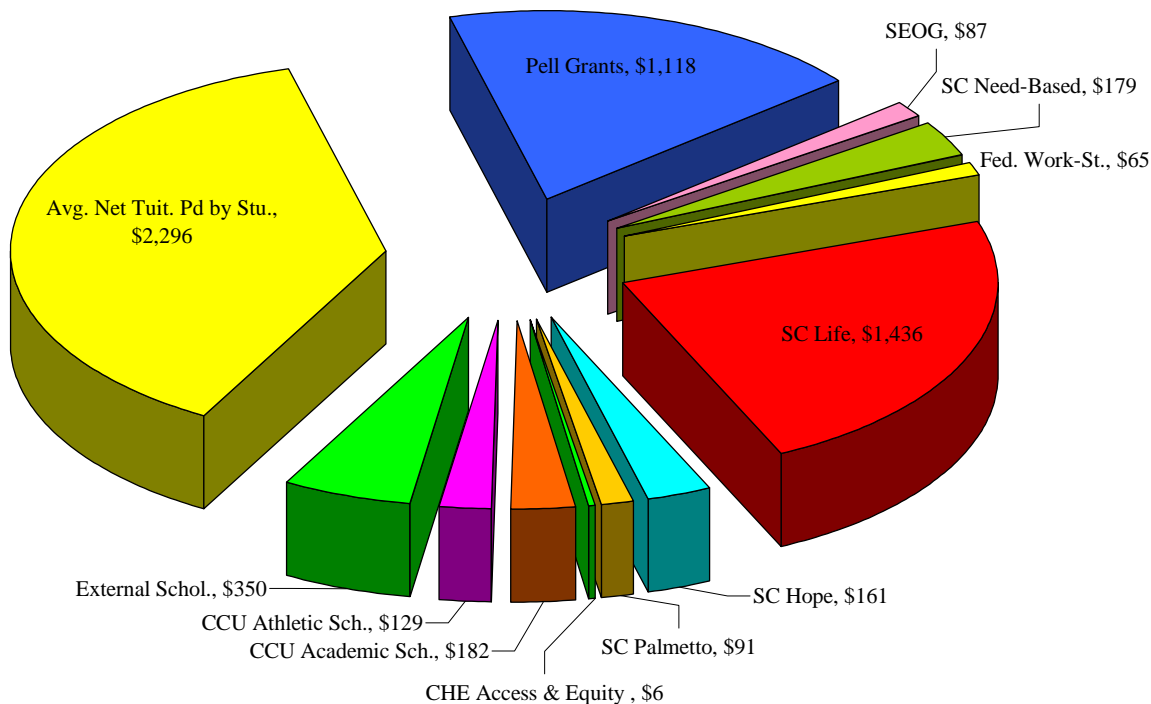


ACTUAL TUITION COSTS INCURRED BY IN-STATE STUDENTS, AFTER FINANCIAL AID

- The South Carolina Legislature has recently shifted emphasis in its way of supporting higher education. With the availability of lottery funds, the Legislature has funded scholarships for individual students rather than increasing direct state appropriations to public colleges and universities.
- The Life Scholarships require a “B” average, 1100 SAT, and are awarded to approximately 26 percent of Coastal’s entering freshmen. The Hope Scholarships require only a high school “B” average and are awarded to approximately 14 percent of entering freshmen. The Palmetto Fellowships require a 3.5 GPA, 1200 SAT, and are awarded to approximately one percent of Coastal’s entering freshmen.
- With actual decreases in state appropriations over the past four years, tuition costs for South Carolina residents have risen by approximately 70 percent at all South Carolina public universities (Coastal Carolina University by 74 percent).
- For the 2004-2005 academic year, the actual average cost borne by South Carolina resident students was offset substantially by various forms of financial aid received.
- The financial aid amounts shown on the next page do not include loan funds. The numbers shown include the total aid received by the student, which in some cases may exceed the actual cost of tuition and allow for related educational expenses, such as books, room and board.
- For Fall 2004, there were 2,903 full-time degree-seeking in-state undergraduate students enrolled. There were an additional 268 part-time students enrolled with a course load of six hours or more. These part-time students may also be eligible for some Federal financial aid.
- Of the total 3,171 degree-seeking undergraduate students who could have been eligible for some form of financial aid, 2,086, or 66 percent of the students, received a financial aid award. The average value of the award for those students who received a financial aid award was \$4,495.
- The tuition charge per academic year was \$6,100.
- The average net tuition paid directly by all degree-seeking in-state students was \$2,296, or 37.6 percent of the actual tuition charged.

**Distribution of Sources Providing Student Tuition Payments,
Average of All Students Who Were S.C. Residents,
2004-2005**

Total Tuition Charge = \$ 6,100



Analysis of Resources Used to Pay Tuition for S.C. Residents, 2004-2005

Source of Funds	Total Dollars	% of Total \$ Collected	Average per Student
Federal			
Pell Grants	\$3,370,096	18.3%	\$1,118
Supplemental Ed. Opp. Grants (SEOG)	\$262,367	1.4%	\$87
Fed. Work-Study	\$195,540	1.1%	\$65
State			
SC Need-Based	\$539,082	2.9%	\$179
SC Life Scholarships	\$4,327,125	23.5%	\$1,436
SC Hope Scholarships	\$485,016	2.6%	\$161
SC Palmetto Fellows	\$274,700	1.5%	\$91
CHE Access & Equity Grant	\$17,500	0.1%	\$6
Institutional			
CCU Academic Scholarships	\$548,006	3.0%	\$182
CCU Athletic Scholarships	\$387,584	2.1%	\$129
External			
External Scholarships	\$1,055,195	5.7%	\$350
Total Gift Financial Aid	\$11,462,211	62.4%	\$3,804
Net Tuition Paid by Students	\$6,918,369	37.6%	\$2,296
Total In-State Tuition Collected (Including Financial Aid Awarded)	\$18,380,580	100.0%	\$6,100

REVENUE FROM OUT-OF-STATE STUDENTS

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

During the 2005-2006 academic year, the actual tuition projected to be collected from out-of-state students will significantly exceed the amount of state appropriations, with \$36.2 million received from out-of-state revenues, compared to \$12.7 million from state appropriations. The 31 percent of students who pay the out-of-state rate provided 58 percent of tuition revenues. The 10 percent of students who are from out-of-state and also receive scholarships, therefore paying in-state tuition, provide another 10 percent of tuition revenues.

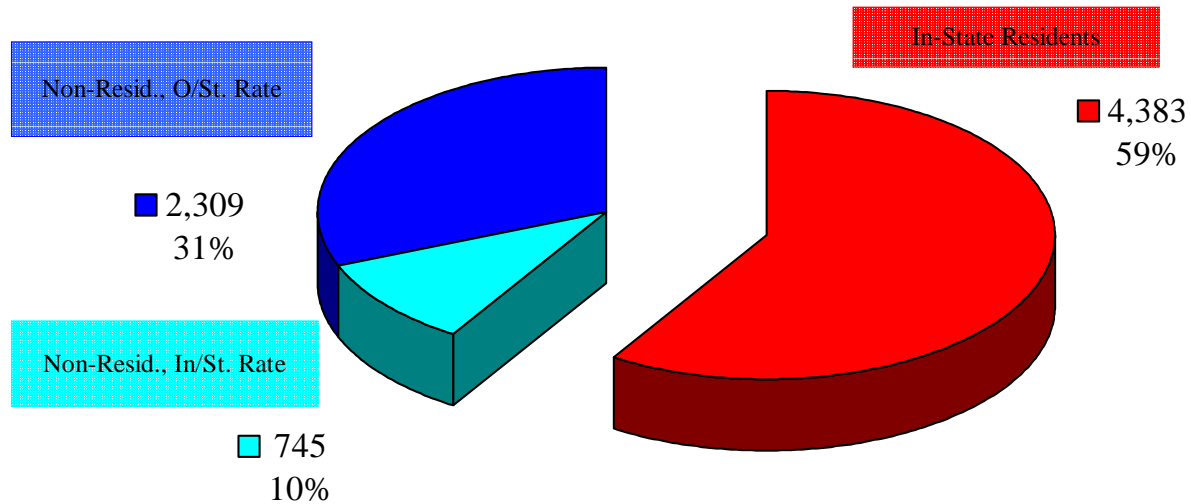
The total revenue from all sources is projected at \$99 million for 2005-2006. Out-of-state students provide significantly more than half of the \$6.8 million of auxiliary revenues, which include residence halls and food service. When other assorted fees are added to the tuition revenues, it is clear that Coastal is heavily dependent on revenues from its out-of-state students.

Numbers of Students and Tuition Revenues Realized

Oct.11, 2005

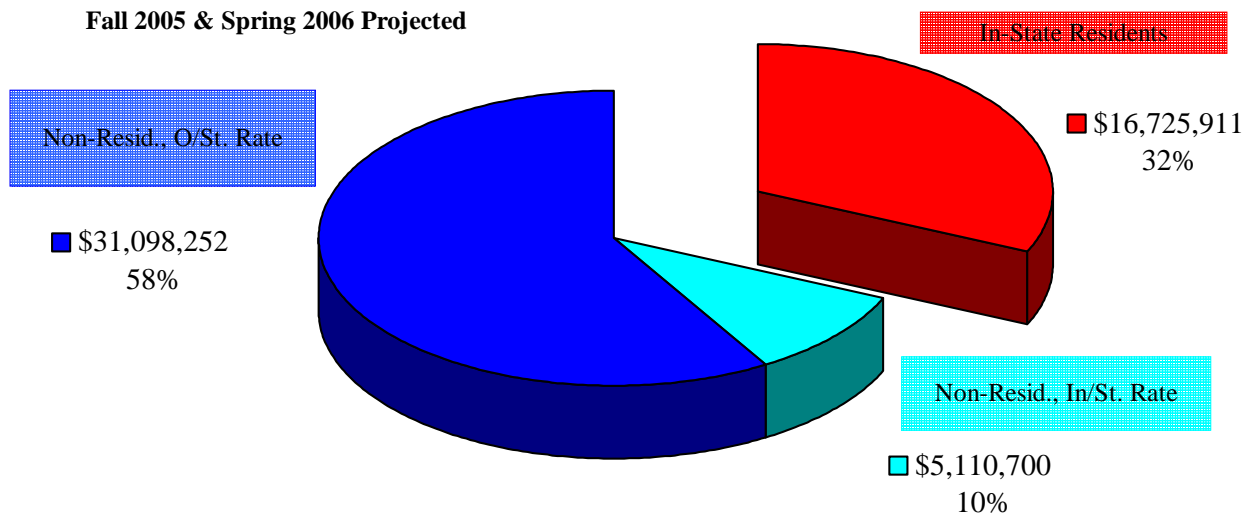
Student Enrollment, 2005-06 Academic Year Comparison by Residency

Fall 2005 & Spring 2006 Projected



Tuition Revenue, 2006-06 Academic Year Comparison by Residency

Fall 2005 & Spring 2006 Projected



COASTAL'S COST PER STUDENT COMPARED TO TUITION

The total cost which Coastal Carolina University expends to educate a student (total Educational and General Expenditures per FTE student) is approximately \$13,150 for the current year, and is projected to be approximately \$13,670 per FTE student for 2005-2006. The national average of E & G Expenditures per FTE student for public baccalaureate and master's degree institutions is approximately \$14,000 for the 2005-2006 year (based on FY 2000 data and CPI increases).

In-State Students

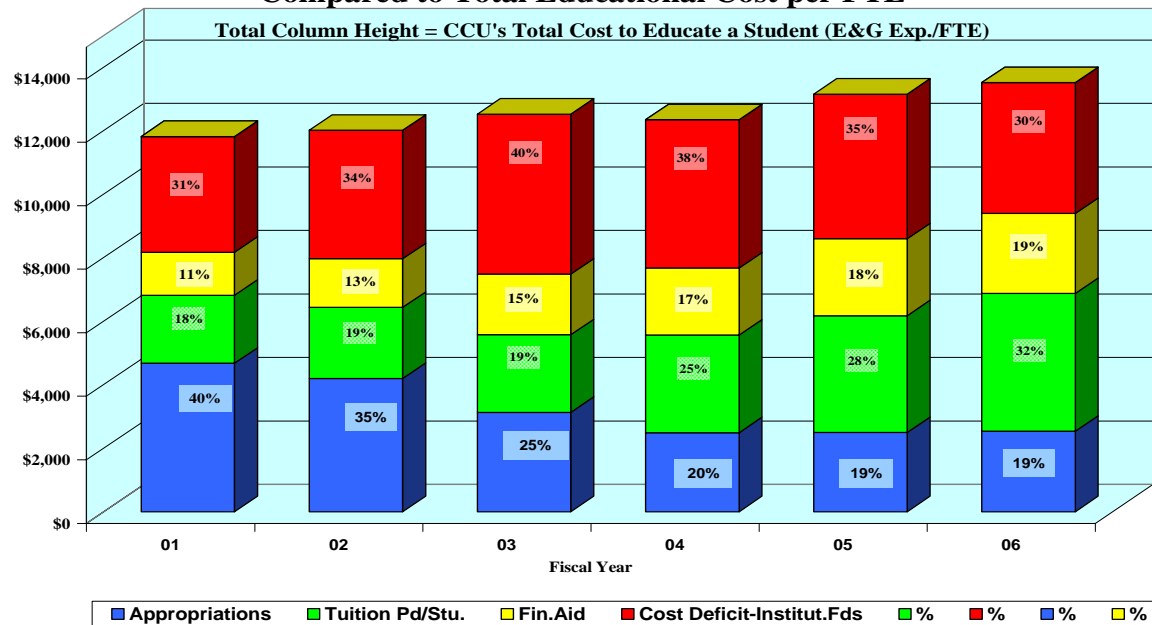
In-state tuition, including financial aid, covers 50.2 percent of Coastal's total E & G expenditures per FTE. Of this amount, financial aid supplies 19 percent, and the student's out-of-pocket expenditures supplies 32 percent of actual total cost of \$13,670.

If one applies the total of all state appropriations to those students paying in-state fees, state appropriations pay for only 19 percent of Coastal's cost of educating its in-state students. The remainder of the cost, covered by other institutionally-generated funds, is 30 percent for 2005-2006.

Out-of-State Students

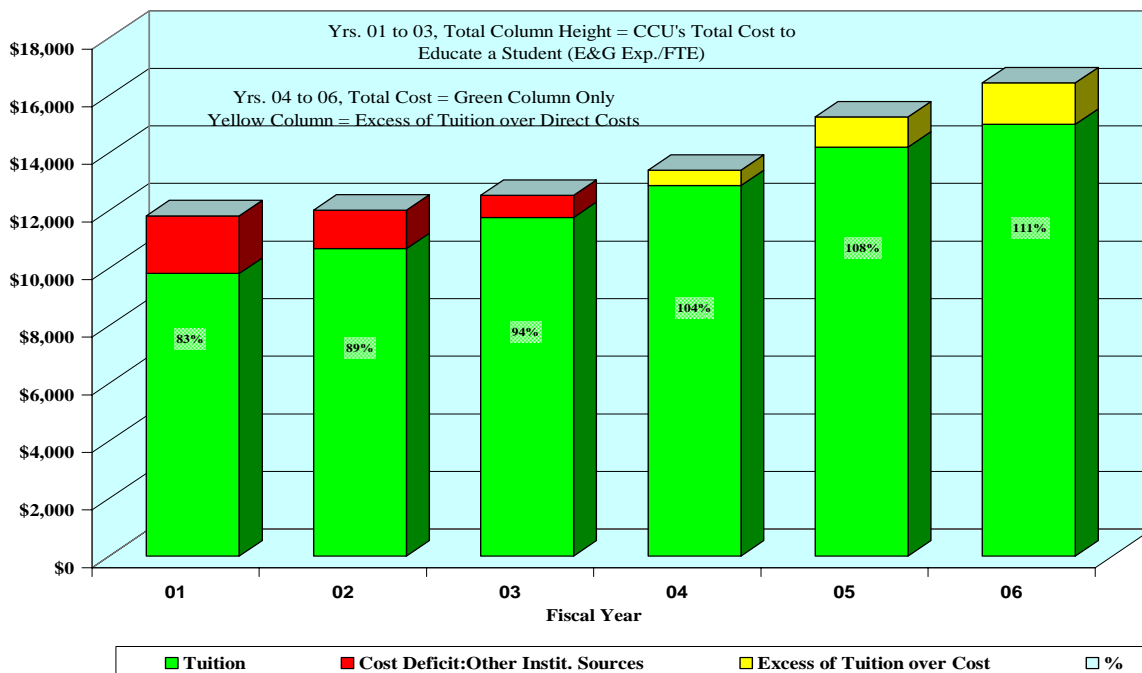
By contrast, the tuition charged out-of-state students (\$15,100) is projected to cover 111 percent of the direct cost of educating the out-of-state student for 2005-2006. Coastal has been careful to follow the spirit as well as the letter of the law in moving toward ensuring that Coastal's out-of-state students pay the full cost of their education. It should be strongly stated, however, that Coastal has a mission and obligation to educate its local and regional South Carolina students, and is committed to serving the State of South Carolina in this fashion.

In-State Residents:Funding Sources per FTE Compared to Total Educational Cost per FTE



In calculating appropriations per FTE, the total of all state appropriations is considered applied toward the cost of educating in-state students only. Other institutional resources used to make up the cost deficit include campus-generated income, admissions and other fees, certain gift and grant funds, and revenues from non-credit programs and auxiliary enterprises. It should be noted that CCU's total cost, E&G expenditures/FTE, equalling the total column height, has increased at an average annual inflation of 2.9% over the last five years, less than the CPI.

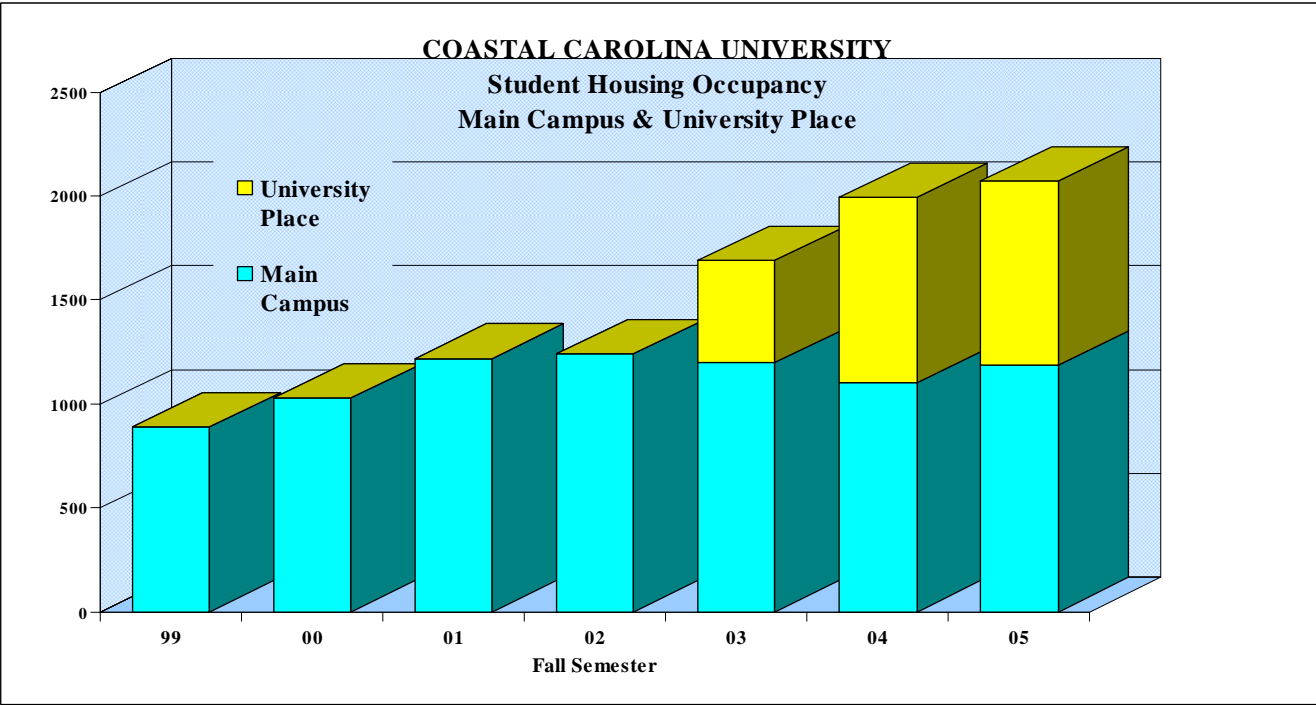
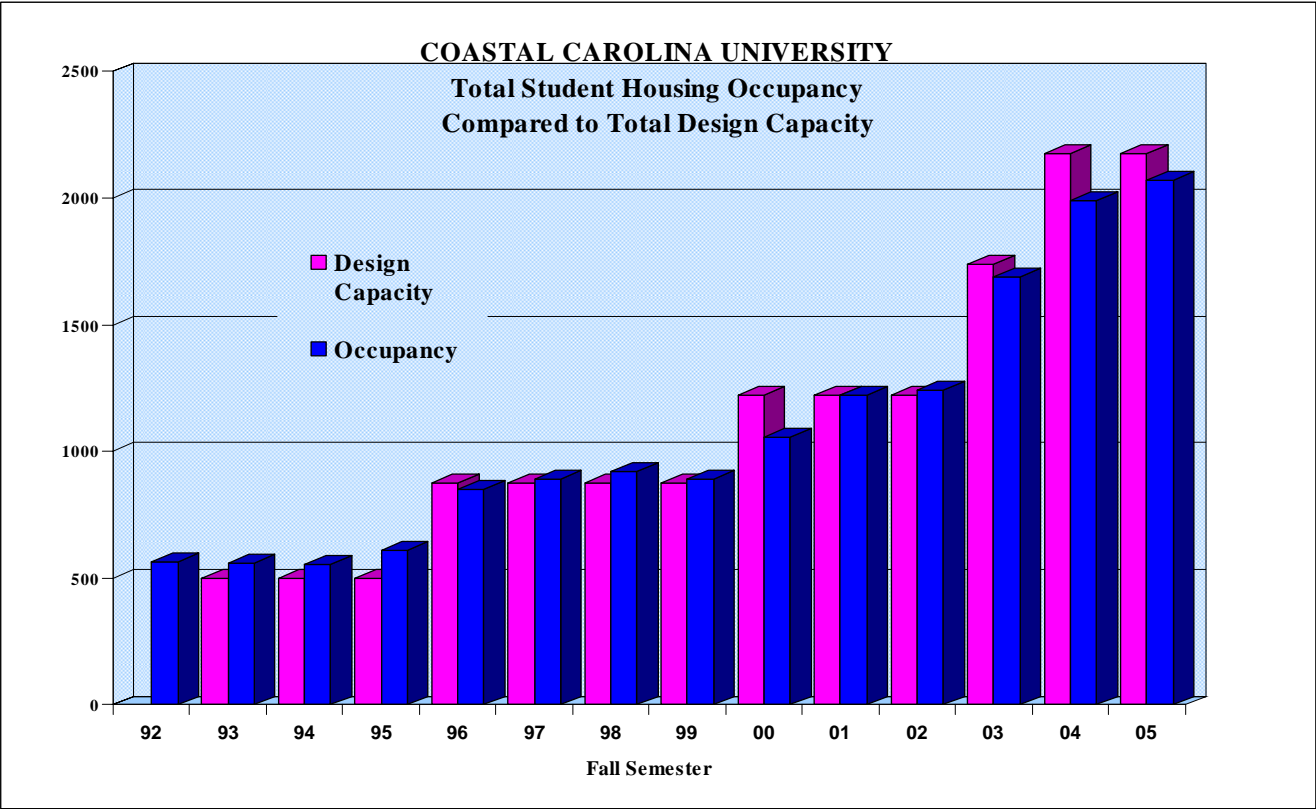
Out-of-State Residents:Funding Sources per FTE Compared to Total Educational Cost per FTE



STUDENT HOUSING

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

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



ATHLETICS

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

Women's

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

Men's

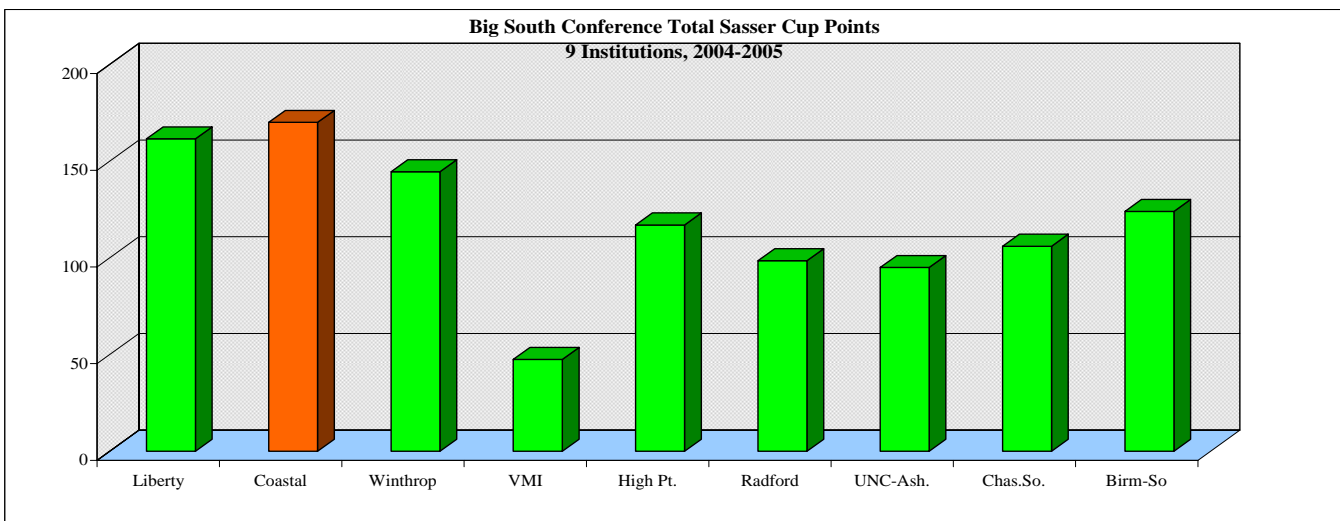
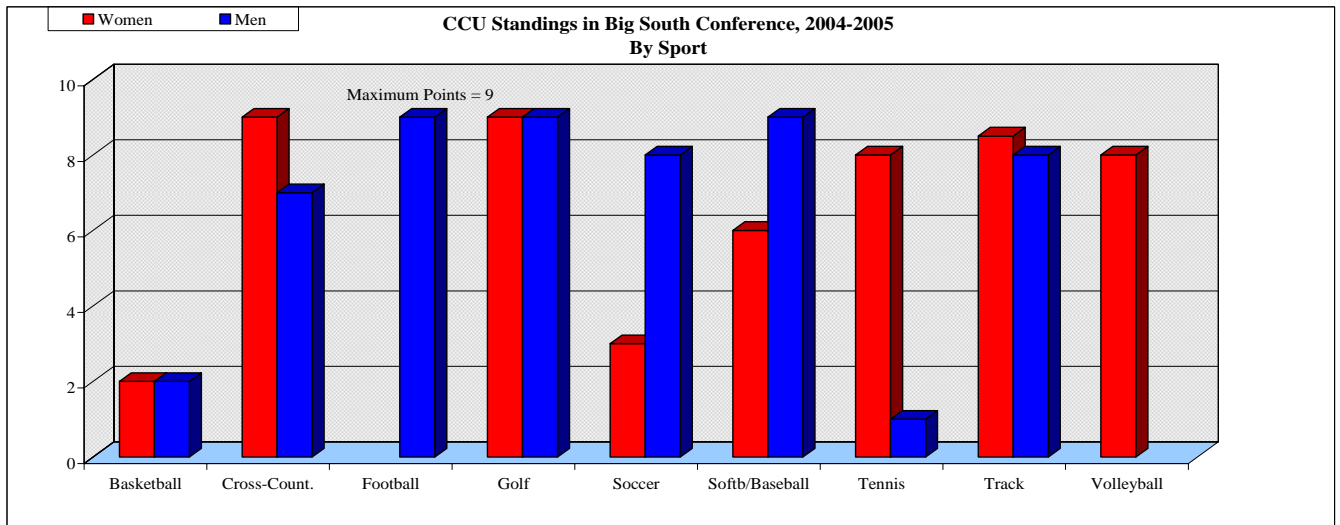
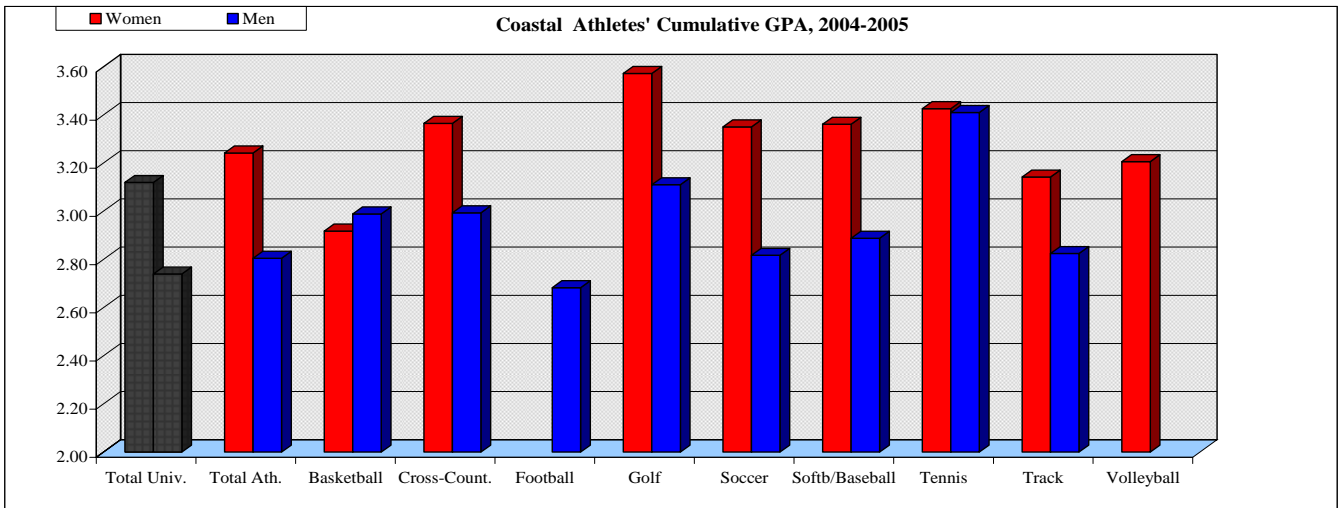
Baseball, Basketball, Cross Country, Golf, Soccer, Tennis, and Outdoor Track and Field, and Football (Fall 2003, Division I-AA)

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

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

The overall conference championship in all sports combined is represented by the award of the George F. Sasser Cup. Institutions receive points toward the Sasser Cup by the rankings of each of the individual sports in which they compete. Coastal's rankings by sport for both men and women are shown on the facing page, as well as the total overall points for each institution. For 2004-2005, Coastal received the most points in the conference in total performance in all of its sports programs and was awarded the Sasser Cup. Coastal now leads the way in Sasser Cups won with six, followed by Liberty University with five.

Coastal Carolina University

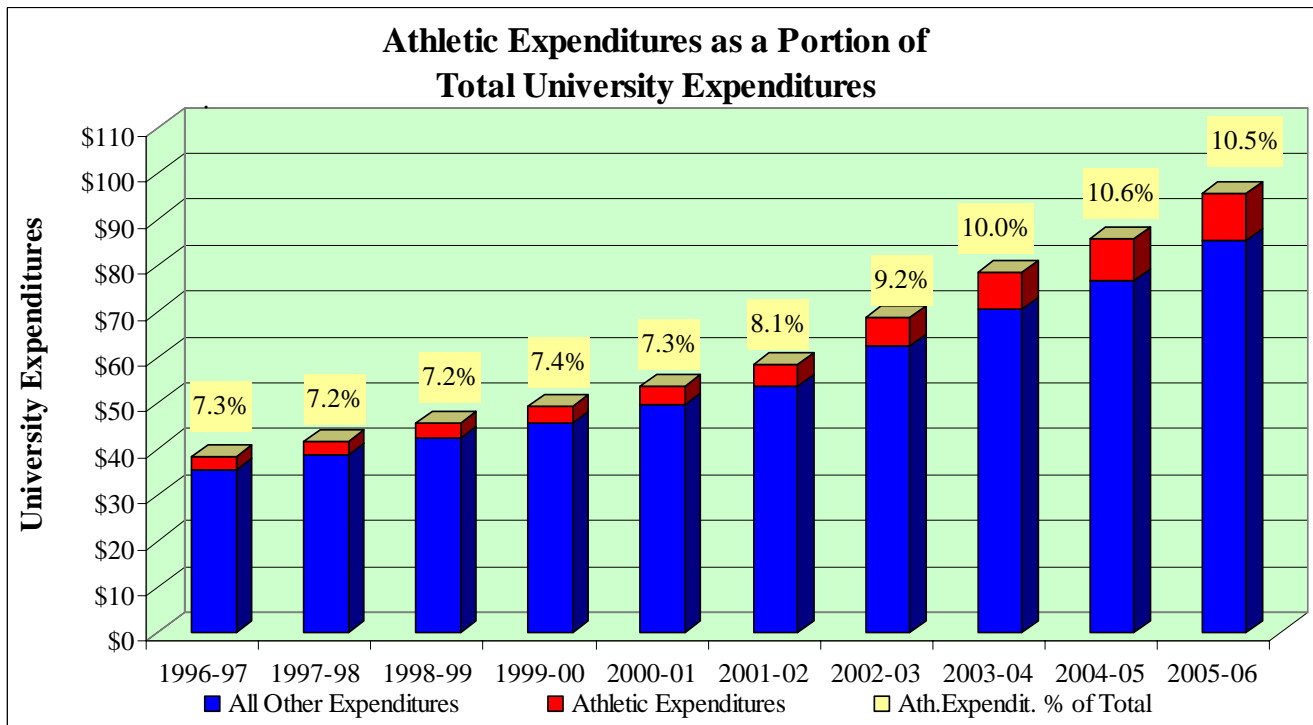
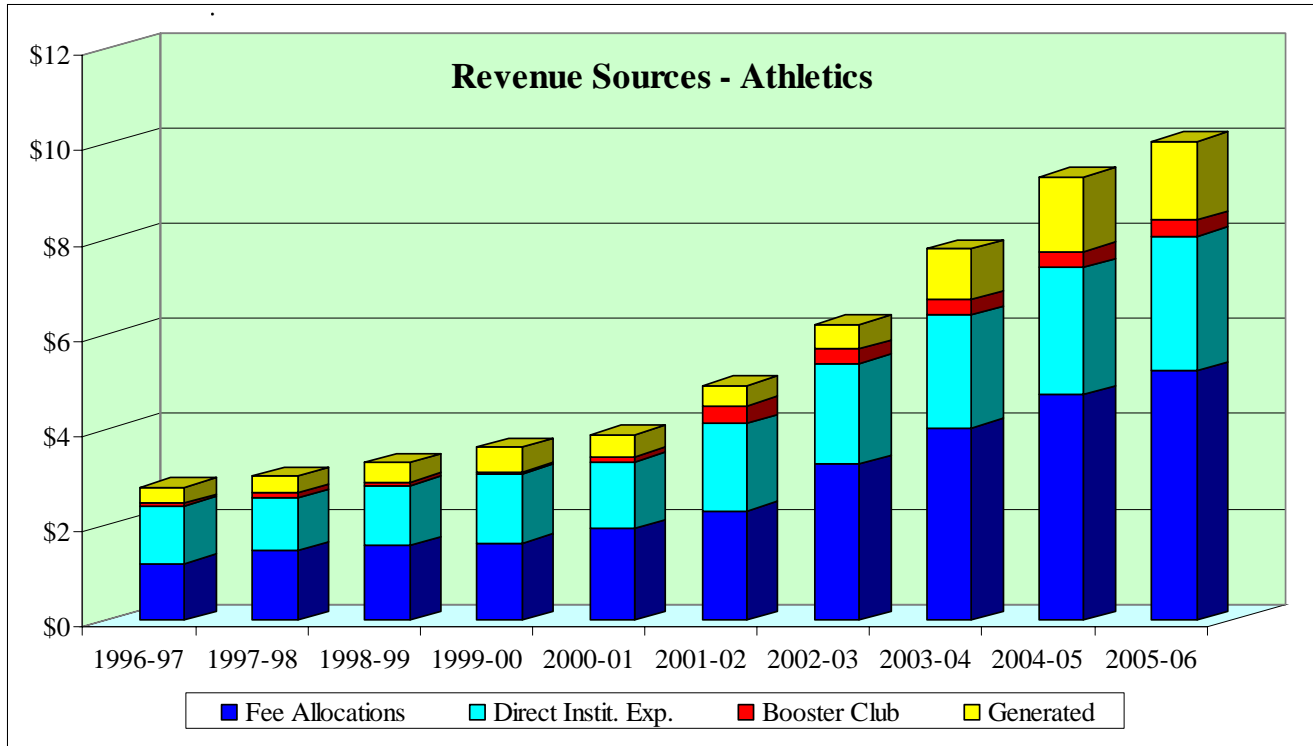


ATHLETICS – FINANCIAL RESOURCES

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

The direct institutional expenditures include scholarships which are awarded in the form of waivers of out-of-state tuition (approximately \$1.1 million) and salaries of athletic administrative personnel and senior coaches who are paid directly from the university operating budget (approximately \$1 million). Generated funds include gate receipts, advertising, guarantees, etc.

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



AUXILIARY ENTERPRISES

The university operates five activities as auxiliary enterprises: student housing, the campus bookstore, food services, vending, and health services. Student housing revenues are generated by approximately 1,300 beds on campus, and operations are managed internally. In addition, the university manages over 1,000 beds close to campus for the Coastal Carolina University Student Housing Foundation.

The university outsources bookstore operations to Folletts, food service operations to Aramark, and vending activities to Pepsi Cola Bottling Company and C.A. Timbes, Inc. Health services are provided under a contract with Conway Medical Center at a campus clinic built and maintained by the Center.

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

Coastal Carolina University
Auxiliary Funds
2000-2005

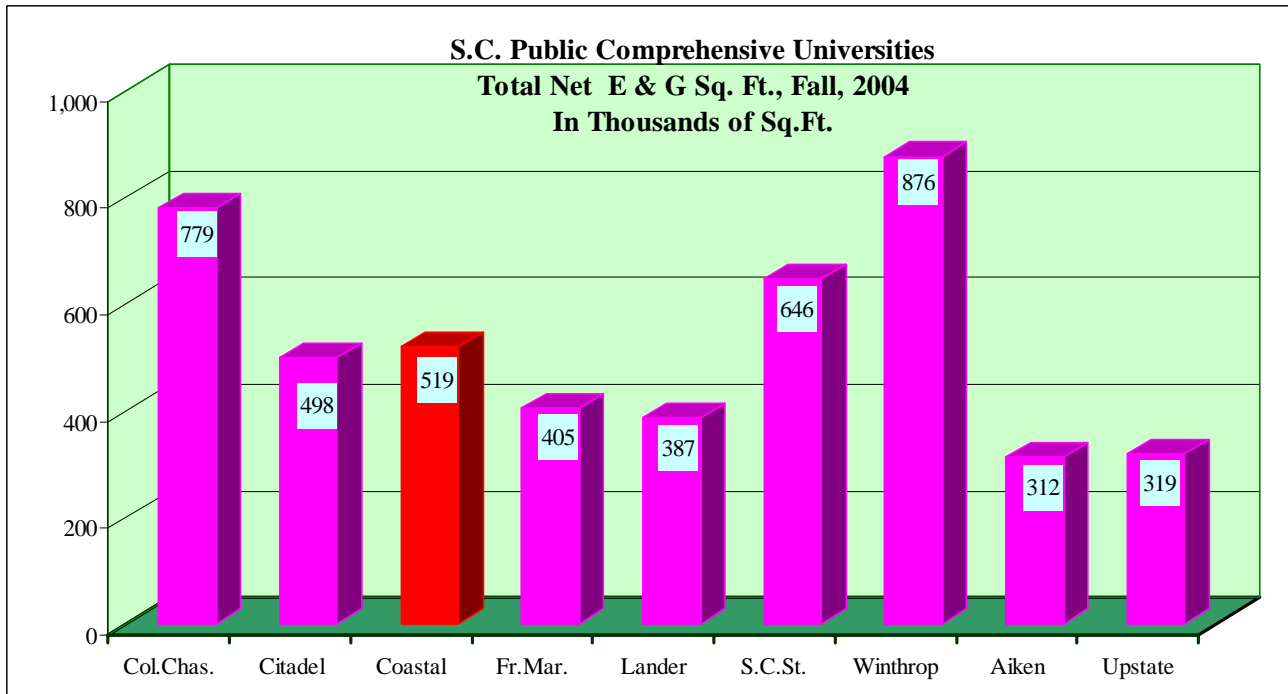
	2000	2001	2002	2003	2004	2005
<u>Housing</u>						
Beginning balance	\$ 289,009	\$ 672,374	\$ 964,044	\$ 1,336,454	\$ 1,469,755	\$ 1,297,063
Revenue	2,973,923	3,826,487	4,567,335	4,654,899	4,938,712	4,891,339
Expenditures	1,529,182	1,933,806	1,880,751	2,186,832	2,697,053	2,855,169
Net transfers	1,061,376	1,601,011	2,314,174	2,334,766	2,414,351	2,229,475
Ending balance	672,374	964,044	1,336,454	1,469,755	1,297,063	1,103,758
Increase (decrease) in balance	383,365	291,670	372,410	133,301	(172,692)	(193,305)
<u>Bookstore</u>						
Beginning balance	999,447	1,012,221	1,080,877	1,059,152	1,090,836	1,135,568
Revenue	1,499,479	1,496,716	224,807	286,000	301,973	312,092
Expenditures	1,322,918	1,282,510	46,177	54,929	56,629	62,127
Transfers to fund other activities	163,787	145,550	200,355	199,387	200,612	210,812
Ending balance	1,012,221	1,080,877	1,059,152	1,090,836	1,135,568	1,174,721
Increase (decrease) in balance	12,774	68,656	(21,725)	31,684	44,732	39,153
<u>Food Service</u>						
Beginning balance	343,729	404,789	336,035	637,964	611,966	596,326
Revenue	384,768	490,975	596,613	578,566	736,121	689,686
Expenditures	87,449	183,823	122,715	119,030	390,793	178,249
Transfers to fund other activities	236,259	375,906	171,969	485,534	360,968	356,007
Ending balance	404,789	336,035	637,964	611,966	596,326	751,756
Increase (decrease) in balance	61,060	(68,754)	301,929	(25,998)	(15,640)	155,430
<u>Vending</u>						
Beginning balance	102,773	162,735	194,571	232,108	144,492	192,613
Revenue	279,659	249,521	409,277	356,377	493,237	452,144
Expenditures	186,447	196,292	211,852	200,713	213,988	25,470
Transfers to fund other activities	33,250	21,393	159,888	243,280	231,128	278,647
Ending balance	162,735	194,571	232,108	144,492	192,613	340,640
Increase (decrease) in balance	59,962	31,836	37,537	(87,616)	48,121	148,027
<u>Health Services</u>						
Beginning balance	5,086	5,614	6,575	18,850	45,653	57,141
Revenue	101,795	118,390	162,615	163,435	183,160	269,175
Expenditures	101,267	117,429	150,340	133,632	150,012	215,281
Transfers to fund other activities	-	-	-	3,000	21,660	-
Ending balance	5,614	6,575	18,850	45,653	57,141	111,035
Increase (decrease) in balance	528	961	12,275	26,803	11,488	53,894
Total Auxiliaries fund balances	\$ 2,257,733	\$ 2,582,102	\$ 3,284,528	\$ 3,362,702	\$ 3,278,711	\$ 3,481,910

FACILITIES

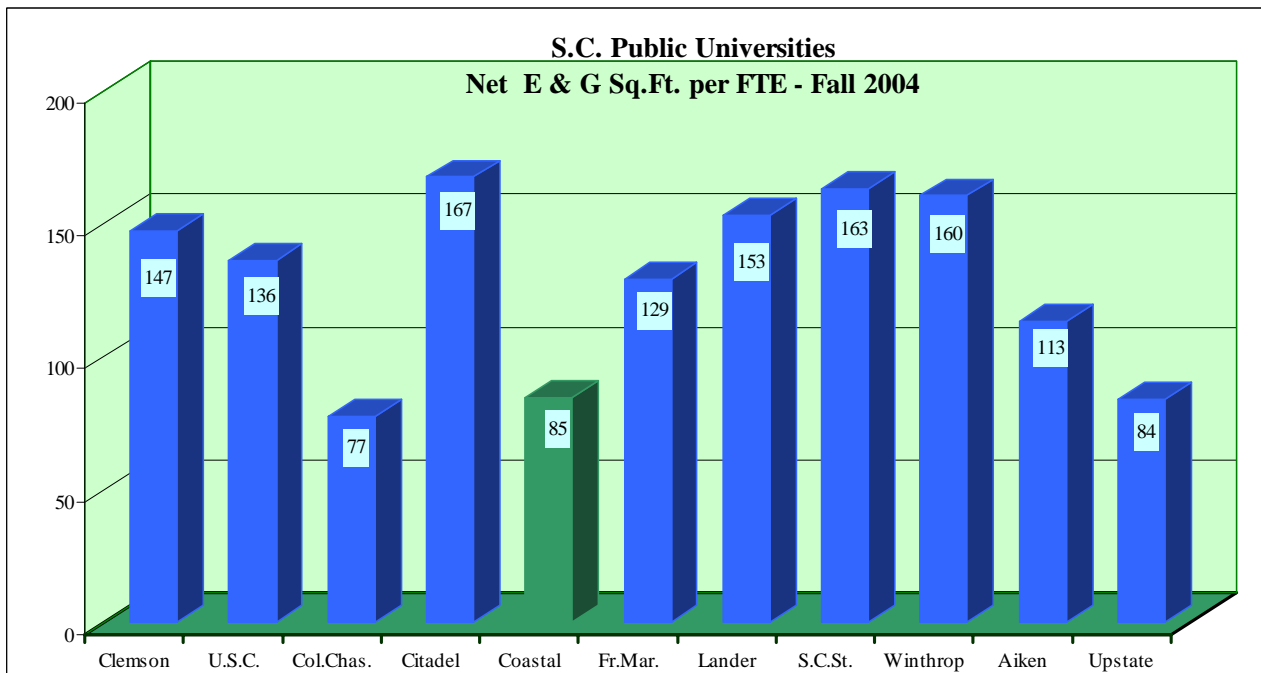
Among public institutions of higher education, Coastal Carolina University ranks as fourth lowest in the State of South Carolina in the total dollars it has received from State Capital Improvement Bonds (CIB's) to be applied to capital projects. The Capital Bond Bill was established in 1968, and the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

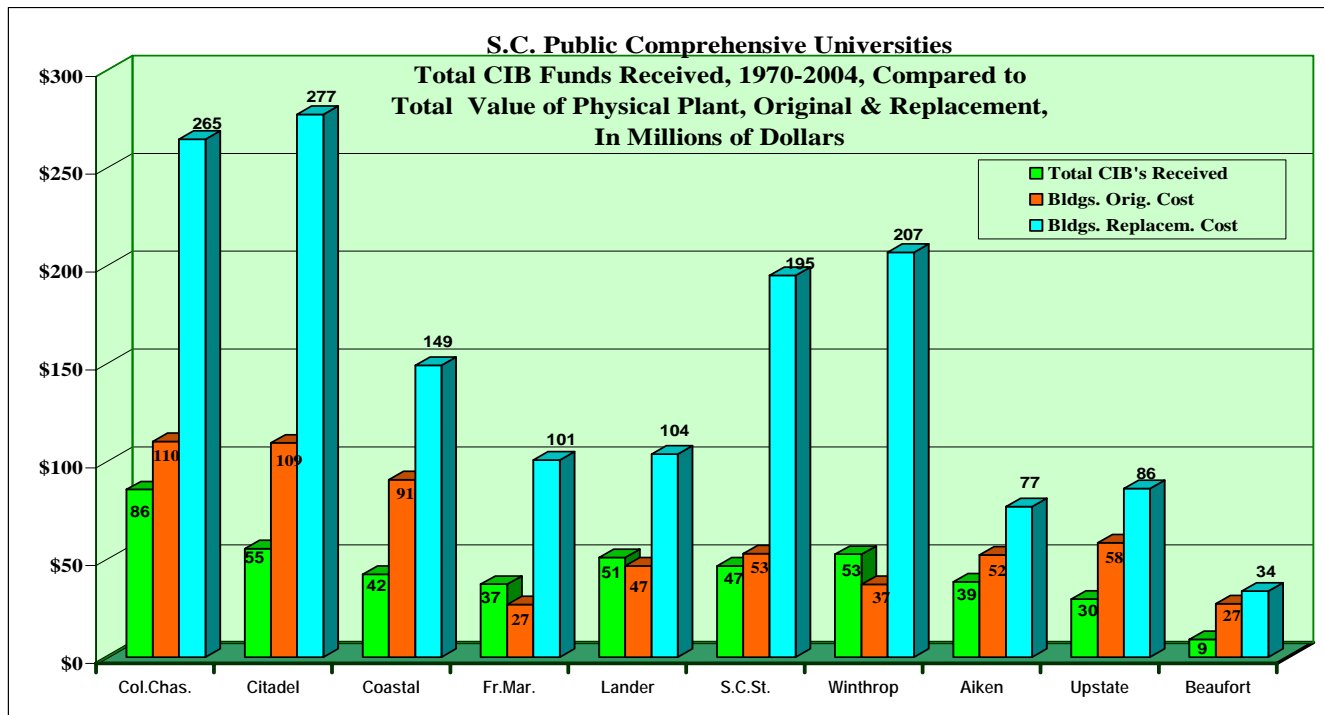
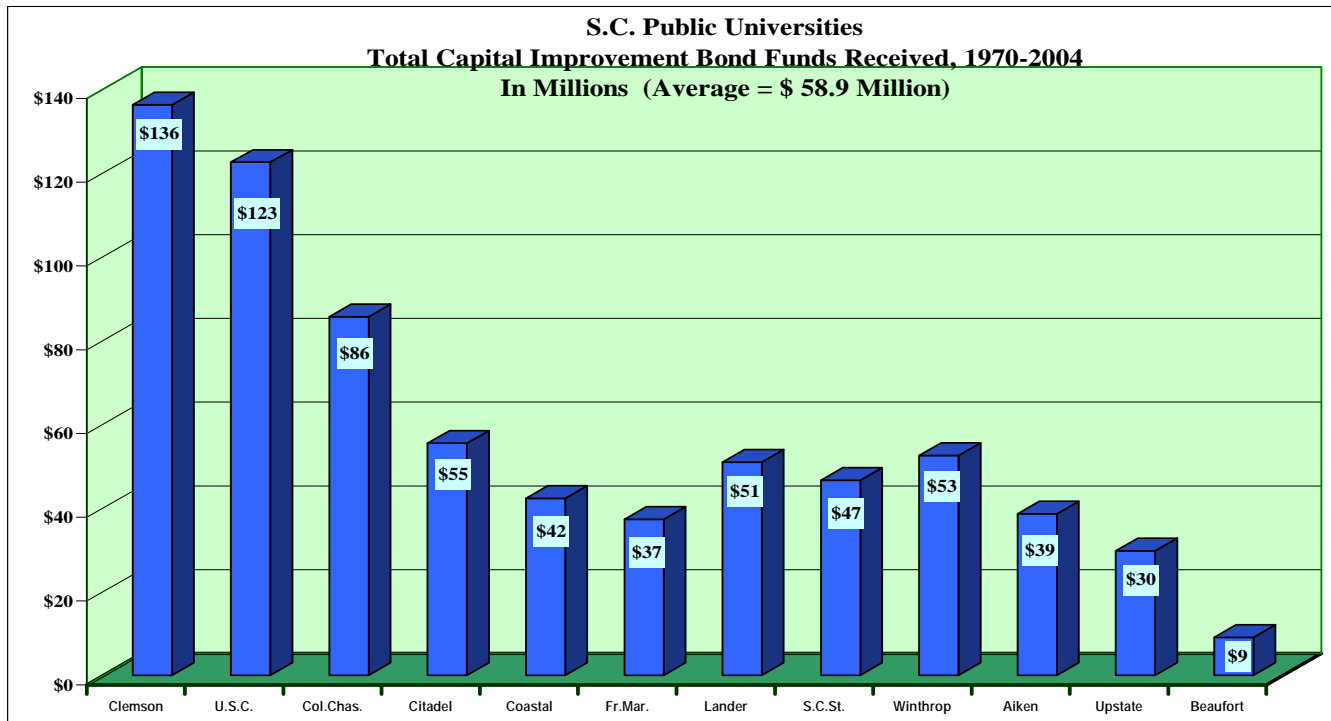
Coastal Carolina University has built a number of its campus buildings without the aid of state capital improvement bonds. Using a combination of private funds, county funded bond issues, institutional bonds, and institutional revenue bonds, Coastal's buildings, including residence halls, now total more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

The South Carolina Commission on Higher Education (CHE) regularly collects data on the number of campus square feet providing educational space per FTE student. The most recent data published by CHE is for Fall 2003. The institutions experiencing a recent growth clearly suffer from inadequacy of educational space. Coastal ranks third lowest among South Carolina public institutions.



The SC CHE collects data on educational space. The most recent data published is for Fall 2004. In spite of recent additions of leased space to meet educational program needs, Coastal continues to rank third lowest in the state in E & G sq. ft. per FTE, primarily as a result of its dramatic growth. Additional space to support its programs and services is the university's most critical need.





SCHEDULE OF BOND COVERAGE

Last Ten Fiscal Years

State General Obligation Bonds

<u>Fiscal Year Ended June 30,</u>	<u>Tuition Pledged for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage Ratio</u>
2005	1,344,290	270,000	335,532	605,532	2.22
2004	968,436	260,000	118,335	378,335	2.56
2003	864,426	-	175,647	175,647	4.92
2002	841,252	325,000	10,969	335,969	2.50
2001	603,631	315,000	25,020	340,020	1.78
2000	577,234	300,000	38,160	338,160	1.71
1999	585,013	290,000	50,302	340,302	1.72
1998	574,413	275,000	61,732	336,732	1.71
1997	538,760	265,000	72,698	337,698	1.60
1996	490,194	255,000	83,256	338,256	1.45

Revenue Bonds

<u>Fiscal Year Ended June 30,</u>	<u>Designated* Net Revenues Available for Debt Service</u>	<u>Bond Proceeds and Interest Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage Ratio</u>
2005	2,797,572		790,000	1,323,270	2,113,270	1.32
2004	2,832,331		640,000	1,444,574	2,084,574	1.36
2003	3,158,675		710,000	1,484,949	2,194,949	1.44
2002	3,351,989		675,000	1,520,460	2,195,460	1.53
2001	2,414,040	712,834	635,000	1,553,845	2,188,845	1.43
2000	1,918,622	956,379	320,000	1,572,755	1,892,755	1.52
1999	1,375,038		265,000	822,884	1,087,884	1.26
1998	1,370,197		245,000	874,733	1,119,733	1.22
1997	1,017,724	391,060	230,000	888,898	1,118,898	1.26
1996	780,895	241,194	125,000	897,089	1,022,089	1.00

*Please see Note 10 to the financial statements for a discussion of the actual funds legally pledged for repayments. The net revenues displayed represent housing operations in 1995 and 1996, the addition of food service beginning in 1997, and the addition of the bookstore in 2000.

COASTAL CAROLINA UNIVERSITY COMPREHENSIVE ANNUAL FINANCIAL REPORT



SINGLE AUDIT SECTION

WALDA WILDMAN, LLC
CERTIFIED PUBLIC ACCOUNTANT

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Columbia, South Carolina · 29210
Telephone 803.216.9800 · Fax 803.216.9498

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

September 12, 2005

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

I have audited the financial statements of Coastal Carolina University as of and for the year ended June 30, 2005 and have issued my report thereon dated September 12, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

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

Walda Wildman LLC

WALDA WILDMAN, LLC
Certified Public Accountant

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

September 12, 2005

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

Compliance

I have audited the compliance of Coastal Carolina University with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Coastal Carolina University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. My responsibility is to express an opinion on the University's compliance based on my audit.

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

In my opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in

relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

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

Walda Wildman LLC

WALDA WILDMAN, LLC
Certified Public Accountant

COASTAL CAROLINA UNIVERISTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2005

1. SUMMARY OF AUDITOR'S RESULTS:

- (I.) An unqualified opinion was issued on the financial statements of Coastal Carolina University.
- (ii.) The audit of the basic financial statements disclosed no reportable conditions in internal control.
- (iii.) The audit disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements which were material to the financial statements.
- (iv.) The audit disclosed no reportable conditions in internal control over major programs.
- (v.) An unqualified opinion was issued on compliance for major programs.
- (vi.) The audit disclosed no findings related to Federal awards.
- (vii.) Major Federal programs for Coastal Carolina University for the fiscal year ended June 30, 2005 are:

<u>Program Name</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Family Education Loans	84.032
Federal Work-study Program	84.033
Federal Pell Grant Program	84.063

- (viii.) The threshold for determining Type A programs for Coastal Carolina University was \$300,000 for the year.
- (ix.) Coastal Carolina qualified as a low-risk auditee under Section .530 of Circular No. A-133.

2. FINDINGS RELATED TO THE AUDIT OF THE BASIC FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS: None.

3. FINDINGS AND QUESTIONED COSTS RELATED TO THE AUDIT OF FEDERAL AWARDS: None.

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

Page 1 of 4

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER			
DEPARTMENT OF COMMERCE			
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION			
<i>Passed through South Carolina Sea Grant Consortium</i>			
Changes in the Geologic Framework of South Carolina's Grand Strand: Regional Stratigraphy, Onshore-Offshore Correlation, Data Integration & Synthesis	11.417	WRIGQ56H	41,776
Data Management, Manipulation, and Dissemination through Web-Based and Online Content for the South Carolina Coastal Erosion Program	11.417	Q56F	46,808
Effects of Inlet Restoration on Control of Invasive Species, Reestablishment of Native Coastal Habitats and Tidal Exchanges at Sandpiper Pond, SC	11.417	P/M-2D-V310	1,571
Developing Approaches and Associated Metrics for Determining Intertidal Oyster Restoration Success Subcontract with SC DNR-MRRI	11.417	NA16RG2250, AM#7	5,193
Project BERM: Beach Erosion Research and Management	11.417	Q66M	55,624
Framework Geology of the Active Shoreface Along the Grand Strand Region of South Carolina	11.417	Q66B	40,257
Data Management & Dissemination through Web-Based and Online Content for the South Carolina Coastal Erosion Study	11.417	00HQAG0208	9,111
Changes in the Geologic Framework of Grand Strand: Regional Stratigraphy, Onshore-Offshore Correlation, Data Integration and Final Synthesis	11.417	Q66H	17,782
Coastal Encounters: A SEPORT Program for Teachers from Horry/Georgetown, SC	11.417		166
			<u>218,289</u>
<i>Passed through South Carolina Department of Health and Environmental Control</i>			
State of South Carolina Beaches: Compilation of SC Beach Profiling Programs 1988-2004	11.419	NA03NOS4190101	6,117
Water Quality Monitoring of Murrells Inlet SAMP Projects	11.426	NA160A2952	5,060
DEPARTMENT OF DEFENSE			
OFFICE OF THE CHIEF OF ENGINEERS, DEPARTMENT OF THE ARMY			
ACE Aerial Photograph Collection for the Grand Strand	12.101	DACW60-03-P-22	3,780
<i>Passed through South Carolina Department of Natural Resources</i>			
Charleston ODMDS Index Reef Characterization	12.999	00700-83527	10,036
Monitoring Studies at the Charleston Ocean Dredged Material Disposal Site	12.999	00700-83527	3,393
			<u>13,430</u>
DEPARTMENT OF THE INTERIOR			
National Fish and Wildlife Foundation Challenge Grant	15.631	2003-0063-000	(1,562)

continued

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

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Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
<i>Passed through South Carolina Sea Grant Consortium</i>			
Project Berm: Beach Erosion Monitoring and Research	15.808	Q46K	(65)
Geologic Framework of the Beach and Shoreface of the North Carolina Coast:			
Lining the Beach and Inner Shelf	15.808	00HAAG0208USGS	5,807
Framework Geology of the Active Shoreface Along the Grand Strand Region			
of South Carolina: Linking the Beach and Inner Shelf	15.808	Q56B	59,325
Project BERM: Beach Erosion Research and Management	15.808	SCSGC Q56K	41,831
<i>Passed through University of South Carolina</i>			
Experimental Cost-Benefit Analyses of Alternative Oyster Reef Restoration Procedures	15.808	2002-0273-000	7,060
Shark Conservation at the Local Level: Connecting Student Research and Citizens	15.808	2002-0273-000	3,929
			<u>117,887</u>
EDMAP 2005	15.810	05HQAG0008	3,625
Bathymetry Study of Ft. George River for Timucuan Ecological and Historic Preserve	15.910	H5040040500	14,601
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
<i>Passed through College of Charleston</i>			
Development of Remote Sensing & Image Analysis Curricula for Integration into			
Selected Marine Science Courses	43.001	NGT5-40099	1,037
Computational Simulations of Starburst Galaxies for Comparison	43.001	NGT5-40099	3,491
Free Traveling Planetary Waves in the Mesosphere	43.001	NGT5-40099	3,501
			<u>8,029</u>
NATIONAL SCIENCE FOUNDATION			
Collaborative Research: Acquisition of a Dual, Complementary Ground Penetrating Radar	47.050	EAR-0323338	1,197
System for Geoscience Research and Teaching in South Carolina RUI: Stratospheric			
Warming and It's Relationship to Surface Climate	47.050	ATM-0213248	37,511
			<u>38,708</u>
<i>Passed through SC-BRIN/EPSCOR</i>			
Biomedical Research Infrastructure Network Proposal	47.074	1 P20-RR16461-01	(1,338)
Mobile Link Organisms as Processors and Transporters of Materials within a	47.074	DEB-0427853	20,080
Marsh-Estuarine Ecosystem			<u>18,742</u>
ENVIRONMENTAL PROTECTION AGENCY			
Community-Based Watershed Management Planning for the Waccamaw Basin	66.461	CD-96416205-0	3,466
Starting with the Kingston Lake Watershed			

continued

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

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Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
DEPARTMENT OF ENERGY			
EPSOR: Thermodynamic and X-ray Studies of Electrically-Ordered	81.119	DEFG0201ER45895	2,426
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			452,597
STUDENT FINANCIAL AID CLUSTER			
DEPARTMENT OF EDUCATION			
Federal Supplemental Educational Opportunity Grants	84.007	PO07A047401	280,940
Federal Family Education Loans	84.032	N/A	26,063,595
Federal Work-Study Program	84.033	PO33A047401	277,164
Federal Pell Grant Program	84.063	PO63PO32202	32,037
Federal Pell Grant Program	84.063	PO063PO42202	4,316,713
			4,348,750
TOTAL STUDENT FINANCIAL AID CLUSTER			* 30,970,449
OTHER PROGRAMS			
DEPARTMENT OF COMMERCE			
<i>Passed through South Carolina Sea Grant Consortium</i>			
Year 2 Expanding the Rising Tide Project: Changing How Researchers, Educators and Students Work Together	11.417	NA16RG2250, AM7	56,051
Watershed Conference	11.417	P/M-2N	710
			56,761
DEPARTMENT OF INTERIOR			
<i>Passed through University of South Carolina</i>			
Creation of a Coastal Carolina Watershed Academy	15.634	04-0903 (subgr)	5,952
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
Preservation Assistance Grant	45.149	PA-50931-05	2,147
Physical Oceanography Curriculum Development	47.050	310474	19,628
NATIONAL FISH AND WILDLIFE SERVICE			
<i>Passed through Friends of Huntington Beach State Park</i>			
Friends of Huntington Beach State Park Sandpiper Pond Restoration of Wetlands and coastal Habitat	66.461		4,660
US DEPARTMENT OF EDUCATION			
<i>Passed through National Writing Project</i>			
Coastal Area Writing Project 2004-2005	84.928	94-SC03#11	30,159

continued

COASTAL CAROLINA UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

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Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through National Youth Sports Corporation</i>			
National Youth Sports Summer Program at Coastal Carolina University	93.570		41,796
<i>Passed through South Carolina BRIN Network</i>			
SC BRIN/EPSCoR Network Seminar Application	93.854	PO#32354J	771
<i>Passed through Medical University of South Carolina</i>			
SC Consortium of Geriatric Education Centers Grant	93.969	HRS#1D31HP70148	6,976
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 31,591,897</u></u>

* Denotes Major Program.

See note to Schedule of Expenditures of Federal Awards.

COASTAL CAROLINA UNIVERSITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2005

1. Summary of Significant Accounting Policies

Basis of Accounting

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

WALDA WILDMAN, LLC
CERTIFIED PUBLIC ACCOUNTANT

Synergy Business Park · Congaree Building · 121 Executive Center Drive · Suite 206
Columbia, South Carolina · 29210
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AUDITOR'S COMMENTS

September 12, 2005

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

During my audit of Coastal Carolina University's financial statements for the year ended June 30, 2005 no matters came to my attention on which I wish to comment.

Walda Wildman LLC

WALDA WILDMAN, LLC
Certified Public Accountant

WALDA WILDMAN, LLC
CERTIFIED PUBLIC ACCOUNTANT

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STATUS OF PRIOR YEAR'S FINDINGS

September 12, 2005

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

During my audit of Coastal Carolina University's financial statements for the year ended June 30, 2005 no matters came to my attention on which I commented.

Walda Wildman LLC

WALDA WILDMAN, LLC
Certified Public Accountant